

**CENTRAL UNION HIGH SCHOOL DISTRICT
COUNTY OF IMPERIAL
EL CENTRO, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2019

Introductory Section

Central Union High School District
 Audit Report
 For The Year Ended June 30, 2019

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Financial Section

Independent Auditor's Report

To the Board of Trustees
Central Union High School District
El Centro, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and other required supplementary information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Union High School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information and the schedule of expenditures of federal awards 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 financial statements and other supplementary information and the schedule of expenditures of federal awards 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 our report dated January 31, 2020 on our consideration of Central Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Central Union High School District's internal control over financial reporting and compliance.

CENTRAL UNION HIGH SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019
(Unaudited)

The discussion and analysis of Central Union High School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report, the District's financial statements and notes to the basic financial statements.

The Management's Discussion and Analysis (MD & A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD & A.

FINANCIAL HIGHLIGHTS

- The increase in Local Control Funding Formula (LCFF) sources from 2017-18 to 2018-19 was \$3.46 million. The increase is due to the State of California funding 100% of the LCFF gap. State revenues have been outpacing forecasts.
- The general fund expenditures increased by \$4.9 million or 9.6% over the previous year amount.
- General Fund expenditures and other uses exceeded revenue and other sources by \$75,900.
- The General Fund ended the fiscal year with 59.1% reserves in unrestricted fund balance.

Overview of the Financial Statements

This annual report consists of the following parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, other supplementary information, and findings and recommendations. These statements are organized so the reader can understand the Central Union High School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Basic Financial Statements

The first two statements are district-wide financial statements, the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the whole School District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's more significant funds with all other non-major funds presented in total in one column.

The financial statements also include notes that explain some of the supplementary information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. A comparison of the District's general fund budget is included.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using methods similar to those used by private-sector companies. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. This basis of accounting takes in account all the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2018-2019?"

The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many non-financial factors, such as the quality of education provided to assess the overall health of the District.

- Increases or decreases in the net position of the District over time are indications of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

Governmental Funds

Most of the School District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund, Cafeteria Fund, and the Building Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They 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 operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Fiduciary Funds

The District is the trustee, or fiduciary, for the student activities funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS

The School District as a Whole

The District's net position was \$37.1 million at June 30, 2019. Of this amount, unrestricted net position was (\$43.1) million, net investment in capital assets was \$39.5 million, and restricted net position was \$40.6 million. A Comparative analysis of government-wide statement of net position is presented in Table 1.

The District's net position increased \$3.3 million this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 77% of total expenses. The administrative activities of the District accounted for just 8% of total costs. The remaining 14% was spent in the areas of plant services and other expenses. (See Figure 2)

(Table 1)
Comparative Statement of Net Position

	Governmental Activities	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Assets		
Cash	\$ 50,551,849	\$ 33,129,211
Accounts receivable	2,723,105	1,994,168
Stores inventory	65,735	74,850
Capital assets	73,631,281	67,910,311
Total Assets	<u><u>\$ 126,971,970</u></u>	<u><u>\$ 103,108,540</u></u>
Deferred Outflows of Resources		
Deferred outflows of resources - OPEB	\$ 223,202	\$ 216,358
Deferred outflows of resources - pensions	15,655,764	16,523,170
Deferred outflows of resources - other	355,826	406,881
Total Deferred Outflows of Resources	<u><u>\$ 16,234,792</u></u>	<u><u>\$ 17,146,409</u></u>
Liabilities		
Accounts payable and other current liabilities	\$ 3,006,249	\$ 1,520,101
Unearned revenue	73,166	1,188,296
Long-term liabilities	96,772,369	77,261,405
Total liabilities	<u><u>\$ 99,851,784</u></u>	<u><u>\$ 79,969,802</u></u>
Deferred Inflows of Resources		
Deferred inflows of resources - OPEB	\$ 348,913	\$ -
Deferred inflows of resources - pensions	5,972,621	6,472,429
Total Deferred Inflows of Resources	<u><u>\$ 6,321,534</u></u>	<u><u>\$ 6,472,429</u></u>
Net Assets		
Net investment in capital assets	39,599,220	\$ 58,873,300
Restricted	40,650,410	15,092,168
Unrestricted	(43,121,184)	(40,152,750)
Total net position	<u><u>\$ 37,128,446</u></u>	<u><u>\$ 33,812,718</u></u>

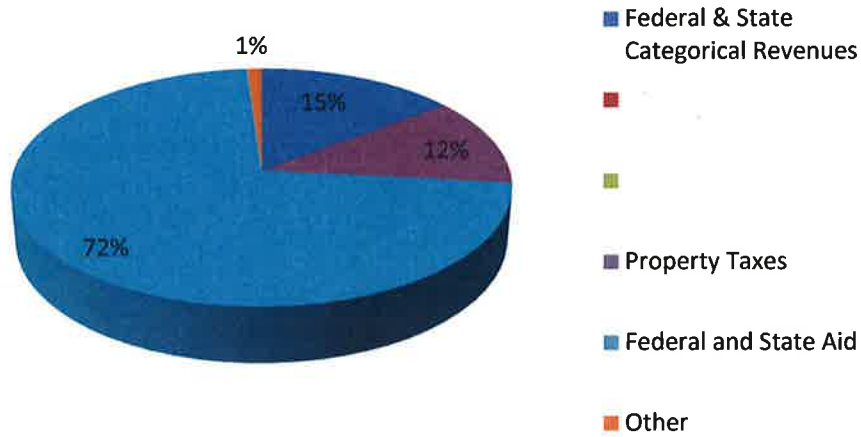
(Table 2)
Comparative Statement of Change in Net Position

	Governmental Activities	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Revenues		
Program revenues		
Charges for services	\$ 244,324	\$ 270,781
Operating and capital grants	8,807,304	8,707,676
General revenues		
Taxes levied for general purposes	4,723,853	4,373,557
Taxes levied for debt service	2,550,555	2,477,135
Taxes levied for other specific purposes	237,026	217,094
Federal and state aid not restricted to specific purposes	44,541,433	41,324,674
Interest and investment earnings	338,782	217,603
Miscellaneous	314,788	808,125
Total Revenues	<u>\$ 61,758,065</u>	<u>\$ 58,396,645</u>
Expenses		
Instruction	31,158,194	31,758,517
Instruction related services	6,445,624	6,320,771
Pupil support services	7,387,138	6,809,580
General administration	4,857,141	3,702,297
Plant services	5,971,592	5,891,418
Other	2,803,796	2,331,630
Total Expenses	<u>\$ 58,623,485</u>	<u>\$ 56,814,213</u>
Increase (Decrease) in net position	3,134,580	1,582,432
Net Position - Beginning Balance	33,812,720	36,891,692
Adjustment for implementation of GASB 75	0	(4,661,404)
Net Position - Ending Balance	<u>\$ 36,947,300</u>	<u>\$ 33,812,720</u>

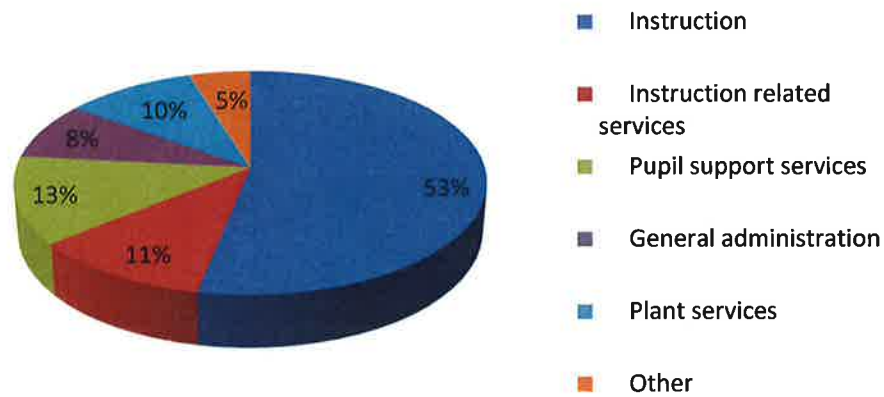
GOVERNMENTAL ACTIVITIES

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$58.6 million. The amount that our local taxpayers financed for these activities through property taxes was \$7.5 million. Federal and State aid not restricted to specific purposes totaled \$44.5 million covering 75.9% of district expenses. Operating grants and contributions revenue was \$8.8 (See Figure 1).

**Sources of Revenue for the 2018-2019
Fiscal Year - Figure 1**



Expenses for the 2018-2019 Fiscal Year - Figure 2



FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District’s operations in more detail than the government-wide statements. The District’s individual fund statements provide information on inflows and outflows and balances of spendable resources. The District’s Governmental Funds reported a combined fund balance of \$50.5 million, an increase of \$17.7 million from the previous fiscal year’s combined ending balance of \$32.8 million.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget regularly. The significant budget adjustments fell into the following categories:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the General Fund reflected a net decrease to the ending balance of \$2.6 million.

The District ended the year with a \$75,900 decrease to the general fund ending balance. The State recommends available reserves of 3% of District expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District has a broad range of capital assets, including school buildings, administrative buildings, site improvements, vehicles, and equipment. Table 3 demonstrates a comparative Schedule of Capital Assets.

(Table 3)
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Net \$ Change</u>	<u>Net % Change</u>
Land	\$ 8,163,554	\$ 8,163,554	\$ 0	0.0%
Work in Progress	15,792,538	8,851,083	6,941,455	78.4%
Land Improvements	8,964,057	8,964,057	0	0.0%
Buildings & Improvements	77,284,369	76,882,509	401,860	0.5%
Equipment	9,824,352	9,357,616	466,736	5.0%
Less Accumulated Depreciation:				
Land Improvements	(6,324,712)	(6,159,928)	(164,784)	2.7%
Building Improvements	(34,194,404)	(32,774,728)	(1,419,676)	4.3%
Equipment	(5,878,473)	(5,373,852)	(504,621)	9.4%
Total	<u>\$ 73,631,281</u>	<u>\$ 67,910,311</u>	<u>\$ 5,720,970</u>	<u>8.4%</u>

Long-Term Debt

At June 30, 2019 the District had \$34 million in long-term debt outstanding. Table 4 shows a comparative schedule of long-term debt items.

