



Financial Statements  
June 30, 2020

# Victor Valley Union High School District

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## Independent Auditor's Report

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Victor Valley Union High School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, budgetary comparison information on page 74, schedule of changes in the District's net OPEB liability and related ratios on page 75, schedule of District contributions for OPEB on page 76, schedule of OPEB investment returns on page 77, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 78, schedule of the District's proportionate share of the net pension liability on page 79, and the schedule of District contributions on page 80, 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 Victor Valley Union High School District's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted

in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated March 12, 2021 on our consideration of Victor Valley Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Victor Valley Union High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Victor Valley Union High School District's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
March 12, 2021



# VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

SUPERINTENDENT'S OFFICE

16350 Mojave Drive, Victorville, CA 92395-3655

(760) 955-3201 ext. 10202

Dr. Ron Williams, Superintendent

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

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

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

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets and deferred