(Table 4)
Comparative Schedule of Outstanding Debt
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Net \$ Change</u>	<u>Percent Change</u>
General Obligation Bonds	\$ 34,032,061	\$ 17,185,068	\$ 16,846,993	98%
Total	<u>\$ 34,032,061</u>	<u>\$ 17,185,068</u>	<u>\$ 16,846,993</u>	<u>98%</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State's economic downturns and surpluses impact the District's fiscal future dramatically. The financial well-being of the District is tied in large measure to the state funding formula.

The latest enrollment projections indicate a flat enrollment for the District over the next two school years. Student enrollment and attendance are primary factors in the computation of most funding formulae for public schools in the State of California. While ADA growth is not budgeted until realized in the fall, future growth potential is there, but attendance remains the focal point of every budget report.

Predicting the future requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District currently maximizes restricted funds prior to utilizing unrestricted revenues in the budget development process. In addition, personnel practices will evidence early and effective intervention in identifying appropriate personnel actions that need to occur early in future school years experiencing State economic fallout. The District has an excellent track record in meeting this challenge in what has proven to be a long cycle of lean years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general over view 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 additional financial information, please contact the business office, at Central Union High School District, 351 W Ross Ave, El Centro, California 92243.

CENTRAL UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Cash	\$ 50,551,849
Receivables	2,541,957
Stores	65,735
Capital Assets:	
Land	8,163,554
Land Improvements	8,964,057
Buildings	77,284,367
Equipment	9,824,352
Work in Progress	15,792,538
Less Accumulated Depreciation	(46,397,587)
Total Assets	<u>126,790,822</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>16,234,794</u>
LIABILITIES	
Accounts Payable	3,006,249
Unearned Revenue	73,166
Long-Term Liabilities:	
Due Within One Year	1,513,747
Due in More Than One Year	95,208,620
Total Liabilities	<u>99,801,782</u>
DEFERRED INFLOWS OF RESOURCES	<u>6,276,534</u>
NET POSITION	
Net Investment in Capital Assets	39,599,220
Restricted for:	
Capital Projects	21,656,413
Debt Service	4,205,392
Educational Programs	1,962,765
Other Purposes (Expendable)	12,685,105
Other Purposes (Nonexpendable)	146,735
Unrestricted	(43,308,330)
Total Net Position	<u>\$ 36,947,300</u>

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICTSTATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					Governmental Activities
Instruction	\$ 31,158,194	\$ --	\$ 3,404,565	\$ 100	\$ (27,753,529)
Instruction-Related Services:					
Instructional Supervision and Administration	2,149,574	--	470,647	--	(1,678,927)
Instructional Library, Media and Technology	502,449	--	109,654	--	(392,795)
School Site Administration	3,793,601	--	625,483	--	(3,168,118)
Pupil Services:					
Home-to-School Transportation	1,493,271	--	3,821	--	(1,489,450)
Food Services	2,129,604	229,741	1,741,544	--	(158,319)
All Other Pupil Services	3,764,263	--	407,647	--	(3,356,616)
General Administration:					
Centralized Data Processing	1,204,274	--	1,981	--	(1,202,293)
All Other General Administration	3,652,867	12,537	488,549	--	(3,151,781)
Plant Services	5,971,592	2,046	1,551,466	--	(4,418,080)
Ancillary Services	1,068,389	--	1,418	--	(1,066,971)
Community Services	205,354	--	429	--	(204,925)
Interest on Long-Term Debt	629,329	--	--	--	(629,329)
Other Outgo - Transfers Between Agencies	900,724	--	--	--	(900,724)
Total Expenses	\$ 58,623,485	\$ 244,324	\$ 8,807,204	\$ 100	\$ (49,571,857)
General Revenues:					
Taxes and Subventions:					
					4,723,853
					2,550,555
					237,026
					44,541,433
					338,782
					314,788
					<u>\$ 52,706,437</u>
					3,134,580
					33,812,720
					<u>\$ 36,947,300</u>

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Cafeteria Fund
ASSETS:		
Cash in County Treasury	\$ 15,881,281	\$ 562,235
Cash in Revolving Fund	75,000	--
Accounts Receivable	1,906,423	219,192
Due from Other Funds	628,401	320,676
Stores Inventories	40,655	25,080
Total Assets	<u>18,531,760</u>	<u>1,127,183</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 1,538,190	\$ 20,710
Due to Other Funds	338,795	568,604
Unearned Revenue	73,166	--
Total Liabilities	<u>1,950,151</u>	<u>589,314</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	75,000	--
Stores Inventories	40,655	25,080
Restricted Fund Balances	1,721,727	512,789
Committed Fund Balances	1,175,392	--
Assigned Fund Balances	3,766,949	--
Unassigned:		
Reserve for Economic Uncertainty	9,801,886	--
Total Fund Balance	<u>16,581,609</u>	<u>537,869</u>
Total Liabilities and Fund Balances	<u>\$ 18,531,760</u>	<u>\$ 1,127,183</u>

The accompanying notes are an integral part of this statement.

Building Fund	Other Governmental Funds	Total Governmental Funds
\$ 22,592,427	\$ 11,440,906	\$ 50,476,849
--	--	75,000
97,604	318,738	2,541,957
--	18,120	967,197
--	--	65,735
<u>22,690,031</u>	<u>11,777,764</u>	<u>54,126,738</u>
\$ 1,033,618	\$ 41,561	\$ 2,634,079
--	59,798	967,197
--	--	73,166
<u>1,033,618</u>	<u>101,359</u>	<u>3,674,442</u>
--	--	75,000
--	--	65,735
21,656,413	597,499	24,488,428
--	4,205,394	5,380,786
--	6,873,512	10,640,461
--	--	9,801,886
<u>21,656,413</u>	<u>11,676,405</u>	<u>50,452,296</u>
<u>\$ 22,690,031</u>	<u>\$ 11,777,764</u>	<u>\$ 54,126,738</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2019

Total fund balances, governmental funds \$ 50,452,296

Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

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

Capital assets relating to governmental activities, at historical cost:	120,028,868	
Accumulated depreciation:	(46,397,587)	
Net		73,631,281

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was: (372,168)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consisted of:

General obligation bonds	34,032,061	
Net pension liability	52,495,534	
Compensated absences	214,864	
Total OPEB liability	9,979,910	
Total		(96,722,369)

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

Deferred outflows of resources relating to pensions	15,655,766	
Deferred inflows of resources relating to pensions	(5,927,621)	

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

Deferred outflows of resources relating to OPEB	223,202	
Deferred inflows of resources relating to OPEB	(348,913)	

Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was: 355,826

Total net position, governmental activities \$ 36,947,300

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Cafeteria Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 35,432,169	\$ --
Education Protection Account Funds	7,508,999	--
Local Sources	4,668,960	--
Federal Revenue	2,832,491	1,608,321
Other State Revenue	7,952,279	167,212
Other Local Revenue	1,459,565	520,020
Total Revenues	<u>59,854,463</u>	<u>2,295,553</u>
Expenditures:		
Current:		
Instruction	30,012,944	--
Instruction - Related Services	6,218,907	--
Pupil Services	5,307,437	2,261,241
Ancillary Services	1,091,957	--
Community Services	211,470	--
General Administration	4,016,914	112,244
Plant Services	5,992,572	18,314
Other Outgo	653,424	--
Capital Outlay	3,269,876	--
Debt Service:		
Principal	--	--
Interest	--	--
Total Expenditures	<u>56,775,501</u>	<u>2,391,799</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,078,962</u>	<u>(96,246)</u>
Other Financing Sources (Uses):		
Transfers In	1,665,676	160,000
Transfers Out	(4,820,538)	--
Proceeds From Sale of Bonds	--	--
Other Sources	--	--
Total Other Financing Sources (Uses)	<u>(3,154,862)</u>	<u>160,000</u>
Net Change in Fund Balance	(75,900)	63,754
Fund Balance, July 1	16,657,509	474,115
Fund Balance, June 30	<u>\$ 16,581,609</u>	<u>\$ 537,869</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Building Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 35,432,169
--	--	7,508,999
--	--	4,668,960
--	247,317	4,688,129
--	919,814	9,039,305
169,541	3,011,566	5,160,692
<u>169,541</u>	<u>4,178,697</u>	<u>66,498,254</u>
--	499,916	30,512,860
--	496,184	6,715,091
--	53,321	7,621,999
--	--	1,091,957
--	--	211,470
--	85,041	4,214,199
248,150	71,129	6,330,165
--	--	653,424
4,413,035	110,706	7,793,617
--	2,070,000	2,070,000
--	582,540	582,540
<u>4,661,185</u>	<u>3,968,837</u>	<u>67,797,322</u>
<u>(4,491,644)</u>	<u>209,860</u>	<u>(1,299,068)</u>
--	3,000,000	4,825,676
--	(5,138)	(4,825,676)
18,000,000	--	18,000,000
--	1,013,512	1,013,512
<u>18,000,000</u>	<u>4,008,374</u>	<u>19,013,512</u>
13,508,356	4,218,234	17,714,444
8,148,057	7,458,171	32,737,852
<u>\$ 21,656,413</u>	<u>\$ 11,676,405</u>	<u>\$ 50,452,296</u>

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

Total change in fund balances, governmental funds	\$ 17,714,444
<p>Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:</p>	
<p>Capital Outlay: In governmental funds, the cost of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:</p>	
Expenditures for capital outlay	7,810,049
Depreciation expense	<u>(2,089,079)</u>
Net	5,720,970
<p>Debt service: In governmental funds, repayment of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long term debt were:</p>	
	2,070,000
<p>Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount were:</p>	
	(18,766,212)
<p>Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the governmental-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:</p>	
	(326,450)
<p>Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:</p>	
	(2,709,227)
<p>Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:</p>	
	(542,293)
<p>Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding, for the period is:</p>	
	45,466
<p>Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:</p>	
	<u>(72,118)</u>
Change in net position of governmental activities	\$ <u><u>3,134,580</u></u>

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 516,014
Total Assets	<u>516,014</u>
LIABILITIES:	
Due to Student Groups	\$ 516,014
Total Liabilities	<u>516,014</u>
NET POSITION:	
Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

A. Summary of Significant Accounting Policies

Central Union High School District (District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

1. Reporting Entity

The District operates under a locally elected Board form of government and provides educational services as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

2. Component Units

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

Based on the criteria in GASB Statements 14, 39, and 61, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statements.

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

Cafeteria Special Revenue Fund. This fund is used to account separately for federal, state, and local resources to operate the food service program (Education Code Sections 38090-38093).

In addition, the District reports the following fund types:

Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds. These funds are used to account for the acquisition and/or construction of all major governmental capital assets.

Debt Service Funds. These funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

4. Encumbrances

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

5. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts.

6. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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

Non-exchange transactions are transactions in which the District receives value without directly giving equal value in return, including 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.

b. Expenses/Expenditures

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

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

7. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the Imperial County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Imperial County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

e. Unearned Revenue

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

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Imperial bills and collects the taxes for the District.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

i. Minimum Fund Balance

The District maintains a minimum reserve, within the general fund, an amount not less than three percent or the amount required by state law. The minimum reserve shall apply towards the established three percent minimum Reserve for Economic Uncertainties or an amount that meets or exceeds the requirements by law. The primary purpose of this reserve is to avoid the need for service level reductions in the event of an economic downturn which causes revenues to come in lower than budget. The reserve may be increased from time to time in order to address specific anticipated shortfalls. The District believes a reserve at this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

8. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

9. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 14 (Deferred Maintenance Fund), Fund 17 (Special Reserve Fund for Other Than Capital Outlay), and Fund 20 (Special Reserve Fund for Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

11. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

12. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

- Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs: Unobservable inputs for an asset or liability.

12. Change in Accounting Policies

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2019. Those newly implemented pronouncements are as follows:

GASB 83 - Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 83.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

There have been no adjustments to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 88.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Fair Value Measurement

The District's investments at June 30, 2019, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	<u>Fair Value Measurement Using</u>			
	<u>Amount</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
External investment pools measured at fair value				
Imperial County Treasury	\$ 50,476,849	\$ --	\$ 50,476,849	\$ --
Total investments by fair value level	\$ 50,476,849	\$ --	\$ 50,476,849	\$ --

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 investments in the pool is reported in the accounting financial statements as 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 the 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.

The Imperial County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

CENTRAL UNION HIGH SCHOOL DISTRICT
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D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Imperial County Treasury as part of the common investment pool (\$50,476,849 as of June 30, 2019). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$50,476,849. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$516,014 as of June 30, 2019) and in the revolving fund (\$75,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

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

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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

4. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk.

At June 30, 2019, credit risk for the District's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer's Investment Pool	Unrated	Not Applicable	\$ 50,476,849

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

As of June 30, 2019, the District's bank balances, and investments (including revolving cash) were not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

CENTRAL UNION HIGH SCHOOL DISTRICT
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d. Interest Rate Risk

This is the risk that changes in 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 manages its exposure to interest rate risk by investing in the county pool. As of June 30, 2019 the Imperial County treasurer did not hold any investments in debt securities and as such the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

5. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

E. Accounts Receivable

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

	Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Cafeteria Fund	Building Fund		
Federal Government:					
Special education	\$ 557,128	\$ --	\$ --	\$ --	\$ 557,128
Title I	327,196	--	--	--	327,196
Other federal programs	254,208	180,669	--	163,839	598,716
State Government:					
Lottery	183,753	--	--	--	183,753
Special education	2,012	--	--	--	2,012
Other state programs	412,056	13,162	--	93,005	518,223
Local Sources:					
Interest	99,547	2,710	97,604	57,245	257,106
Other local sources	70,523	22,651	--	4,649	97,823
Totals	\$ 1,906,423	\$ 219,192	\$ 97,604	\$ 318,738	\$ 2,541,957

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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F. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,163,554	\$ --	\$ --	\$ 8,163,554
Work in progress	8,851,083	6,941,455	--	15,792,538
Total capital assets not being depreciated	<u>17,014,637</u>	<u>6,941,455</u>	<u>--</u>	<u>23,956,092</u>
Capital assets being depreciated:				
Buildings	76,882,509	401,858	--	77,284,367
Site improvements	8,964,057	--	--	8,964,057
Equipment	9,357,616	466,736	--	9,824,352
Total capital assets being depreciated	<u>95,204,182</u>	<u>868,594</u>	<u>--</u>	<u>96,072,776</u>
Less accumulated depreciation for:				
Buildings	(32,774,728)	(1,419,676)	--	(34,194,404)
Site improvements	(6,159,928)	(164,784)	--	(6,324,712)
Equipment	(5,373,852)	(504,619)	--	(5,878,471)
Total accumulated depreciation	<u>(44,308,508)</u>	<u>(2,089,079)</u>	<u>--</u>	<u>(46,397,587)</u>
Total capital assets being depreciated, net	<u>50,895,674</u>	<u>(1,220,485)</u>	<u>--</u>	<u>49,675,189</u>
Governmental activities capital assets, net	<u>\$ 67,910,311</u>	<u>\$ 5,720,970</u>	<u>\$ --</u>	<u>\$ 73,631,281</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,880,171
Pupil Services	125,345
General Administration	10,445
Plant Services	73,118
	<u>\$ 2,089,079</u>

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2019, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Nonmajor Govt. Funds	\$ 18,120	Reimburse expenses
Cafeteria Fund	General Fund	568,604	Program contributions
General Fund	Cafeteria Fund	320,676	Reimburse expenses
Nonmajor Govt. Funds	General Fund	59,797	Program contributions
	Total	<u>\$ 967,197</u>	

All amounts due are scheduled to be repaid within one year.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2019, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	General Fund	\$ 1,660,538	Transfer for designations
General Fund	Nonmajor Govt. Funds	3,000,000	Capital projects and program contributions
General Fund	Cafeteria Fund	160,000	Reimburse expenses
Nonmajor Govt. Funds	General Fund	5,138	Reimburse expenses
	Total	\$ <u>4,825,676</u>	

H. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

I. Accounts Payable

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

	Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Cafeteria Fund	Building Fund		
Vendor payables	\$ 1,632,144	\$ 5,980	\$ 1,033,618	\$ 18,797	\$ 2,690,539
Payroll and related benefits	19,518	--	--	--	19,518
Pension related liabilities	(113,472)	14,730	--	22,764	(75,978)
Totals	\$ <u>1,538,190</u>	\$ <u>20,710</u>	\$ <u>1,033,618</u>	\$ <u>41,561</u>	\$ <u>2,634,079</u>

J. Unearned Revenue

Unearned revenue at June 30, 2019, consisted of:

	General Fund
Federal Government:	
Categorical Programs	\$ 42,265
Economic Impact Aid	14,113
State Government:	
Career & Technical Education Grant	318
Local Sources:	
Local Grants	16,470
Total Unearned Revenue	\$ <u>73,166</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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K. Deferred Inflows of Resources

A summary of activity of deferred inflows of resources for the year ended June 30, 2019 is as follows:

Description	Issue Date	Balance July 1, 2018	Current Additions	Current Year Amortization	Balance June 30, 2019
Pension Related	Varies	\$ 6,472,429	\$ 2,029,768	\$ 2,574,576	\$ 5,927,621
OPEB Related	Varies	--	348,913	--	348,913
Totals		<u>\$ 6,472,429</u>	<u>\$ 2,378,681</u>	<u>\$ 2,574,576</u>	<u>\$ 6,276,534</u>

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related	OPEB Related
2020	\$ 2,065,998	\$ 45,313
2021	1,901,577	45,313
2022	1,590,094	45,313
2023	369,952	45,313
2024	--	45,313
Thereafter	--	122,348
Total	<u>\$ 5,927,621</u>	<u>\$ 348,913</u>

L. Deferred Outflows of Resources

A summary of the deferred outflows of resources as of June 30, 2019 is as follows:

Description	Amortization Term	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
2011 Loss on Refunding Bonds	13 Years	\$ 184,085	\$ --	\$ 26,298	\$ 157,787
2016 Loss on Refunding Bonds	10 Years	222,794	--	24,755	198,039
OPEB Related	Varies	216,358	6,844	--	223,202
Pension Related	Varies	16,523,170	7,476,382	8,343,788	15,655,764
Total Deferred Outflows of Resources		<u>\$ 17,146,407</u>	<u>\$ 7,483,226</u>	<u>\$ 8,394,841</u>	<u>\$ 16,234,792</u>

Future amortization of deferred outflows of resources is as follows

Year Ending June 30	2011 Ref. Loss	2016 Ref. Loss	OPEB Related	Pension Related	Total
2020	\$ 26,298	\$ 24,755	\$ 223,202	\$ 9,196,456	\$ 9,470,711
2021	26,298	24,755	--	3,269,844	3,320,897
2022	26,298	24,755	--	2,728,866	2,779,919
2023	26,298	24,755	--	460,598	511,651
2024	26,298	24,755	--	--	51,053
2025-2029	26,297	74,264	--	--	100,561
Totals	<u>\$ 157,787</u>	<u>\$ 198,039</u>	<u>\$ 223,202</u>	<u>\$ 15,655,764</u>	<u>\$ 16,234,792</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

M. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2019 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds					
Principal balance	\$ 16,190,000	\$ 18,000,000	\$ 2,070,000	\$ 32,120,000	\$ 1,225,000
Bond premium	995,068	1,013,512	96,519	1,912,061	73,883
Total GO Bonds	<u>17,185,068</u>	<u>19,013,512</u>	<u>2,166,519</u>	<u>34,032,061</u>	<u>1,298,883</u>
Total OPEB liability	9,779,686	200,224	--	9,979,910	--
Net pension liability	50,153,905	2,341,629	--	52,495,534	--
Compensated absences *	142,746	72,118	--	214,864	214,864
Total governmental activities	<u>\$ 77,261,405</u>	<u>\$ 21,627,483</u>	<u>\$ 2,166,519</u>	<u>\$ 96,722,369</u>	<u>\$ 1,513,747</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General Fund & Cafeteria Fund
Net Pension Liability	Governmental	General Fund & Cafeteria Fund
Total OPEB	Governmental	General Fund & Cafeteria Fund

2. General Obligation Bonds

General obligation bonds at June 30, 2019 consisted of the following:

	Issue Date	Interest Rate	Maturity Date	Original Issue Amount
2011 Refunding Bonds	11/17/11	2.00-4.00%	08/01/24	\$ 9,165,000
2016 Refunding Bonds	11/17/16	2.00-4.00%	08/01/26	2,480,000
2016 Bonds	11/17/16	2.00-4.00%	08/01/46	12,000,000
2016 Series 2019	04/18/19	1.375-5.00%	08/01/49	18,000,000
Total GO Bonds				<u>\$ 41,645,000</u>

	Beginning Balance	Issued Current Year	Redeemed Current Year	Ending Balance
2011 Refunding Bonds	\$ 2,430,000	\$ --	\$ 1,285,000	\$ 1,145,000
2011 Bond Premium	87,876	--	46,469	41,407
2016 Refunding Bonds	2,060,000	--	370,000	1,690,000
2016 Refunding Premium	123,991	--	22,270	101,721
2016 Bonds	11,700,000	--	415,000	11,285,000
2016 Bond Premium	783,201	--	27,780	755,421
2016 Series 2019	--	18,000,000	--	18,000,000
2016 Bond Premium	--	1,013,512	--	1,013,512
Total GO Bonds	<u>\$ 17,185,068</u>	<u>\$ 19,013,512</u>	<u>\$ 2,166,519</u>	<u>\$ 34,032,061</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The annual requirements to amortize bonds at June 30, 2019 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,225,000	\$ 1,076,452	\$ 2,301,452
2021	2,080,000	1,189,288	3,269,288
2022	935,000	1,155,900	2,090,900
2023	280,000	1,151,900	1,431,900
2024	285,000	1,797,200	2,082,200
2025-2029	1,765,000	5,475,810	7,240,810
2030-2034	2,480,000	5,108,150	7,588,150
2035-2039	4,275,000	4,519,456	8,794,456
2040-2044	6,540,000	3,611,325	10,151,325
2045-2049	12,255,000	1,854,205	14,109,205
Totals	<u>\$ 32,120,000</u>	<u>\$ 26,939,686</u>	<u>\$ 59,059,686</u>

Bond Premiums

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond. The premiums are amortized over the life of the bond using the effective interest rate method.

The following bonds were issued at a premium or resulting in effective interest as follows:

	<u>2011 Bonds</u>	<u>2016 Refunding</u>	<u>2016 Bonds</u>
Total Interest	\$ 1,578,251	\$ 279,286	\$ 10,233,199
Less Bond Premium	(331,433)	(149,271)	(803,285)
Net Interest	<u>\$ 1,246,818</u>	<u>\$ 130,015</u>	<u>\$ 9,429,914</u>
Par Amount of Bonds	\$ 9,165,000	\$ 2,480,000	\$ 12,000,000
Periods	14	10	30
Effective Interest Rate	0.97%	0.52%	2.62%
	<u>2016 Bonds</u>		
Total Interest	\$ 34,300,364		
Less Bond Premium	(1,013,512)		
Net Interest	<u>\$ 33,286,852</u>		
Par Amount of Bonds	\$ 18,000,000		
Periods	30		
Effective Interest Rate	6.16%		

3. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2019 amounted to \$214,864. This amount is included as part of long-term liabilities in the government-wide financial statements.

4. Net Pension Liability

The District's beginning net pension liability was \$50,153,905 and increased by \$2,341,629 during the year ended June 30, 2019. The ending net pension liability at June 30, 2019 was \$52,495,534. See Note O for additional information regarding the net pension liability.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

5. Total OPEB Liability

The District's beginning OPEB liability was \$9,779,686 and increased during the year ended June 30, 2019 by \$200,224. The ending total OPEB liability at June 30, 2019 was \$9,979,910. See Note P for additional information regarding the total OPEB liability.

N. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreements (JPA's) entities, the Imperial Valley Property and Liability (IVPL) and the Self Insurance Program of Imperial County (SIPIC). The relationship between the District and the JPA's is such that the JPA's are not component units of the District for financial reporting purposes.

The JPA's arrange for and provide workers' compensation, health, and property and liability insurance for its members. The JPA's are each governed by a board consisting of a representative from each member entity. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member entities beyond their representation on the board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA's.

Complete financial information for IVPL was not available at the time this audit report was issued. It can be obtained by contacting the JPA at 1225 Main Street, El Centro, California 92244.

Complete financial information for SIPIC was not available at the time this audit report was issued. It can be obtained by contacting the JPA at 1398 Sperber Road, El Centro, California 92243.

O. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Paid

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

CENTRAL UNION HIGH SCHOOL DISTRICT
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The Plans' provisions and benefits in effect at June 30, 2019 are summarized as follows:

	CalSTRS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	55-60	55-62
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2019)	10.250%	10.205%
Required Employer Contribution Rates (at June 30, 2019)	16.280%	16.280%
Required State Contribution Rates (at June 30, 2019)	14.772%	14.772%

*Amounts are limited to 120% of Social Security Wage Base.

**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2% at 55	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 2019)	7.000%	7.000%
Required Employer Contribution Rates (at June 30, 2019)	18.062%	18.062%

c. Contributions

CalSTRS

For the fiscal year ended June 30, 2019 (measurement date June 30, 2018), Section 22950 of the California Education code requires members to contribute monthly to the system 10.205% (if hired prior to January 1, 2013) or 10.25% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 16.28% of creditable compensation for the fiscal year ended June 30, 2019. Rates are defined in Section 22950.5 through the fiscal year ending June 30, 2021. Beginning in the fiscal year ending June 30, 2022 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018) the employee contribution rate was 7.00% and employer contribution rate was 18.062% of covered payroll.

CENTRAL UNION HIGH SCHOOL DISTRICT
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On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018) the State contributed 14.772% of salaries creditable to CalSTRS. The contributions made by the State during the fiscal year ended June 30, 2019 included amounts resulting from Senate Bill (SB) 90 settlement in which the State contributed an additional \$2.2 Billion to CalSTRS on behalf of the Districts during the 2018-19 fiscal year in order to reduce contribution rates for Districts in 2019-20 and 2020-21. The contribution resulting from SB 90 made up 42% of the total contributions made by the State on behalf of the District. Consistent with the requirements of GASB 85, the District has recorded these contributions as revenue and expense in the fund financial statements (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). Contributions reported for on behalf payments are based on the District's proportionate share of the State's contribution for the fiscal year.

Contributions made by the State on behalf of the District and the State's pension expense associated with District employees for the the past three fiscal years are as follows:

CalSTRS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2017	7.470%	\$ 1,586,704	\$ 2,704,030
2018	8.292%	1,800,121	760,304
2019	14.772%	3,389,042	(655,094)

CalPERS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	7.971%	\$ 634,712	--

d. Contributions Recognized

For the fiscal year ended June 30, 2019 (measurement period June 30, 2018), the contributions recognized for each plan were:

	Fund Financial Statements (Current Financial Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 3,735,084	\$ 1,438,304	\$ 5,173,388
Contributions - State On Behalf Payments	3,389,042	634,712	4,023,754
Total Contributions	\$ 7,124,126	\$ 2,073,016	\$ 9,197,142

	Government-Wide Financial Statements (Economic Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 3,132,500	\$ 1,159,378	\$ 4,291,878
Contributions - State On Behalf Payments	3,389,042	634,712	4,023,754
Total Contributions	\$ 6,521,542	\$ 1,794,090	\$ 8,315,632

CENTRAL UNION HIGH SCHOOL DISTRICT
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YEAR ENDED JUNE 30, 2019

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 37,567,904
CalPERS	14,927,630
Total Net Pension Liability	<u>\$ 52,495,534</u>

The District's net pension liability for each Plan is measured as the proportionate share of the total net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, as actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2018 and June 30, 2019 were as follows:

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	
Proportion June 30, 2018	0.0402%	0.0239%	0.0641%	0.0545%
Proportion June 30, 2019	0.0409%	0.0235%	0.0644%	0.0560%
Change in Proportion	<u>0.0007%</u>	<u>-0.0004%</u>	<u>0.0003%</u>	<u>0.0015%</u>

a. Pension Expense

For the measurement period ended June 30, 2018 (fiscal year June 30, 2019), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ 417,664	\$ 1,923,965	\$ 2,341,629
State On Behalf Pension Expense	(655,094)	--	(655,094)
Employer Contributions to Pension Expense	3,735,084	1,438,304	5,173,388
(Increase)/Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(577,624)	(275,045)	(852,669)
Difference Between Actual & Expected Experience	32,057	(615,826)	(583,769)
Change in Assumptions	1,605,876	304,926	1,910,802
Change in Proportionate Shares	(187,798)	(148,360)	(336,158)
Net Difference Between Projected & Actual Earnings	2,706	726,494	729,200
Increase/(Decrease) in Deferred Inflows of Resources			
Difference Between Actual & Expected Experience	26,775	--	26,775
Change in Assumptions	--	(122,421)	(122,421)
Change in Proportionate Shares	(361,051)	(39,689)	(400,740)
Net Difference Between Projected & Actual Earnings	397,617	(401,039)	(3,422)
Total Pension Expense	<u>\$ 4,436,212</u>	<u>\$ 2,791,309</u>	<u>\$ 7,227,521</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

b. Deferred Outflows and Inflows of Resources

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 3,735,084	\$ 1,438,304	\$ 5,173,388
Differences between actual and expected experience	96,169	1,202,095	1,298,264
Changes in assumptions	4,817,627	1,721,090	6,538,717
Change in employer's proportionate share	855,380	637,176	1,492,556
Net difference between projected and actual earnings	4,013	1,148,826	1,152,839
Total Deferred Outflows of Resources	<u>\$ 9,508,273</u>	<u>\$ 6,147,491</u>	<u>\$ 15,655,764</u>

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (33,490)	\$ --	\$ (33,490)
Changes in assumptions	--	(122,420)	(122,420)
Change in employer's proportionate share	(771,888)	(39,688)	(811,576)
Net difference between projected and actual earnings	(3,913,704)	(1,091,431)	(5,005,135)
Total Deferred Inflows of Resources	<u>\$ (4,719,082)</u>	<u>\$ (1,253,539)</u>	<u>\$ (5,972,621)</u>

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2020. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2020	\$ 5,839,910	\$ 3,356,546	\$ (1,569,450)	\$ (496,548)	\$ 7,130,458
2021	1,769,636	1,500,208	(1,567,137)	(334,440)	1,368,267
2022	1,768,329	960,537	(1,255,653)	(334,441)	1,138,772
2023	130,398	330,200	(326,842)	(88,110)	45,646
Total	<u>\$ 9,508,273</u>	<u>\$ 6,147,491</u>	<u>\$ (4,719,082)</u>	<u>\$ (1,253,539)</u>	<u>\$ 9,683,143</u>

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2019 were based on actuarial valuations were determined using the following actuarial assumptions:

Fiscal Year Measurement Date Valuation Date Actuarial Cost Method Actuarial Assumptions:	CalSTRS	CalPERS
	June 30, 2019	June 30, 2019
	June 30, 2018	June 30, 2018
	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.5%
Wage Growth	3.50%	(3)
Investment Rate of Return	7.10%	7.15%
Post Retirement Benefit Increase	(1)	(4)
Mortality	(2)	(5)

CENTRAL UNION HIGH SCHOOL DISTRICT
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- (1) CalSTRS post retirement benefit increases assumed at 2% simple for DB (annually) maintaining 85% purchasing power level for DB. Increases are not applicable for DBS/CBB.
- (2) CalSTRS projects mortality by setting the projection scale equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.
- (3) Wage growth is a component of inflation for CalPERS assumptions.
- (4) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.
- (5) CalPERS mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.10% for CalSTRS and 7.15% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies (where applicable) will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS respective websites.

The CalPERS discount rate was increased from 7.50% to 7.65% at measurement date June 30, 2015 (Fiscal year June 30, 2016) to correct for an adjustment to exclude administrative expenses. Subsequently CalPERS discount rate was decreased from 7.65% to 7.15% at measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from actuarially determined amounts.

The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. The last ALM completed by CalSTRS was conducted in 2015. CalSTRS is in process of completing the next ALM and expects to complete the process by November 2019. CalPERS completed their ALM in 2018 with new policies in effect on July 1, 2018. Both CalSTRS and CalPERS conduct new ALM's every 4 years.

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.

CENTRAL UNION HIGH SCHOOL DISTRICT
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In determining the long-term expected rate of return, CalSTRS and 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 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The tables below reflect the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

CalSTRS

Asset Class	Assumed Asset Allocation	Long Term Expected Real Rate of Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20 year average

CalPERS

Asset Class*	Assumed Asset Allocation	Real Return Years 1-10**	Real Return Years 11+***
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	--	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	--	-0.92%

* In the Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

** An expected inflation of 2.00% used for this period

*** An expected inflation of 2.92% used for this period

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

e. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 55,032,583	\$ 21,733,916
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 37,567,904	\$ 14,927,630
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 23,087,994	\$ 9,280,842

f. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS - Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2018 (Previously Reported)	\$ 193,851,614	\$ 134,640,211	\$ 59,211,403	\$ 22,061,163	\$ 37,150,240
Changes for the year:					
CalSTRS Auditor Adjustment	--	(327,623)	327,623	119,564	208,059
Change in Prop share	1,029,418	714,986	314,432	(337,553)	651,985
Service Cost	4,597,200	--	4,597,200	1,677,656	2,919,544
Interest	13,836,115	--	13,836,115	5,049,410	8,786,705
Differences between expected and actual experience	(60,504)	--	(60,504)	(22,081)	(38,423)
Contributions:					
Employer	--	3,132,475	(3,132,475)	(1,143,179)	(1,989,296)
Employee	--	2,250,393	(2,250,393)	(821,268)	(1,429,125)
State On Behalf Payments	--	1,800,107	(1,800,107)	(656,939)	(1,143,168)
Net Investment Income	--	12,019,409	(12,019,409)	(4,386,414)	(7,632,995)
Other Income	--	67,677	(67,677)	(24,698)	(42,979)
Benefit Payments, including refunds of employee contributions	(9,356,690)	(9,356,690)	--	--	--
Administrative expenses	--	(139,084)	139,084	50,758	88,326
Borrowing Costs	--	(60,664)	--	22,139	(22,139)
Other Expenses	--	(1,080)	1,080	394	686
Net Changes	10,045,359	10,099,906	(54,547)	(472,211)	417,664
Balance at June 30, 2019	\$ 203,896,973	\$ 144,740,117	\$ 59,156,856	\$ 21,588,952	\$ 37,567,904

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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CalPERS - Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2018 (Previously Reported)	\$ 46,230,096	\$ 33,226,431	\$ 13,003,665
Changes for the year:			
Change in Proportionate Share	1,285,796	924,126	361,670
Service Cost	1,216,406	--	1,216,406
Interest	3,451,937	--	3,451,937
Differences between expected and actual experience	1,037,365	--	1,037,365
Change in Assumptions	251,973	--	251,973
Contributions:			
Employer	--	1,159,376	(1,159,376)
Employee	--	533,535	(533,535)
Net Investment Income	--	2,852,523	(2,852,523)
Plan to Plan Resource Movement	--	1	(1)
Benefit Payments, including refunds of employee contributions	(2,269,179)	(2,269,179)	--
Administrative expenses	--	(51,758)	51,758
Other expenses	--	(98,289)	98,289
Net Changes	<u>4,974,298</u>	<u>3,050,335</u>	<u>1,923,963</u>
Balance at June 30, 2019	<u>\$ 51,204,394</u>	<u>\$ 36,276,766</u>	<u>\$ 14,927,628</u>

P. Postemployment Benefits Other Than Pension Benefits

1. General Information About the OPEB Plan

Plan Description

Plan administration. The Central Union High School District (District) administers a single-employer healthcare plan (Plan). The District maintains the same plan for its retirees as for its active employees with the general exception that benefits end when the retiree attains age 65. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits provided. Certificated unit members may retire with District-paid benefits at age 55 with at least 15 years of service with the District. Benefits continue until the retiree reaches age 65. The District's contribution towards medical, dental, vision, and life premiums is limited to a monthly cap of \$907.98 per retiree for 2017-18.

Classified unit members hired prior to July 1, 2005 may retire with District-paid benefits at age 55 with at least 10 years of service with the District. Classified employees hired on or after July 1, 2005 but before July 1, 2008 may retire with District-paid benefits at age 55 with at least 15 years of service with the District. Classified employees hired on or after July 1, 2008 may retire with District-paid benefits at age 55 with at least 20 years of service. Benefits continue until the retiree reaches age 65. The District's contribution towards medical, dental, and vision premiums is limited to a monthly cap of \$ 805.00 per retiree for 2017-18.

Health benefits for Management retirees are subject to Board approval and have been assumed to follow the Certificated guidelines described above, except that Management retirees do not receive District-paid life insurance.

CENTRAL UNION HIGH SCHOOL DISTRICT
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Retired board members do not receive District contributions towards benefits. They are eligible to self-pay for these benefits upon completing a full term of service on the governing board.

Employees Covered by Benefit Terms

At June 30, 2019, the following retirees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	14
Inactive plan members entitled to but not yet receiving benefit payments	--
Active plan members	341
Total number of participants	<u>355</u>

2. Total OPEB Liability

The District's total OPEB liability of \$9,979,910 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00% per annum
Salary Increases	3.00% per annum, in aggregate
Discount Rate	3.62% per annum
Healthcare Cost Trend Rates	6.00% decreasing to 5.00%
Retiree's Share of Costs	0.00% of projected premiums

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

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for pension valuations. The CalPERS mortality table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. The CalSTRS mortality table was developed based on CalSTRS specific data. The table includes mortality improvements set at 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of CalPERS actuarial experience study for the period July 1, 1997 through June 30, 2011 and the CalSTRS experience study for the period July 1, 2010 through June 30, 2015.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 9,779,686
Changes for the year:	
Service cost	626,509
Interest	300,933
Changes in assumptions or other inputs	(394,226)
Benefit payments	(332,992)
Net changes	<u>200,224</u>
Balance at June 30, 2018	\$ <u>9,979,910</u>

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 1-percentage-point lower (2.62%) or 1-percentage-point-higher (4.62%) than the current discount rate:

	<u>1% Decrease (2.62%)</u>	<u>Discount Rate (3.62%)</u>	<u>1% Increase (4.62%)</u>
Total OPEB Liability	\$ 10,798,278	\$ 9,979,910	\$ 9,217,010

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 1-percentage-point-lower (5.00% decreasing to 4.00% per year) or 1-percentage-point higher (7.00% decreasing to 6.00% per year) than the current healthcare cost trend rates:

	<u>1% Decrease 5.00% decreasing to 4.00%</u>	<u>Healthcare Cost Trend Rate 6.00% decreasing to 5.00%</u>	<u>1% Increase 7.00% decreasing to 6.00%</u>
Total OPEB Liability	\$ 8,857,808	\$ 9,779,686	\$ 11,285,749

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

For the year ended June 30, 2018 the District recognized OPEB expense of \$882,129. At June 30, 2018 the District reported deferred outflows and deferred inflows of resources related to the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions made subsequent to measurement date	\$ <u>223,202</u>	\$ <u>348,913</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense during the fiscal year ending June 30, 2020.

CENTRAL UNION HIGH SCHOOL DISTRICT
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YEAR ENDED JUNE 30, 2019

Q. Fund Classification of the Governmental Funds

As of June 30, 2019 components of ending fund balance consisted of the following:

	Major Governmental Funds			Nonmajor Governmental Funds	Total
	General Fund	Building Fund	Cafeteria Fund		
Nonspendable Fund Balances					
Revolving Cash	\$ 75,000	\$ --	\$ --	\$ --	\$ 75,000
Stores Inventory	40,655	--	25,080	--	65,735
Total Nonspendable	115,655	--	25,080	--	140,735
Restricted Fund Balances					
Lottery-Instructional Materials	342,484	--	--	--	342,484
Special Education	12,673	--	--	--	12,673
Learning Communities	470,563	--	--	--	470,563
Professional Development	28,483	--	--	--	28,483
College Readiness Grant	654	--	--	--	654
Low Performing Students Grant	72,768	--	--	--	72,768
CalWORKS for ROCP	--	--	--	348,869	348,869
Adult Education	--	--	--	166,952	166,952
Child Nutrition	--	--	512,789	--	512,789
Capital Projects	--	21,656,413	--	--	21,656,413
Other Restricted	794,103	--	--	81,682	875,785
Total Restricted	1,721,728	21,656,413	512,789	597,503	24,488,433
Committed Fund Balance					
Other	1,175,392	--	--	4,205,392	5,380,784
Total Committed	1,175,392	--	--	4,205,392	5,380,784
Assigned Fund Balances					
OPEB	2,686,237	--	--	--	2,686,237
Other	--	--	--	6,873,510	6,873,510
Deferred Maintenance	1,074,181	--	--	--	1,074,181
Educational Programs	6,530	--	--	--	6,530
Total Assigned	3,766,948	--	--	6,873,510	10,640,458
Unassigned Fund Balances					
For Economic Uncertainty	9,801,886	--	--	--	9,801,886
Total Fund Balance	\$ 16,581,609	\$ 21,656,413	\$ 537,869	\$ 11,676,405	\$ 50,452,296

R. Risk Management

The District is exposed to risk of losses due to:

- a. Torts,
- b. Theft of, damage to, or destruction of assets,
- c. Business interruption,
- d. Errors or omissions,
- e. Job related illnesses or injuries to employees,
- f. Natural disasters,
- g. Other risks associated with public entity risk pools

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Risk management is the process of managing the District's activities to minimize the adverse effects of these risks. The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention (self-insurance), risk transfer to and from an insurer, and risk transfer to a noninsurer.

The District has implemented the risk financing technique of risk transfer to an insurer. The District has purchased property & liability insurance as well as workers compensation insurance to cover any losses resulting from the risks identified above.

The District purchases insurance through joint powers authorities. The District is not obligated to cover any losses beyond the premiums paid for the insurance costs. As a result there has not been a liability recorded for incurred but not reported claims.

S. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

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

T. Subsequent Events

Implementation of New Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2020. Those newly implemented pronouncements are as follows:

GASB 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 these activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District expects adjustments to be made to the financial statements resulting from implementation of this GASB Statement but does not expect the adjustments to be material to the financial statements.

GASB 90 - Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61

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 a permanent fund. Those governments and funds should be measure the majority equity interest at fair value.

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

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

The District does not currently hold any equity interests in legally separate organizations and as such does not anticipate any adjustments to be made to the financial statements as a result of implementing this GASB Statement.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CENTRAL UNION HIGH SCHOOL DISTRICT

EXHIBIT B-1

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 37,507,329	\$ 36,245,748	\$ 35,432,169	\$ (813,579)
Education Protection Account Funds	5,902,980	7,028,034	7,508,999	480,965
Local Sources	3,954,211	4,384,165	4,668,960	284,795
Federal Revenue	2,376,717	3,301,490	2,832,491	(468,999)
Other State Revenue	6,323,839	5,741,643	7,952,279	2,210,636
Other Local Revenue	1,186,310	1,215,090	1,408,425	193,335
Total Revenues	<u>57,251,386</u>	<u>57,916,170</u>	<u>59,803,323</u>	<u>1,887,153</u>
Expenditures:				
Current:				
Certificated Salaries	22,100,265	24,418,759	23,812,298	606,461
Classified Salaries	7,352,160	8,017,140	7,864,635	152,505
Employee Benefits	11,531,050	12,265,190	13,900,941	(1,635,751)
Books And Supplies	4,140,586	4,446,271	2,839,375	1,606,896
Services And Other Operating Expenditures	4,910,314	5,225,470	4,519,033	706,437
Other Outgo	640,953	644,513	653,424	(8,911)
Direct Support/Indirect Costs	(105,500)	(106,860)	(155,108)	48,248
Capital Outlay	1,752,217	2,976,614	2,131,244	845,370
Total Expenditures	<u>52,322,045</u>	<u>57,887,097</u>	<u>55,565,842</u>	<u>2,321,255</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,929,341</u>	<u>29,073</u>	<u>4,237,481</u>	<u>4,208,408</u>
Other Financing Sources (Uses):				
Transfers In	--	--	5,138	5,138
Transfers Out	(4,820,538)	(4,820,538)	(4,820,538)	--
Total Other Financing Sources (Uses)	<u>(4,820,538)</u>	<u>(4,820,538)</u>	<u>(4,815,400)</u>	<u>5,138</u>
Net Change in Fund Balance	108,803	(4,791,465)	(577,919)	4,213,546
Fund Balance, July 1	13,392,579	13,392,579	13,392,579	--
Fund Balance, June 30	<u>\$ 13,501,382</u>	<u>\$ 8,601,114</u>	<u>\$ 12,814,660</u>	<u>\$ 4,213,546</u>

CENTRAL UNION HIGH SCHOOL DISTRICT

EXHIBIT B-2

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Revenue	\$ 1,456,459	\$ 1,324,679	\$ 1,608,321	\$ 283,642
Other State Revenue	117,400	101,517	167,212	65,695
Other Local Revenue	441,500	533,733	520,020	(13,713)
Total Revenues	<u>2,015,359</u>	<u>1,959,929</u>	<u>2,295,553</u>	<u>335,624</u>
Expenditures:				
Current:				
Classified Salaries	907,245	1,037,342	918,209	119,133
Employee Benefits	313,771	350,207	364,223	(14,016)
Books And Supplies	822,576	815,570	949,336	(133,766)
Services And Other Operating Expenditures	53,463	58,385	47,787	10,598
Direct Support/Indirect Costs	105,500	106,860	112,244	(5,384)
Capital Outlay	63,459	44,000	--	44,000
Total Expenditures	<u>2,266,014</u>	<u>2,412,364</u>	<u>2,391,799</u>	<u>20,565</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(250,655)</u>	<u>(452,435)</u>	<u>(96,246)</u>	<u>356,189</u>
Other Financing Sources (Uses):				
Transfers In	<u>160,000</u>	<u>160,000</u>	<u>160,000</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>160,000</u>	<u>160,000</u>	<u>160,000</u>	<u>--</u>
Net Change in Fund Balance	(90,655)	(292,435)	63,754	356,189
Fund Balance, July 1	<u>474,115</u>	<u>474,115</u>	<u>474,115</u>	<u>--</u>
Fund Balance, June 30	<u>\$ 383,460</u>	<u>\$ 181,680</u>	<u>\$ 537,869</u>	<u>\$ 356,189</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2,019	2018	2017	2016	2015	2,014	2,013	2,012	2,011	2,010
District's proportion of the net pension liability (asset)	0.0409%	0.0402%	0.0405%	0.0428%	0.0398%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 37,567,904	\$ 37,150,240	\$ 32,739,719	\$ 28,808,217	\$ 23,251,826	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
State's proportionate share of the net pension liability (asset) associated with the District	21,588,953	22,061,124	19,087,964	15,215,204	15,602,633	N/A	N/A	N/A	N/A	N/A
Total share of net pension liability associated with the District	<u>\$ 59,156,857</u>	<u>\$ 59,211,364</u>	<u>\$ 51,827,683</u>	<u>\$ 44,023,421</u>	<u>\$ 38,854,459</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
District's covered-employee payroll	\$ 21,708,247	\$ 21,239,610	\$ 20,111,296	\$ 19,774,261	\$ 17,631,091	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	173.06%	174.91%	162.79%	145.69%	131.88%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.99%	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 3,735,084	\$ 3,132,500	\$ 2,671,943	\$ 2,157,942	\$ 1,755,954	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(3,735,084)	(3,132,500)	(2,671,943)	(2,157,942)	(1,755,954)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 22,942,776	\$ 21,708,247	\$ 21,239,610	\$ 20,111,295	\$ 19,774,261	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.0560%	0.0545%	0.0528%	0.0503%	0.0520%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 14,927,630	\$ 13,003,665	\$ 10,428,614	\$ 7,407,769	\$ 5,903,710	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 7,464,928	\$ 6,996,119	\$ 6,394,260	\$ 5,588,784	\$ 5,467,960	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	199.97%	185.87%	163.09%	132.55%	107.97%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplementary Information.

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,438,304	\$ 1,159,378	\$ 971,621	\$ 757,528	\$ 657,856	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(1,438,304)	(1,159,378)	(971,621)	(757,528)	(657,856)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 7,963,149	\$ 7,464,928	\$ 6,996,119	\$ 6,394,260	\$ 5,588,784	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	18.062%	15.531%	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides information for those years for which information is available.

See Accompanying Notes to Required Supplementary Information.

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
CUHSD RETIREE HEALTHCARE PLAN
LAST TEN FISCAL YEARS *

	Fiscal Year Ended									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB liability:										
Service cost	\$ --	\$ 608,261	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest	--	282,814	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	--	--	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	--	--	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions or other inputs	--	--	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	--	(291,706)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	--	599,369	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	9,779,686	9,180,317	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	\$ 9,779,686	\$ 9,779,686	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Covered-employee payroll	\$ --	\$ 39,892,441	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Total OPEB liability as a percentage of covered-employee payroll	--	24.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Budgetary Comparison Schedule - General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Deferred Maintenance Fund (Fund 14), Special Reserve Fund for Other (Fund 17), and Special Reserve Fund for Postemployment Benefits (Fund 20) were included with the General Fund. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

General Fund - Fund Financial Statements Ending Fund Balance	\$	--
Less Fund 14 Balance		(1,074,181)
Less Fund 17 Balance		(6,530)
Less Fund 20 Fund Balance		(2,686,237)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	\$	<u>(3,766,948)</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$	--
Change in Fund Balance attributed to Fund 14		(464,468)
Change in Fund Balance attributed to Fund 17		(91)
Change in Fund Balance attributed to Fund 20		(37,459)
General Fund - Budgetary Comparison Schedule Change in Fund Balance	\$	<u>(502,018)</u>

Excess of Expenditures Over Appropriations

As of June 30, 2019, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Employee Benefits	\$ 1,635,751	The District underestimated the increase in STRS and PERS on behalf payments.
Other Outgo	8,911	The District underestimated the cost of tuition to the county office of education.
Cafeteria Fund:		
Employee Benefits	14,016	The District underestimated the increase in STRS and PERS on behalf payments.
Materials and Supplies	133,766	The District underestimated the value of USDA commodities
Direct Support	5,384	The District underestimated the cost of support

Amounts in excess of appropriations were not considered a violation of any laws, regulations, contracts or grant agreements and did not have a direct or material effect on the financial statements.

Schedule of District's Proportionate Share - California State Teachers' Retirement System

1) Benefit Changes: In 2015, 2016, 2017, 2018, & 2019 there were no changes to benefits

2) Changes in Assumptions: In 2015, 2016, 2017 & 2019 there were no changes in assumptions. In 2018 there was a change in discount rate from 7.60% to 7.10%.

Schedule of District's Contributions - California State Teachers' Retirement System

The total pension liability for California State Teachers Retirement System was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2013, 2014, 2015, 2016 & 2017 and rolling forward the total pension liabilities to the June 30, 2014, 2015, 2016, 2017 & 2018 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/06 - 06/30/10	07/01/06 - 06/30/10	07/01/06 - 06/30/10
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

<u>Reporting Period</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Measurement Date	06/30/17	06/30/18
Valuation Date	06/30/16	06/30/17
Experience Study	07/01/10 - 06/30/15	07/01/10 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.10%	7.10%
Consumer Price Inflation	2.75%	2.75%
Wage Growth (Average)	3.50%	3.50%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple

CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015 experience study adopted by the CalSTRS board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among CalSTRS 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. Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on CalSTRS website.

Schedule of District's Proportionate Share - California Public Employees Retirement System

1) Benefit Changes: In 2015, 2016, 2017, 2018 & 2019 there were no changes to benefits

2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65%. In 2018 the discount rate was changed from 7.65% to 7.15%. In 2019, demographic assumptions and inflation rate were changed in accordance to the CalPERS experience study and review of Actuarial Assumptions December 2017, there were no changes to the discount rate in this period.

Schedule of District's Contributions - California Public Employees' Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, 2014, 2015, 2016, & 2017 and rolling forward the total pension liabilities to June 30, 2014, 2015, 2016, 2017 & 2018 (measurement dates). The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, June 30, 2016, June 30, 2017, and June 30, 2018 (measurement dates) used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/11	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.65%	7.65%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

<u>Reporting Period</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Measurement Date	06/30/17	06/30/18
Valuation Date	06/30/16	06/30/17
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.15%	7.50%
Consumer Price Inflation	2.75%	2.50%
Wage Growth (Average)	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the April 2014 experience study report (based on demographic data from 1997 to 2011) available on CalPERS website.

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

- 1) Benefit Changes: In 2018 & 2019 there were no changes to benefits.
- 2) Changes in Assumptions: In 2018 there were no changes in assumptions. Changes in assumptions for the fiscal year ended June 30, 2019 included an increase in the discount rate from 3.13% to 3.62% based on a change in the bond buyer 20 bond index rate.
- 3) No assets are accumulated in a trust that meets the criteria in GASB Statement No 75 Paragraph 4.
- 4) The following are the discount rates used for each period:

<u>Year</u>	<u>Discount Rate</u>
2018	3.13%
2019	3.62%

Combining Statements as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CENTRAL UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Fund	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
	Adult Education Fund	Bond Interest & Redemption Fund		
ASSETS:				
Cash in County Treasury	\$ 401,521	\$ 4,187,215	\$ 6,852,170	\$ 11,440,906
Accounts Receivable	275,864	18,179	24,695	318,738
Due from Other Funds	18,120	--	--	18,120
Total Assets	<u>695,505</u>	<u>4,205,394</u>	<u>6,876,865</u>	<u>11,777,764</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 24,455	\$ --	\$ 17,106	\$ 41,561
Due to Other Funds	42,865	--	16,933	59,798
Total Liabilities	<u>67,320</u>	<u>--</u>	<u>34,039</u>	<u>101,359</u>
Fund Balance:				
Restricted Fund Balances	586,825	--	10,674	597,499
Committed Fund Balances	--	4,205,394	--	4,205,394
Assigned Fund Balances	41,360	--	6,832,152	6,873,512
Total Fund Balance	<u>628,185</u>	<u>4,205,394</u>	<u>6,842,826</u>	<u>11,676,405</u>
Total Liabilities and Fund Balances	<u>\$ 695,505</u>	<u>\$ 4,205,394</u>	<u>\$ 6,876,865</u>	<u>\$ 11,777,764</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 247,317	\$ --	\$ --	\$ 247,317
Other State Revenue	899,847	19,967	--	919,814
Other Local Revenue	152,616	2,563,491	309,049	3,025,156
Total Revenues	<u>1,299,780</u>	<u>2,583,458</u>	<u>309,049</u>	<u>4,192,287</u>
Expenditures:				
Current:				
Instruction	499,916	--	--	499,916
Instruction - Related Services	496,184	--	--	496,184
Pupil Services	53,321	--	--	53,321
General Administration	42,864	--	42,177	85,041
Plant Services	142,156	--	--	142,156
Capital Outlay	1,138,632	--	110,706	1,249,338
Debt Service:				
Principal	--	2,070,000	--	2,070,000
Interest	--	582,540	--	582,540
Total Expenditures	<u>2,373,073</u>	<u>2,652,540</u>	<u>152,883</u>	<u>5,178,496</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,073,293)</u>	<u>(69,082)</u>	<u>156,166</u>	<u>(986,209)</u>
Other Financing Sources (Uses):				
Transfers In	1,660,538	--	3,000,000	4,660,538
Transfers Out	--	--	(5,138)	(5,138)
Other Sources	--	1,013,512	--	1,013,512
Total Other Financing Sources (Uses)	<u>1,660,538</u>	<u>1,013,512</u>	<u>2,994,862</u>	<u>5,668,912</u>
Net Change in Fund Balance	587,245	944,430	3,151,028	4,682,703
Fund Balance, July 1	1,115,122	3,260,964	3,691,798	8,067,884
Fund Balance, June 30	<u>\$ 1,702,367</u>	<u>\$ 4,205,394</u>	<u>\$ 6,842,826</u>	<u>\$ 12,750,587</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2019

	Capital Facilities Fund	County School Facilities Fund	Special Reserve For Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 1,510,719	\$ 10,780	\$ 5,330,671	\$ 6,852,170
Accounts Receivable	8,491	52	16,152	24,695
Total Assets	<u>1,519,210</u>	<u>10,832</u>	<u>5,346,823</u>	<u>6,876,865</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 13,653	\$ --	\$ 3,453	\$ 17,106
Due to Other Funds	16,933	--	--	16,933
Total Liabilities	<u>30,586</u>	<u>--</u>	<u>3,453</u>	<u>34,039</u>
Fund Balance:				
Restricted Fund Balances	--	10,674	--	10,674
Assigned Fund Balances	1,488,625	158	5,343,369	6,832,152
Total Fund Balance	<u>1,488,624</u>	<u>10,832</u>	<u>5,343,370</u>	<u>6,842,826</u>
Total Liabilities and Fund Balances	<u>\$ 1,519,210</u>	<u>\$ 10,832</u>	<u>\$ 5,346,823</u>	<u>\$ 6,876,865</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Capital Facilities Fund	County School Facilities Fund	Special Reserve For Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	\$ 265,218	\$ 151	\$ 43,680	\$ 309,049
Total Revenues	<u>265,218</u>	<u>151</u>	<u>43,680</u>	<u>309,049</u>
Expenditures:				
Current:				
General Administration	42,177	--	--	42,177
Capital Outlay	110,706	--	--	110,706
Total Expenditures	<u>152,883</u>	<u>--</u>	<u>--</u>	<u>152,883</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>112,335</u>	<u>151</u>	<u>43,680</u>	<u>156,166</u>
Other Financing Sources (Uses):				
Transfers In	--	--	3,000,000	3,000,000
Transfers Out	(5,138)	--	--	(5,138)
Total Other Financing Sources (Uses)	<u>(5,138)</u>	<u>--</u>	<u>3,000,000</u>	<u>2,994,862</u>
Net Change in Fund Balance	107,197	151	3,043,680	3,151,028
Fund Balance, July 1	1,381,427	10,681	2,299,690	3,691,798
Fund Balance, June 30	<u>\$ 1,488,624</u>	<u>\$ 10,832</u>	<u>\$ 5,343,370</u>	<u>\$ 6,842,826</u>

Supplementary Information Section

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

CENTRAL UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2019

The Central Union High School District was established in 1908, and is comprised of an area of El Centro, Heber, and Seeley in Imperial County. There were no changes in the boundaries of the district during the current year. The district is currently operating three high schools. The district also maintains a continuation high school and an adult education program.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Ryan Childers	President	Four year term Expires November 30, 2020
Jacinto Jimenez	Clerk	Four year term Expires November 30, 2020
Emma L. Jones	Member	Four year term Expires November 30, 2022
Todd Evangelist	Member	Four year term Expires November 30, 2022
Diahna Garcia-Ruiz	Member	Four year term Expires November 30, 2020

Administration

Renato Montano
Superintendent

Sheri Hart
Assistant Superintendent
Educational Services

Arnold Preciado
Assistant Superintendent
Business Services

Carol Moreno
Director of Human Resources

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2019

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Grades 9-12:				
Regular ADA	3,946.96	N/A	3,952.77	N/A
Extended Year Special Education	0.03	N/A	0.03	N/A
Grades 9-12 Totals	<u>3,946.99</u>	<u>N/A</u>	<u>3,952.80</u>	<u>N/A</u>
ADA Totals	<u>3,946.99</u>	<u>N/A</u>	<u>3,952.80</u>	<u>N/A</u>

N/A - There were no audit findings which resulted in necessary revisions to attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. 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 and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

CENTRAL UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2019

TABLE D-2

Grade Level	Ed. Code 46207 Minutes Requirement	2018-19 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 9	64,800	68,885	180	--	Complied
Grade 10	64,800	68,885	180	--	Complied
Grade 11	64,800	68,885	180	--	Complied
Grade 12	64,800	68,885	180	--	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46207. The District met or exceeded its target funding.

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2019

TABLE D-3

General Fund	Budget 2020 (See Note 1)	2019	2018	2018
Revenues and other financial sources	\$ 60,779,622	\$ 59,989,609	\$ 52,585,675	\$ 51,021,604
Expenditures, other uses and transfers out	62,915,825	60,386,380	53,969,518	52,400,426
Change in fund balance (deficit)	(2,136,203)	(396,771)	(1,383,843)	(1,378,822)
Ending fund balance	\$ 10,859,605	\$ 12,995,808	\$ 13,392,579	\$ 14,776,422
Available reserves (See Note 2)	\$ 8,909,081	\$ 10,977,278	\$ 12,080,957	\$ 13,422,056
Available reserves as a percentage of total outgo (See Note 3)	14.2%	18.7%	23.1%	26.4%
Total long-term debt	\$ 32,733,118	\$ 34,246,925	\$ 17,185,068	\$ 19,214,512
Average daily attendance at P-2	3,947	3,947	4,004	3,929

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.

The fund balance of the general fund has decreased by \$1,780,614 over the past two years. The fiscal year 2019-20 budget projects a decrease of \$2,136,203. For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$15,032,413 over the past two years.

Average daily attendance has increased by 18 over the past two years.

Notes:

- 1 Budget 2020 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$2,073,016, \$1,563,838, and \$1,592,092, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2019, 2018, and 2017.
- 4 As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement #54, the District's Deferred Maintenance Fund (Fund 14), Special Reserve Fund for Other Than Capital Outlay (Fund 17), and Special Reserve Fund for Postemployment Benefits (Fund 20) were included with the General Fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the General Fund.

CENTRAL UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

TABLE D-4

	General Fund	Deferred Maintenance Fund	Special Reserve Fund For Other Than Capital Outlay Projects	Special Reserve Fund For Postemployment Benefits
June 30, 2019, annual financial and budget report fund balances	\$ 12,995,808	\$ 1,074,182	\$ 6,530	\$ 2,686,237
Adjustments and reclassifications:				
Increasing (decreasing) the fund balance:				
Accounts receivable overstatement	(181,148)			
GASB #54 fund consolidation	3,766,949	(1,074,182)	(6,530)	(2,686,237)
June 30, 2019, audited financial statement fund balances	\$ 16,581,609	\$ --	\$ --	\$ --

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2019

TABLE D-5

No charter schools are chartered by Central Union High School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>
None	N/A

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	\$ --	\$ 270,452
National School Lunch Program	10.555	13396	--	1,181,467
National School Lunch Program Noncash Commodities	10.555	13396	--	156,401
Total Passed Through State Department of Education			--	1,608,320
Total U. S. Department of Agriculture			--	1,608,320
Total Child Nutrition Cluster			--	1,608,320
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA Basic Local Assistance	84.027	13379	--	557,128
IDEA Mental Health	84.027	14468	--	97,612
Total Passed Through State Department of Education			--	654,740
Total U. S. Department of Education			--	654,740
Total Special Education (IDEA) Cluster			--	654,740
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Adult Education English Literacy	84.002	14109		11,837
Adult Education	84.002	14508 & 13978	--	235,480
Title I	84.010	14329	--	1,003,781
Migrant Education	84.011	14838 & 10005	--	616,139
Carl D. Perkins Career & Technical Education	84.048	14894	--	125,283
Title III English Learner Student Program	84.365	14346	--	114,832
Title II Supporting Effective Instruction	84.367	14341	--	180,034
Total Passed Through State Department of Education			--	2,287,386
Total U. S. Department of Education			--	2,287,386
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 4,550,446

The accompanying notes are an integral part of this schedule.

CENTRAL UNION HIGH SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2019

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Central Union High School District. The information in the Schedule is presented in accordance with the 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"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These 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. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 8.27% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

<u>Program</u>	<u>CFDA #</u>	<u>Indirect Cost Rate</u>
Adult Education	84.002	4.38%
Title III	84.365	2.00%
Carl D. Perkins Career & Technical Education	84.048	4.38%
Title II Supporting Effective Education	84.367	8.26%
Child Nutrition Cluster	10.553, 10.555	5.41%

Schoolwide Program

The District operates "schoolwide programs" at all school sites. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limiting services to certain targeted students. The following federal program amounts were expended by the District in it's schoolwide program:

<u>Program</u>	<u>CFDA #</u>	<u>Amount Expended</u>
Title I	84.010	\$1,003,781

Other Independent Auditor's Reports

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

Board of Trustees
Central Union High School District
El Centro, California

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Union High School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Central Union High School District's basic financial statements, and have issued our report thereon dated January 31, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

Compliance and Other Matters

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

Central Union High School District's Response to Findings

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

Purpose of this Report

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

El Cajon, California
January 31, 2020

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

Board of Trustees
Central Union High School District
El Centro, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

El Cajon, California
January 31, 2020

Independent Auditor's Report on State Compliance

Board of Trustees
Central Union High School District
El Centro, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2019.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810. 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 State's audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

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

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform testing for Independent Study. The procedure was not required because the ADA was required to be performed since there is only one administrator employed by the District.

Opinion on State Compliance

In our opinion, Central Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2019.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

El Cajon, California
January 31, 2020

Findings and Recommendations Section

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 84.010	Child Nutrition Cluster Title I

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting? Yes X No

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

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

B. Financial Statement Findings

Finding Number: 2019-001
Repeat Finding: No
Program Name: Year End Closing
Questioned Costs: None
Type of Finding: Internal Control (30000)

Criteria or Specific Requirement

Verify that the District has an appropriate internal control system which would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis, whether due to error or fraud, and to provide information necessary to complete the audit report in a timely manner.

Condition

In our review of the financial statements and preparation of the audit report we noted that the District was not able to provide depreciation reports in order to complete the conversion entries required under GASB 34 in a timely manner. The District should have procedures in place to require that the reports used to calculate the conversion entries required under GASB 34 are available in a timely manner.

Cause

The District did not have a procedure in place to require that depreciation reports are completed in a timely manner.

Effect

The District had to request an extension of time to complete the audit report.

Context

The District provided the reports in time to complete the audit by the extended due date, but the reports were not available at the original due date.

Recommendation

Implement procedures to require the depreciation reports are completed as part of the closing process. Provide additional training as to how to use the depreciation software the District uses so that the reports can be provided in a more timely manner.

Views of Responsible Officials

See Corrective Action Plan

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

None

CENTRAL UNION HIGH SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019

CENTRAL UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
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There were no findings reported in the June 30, 2018 audit report.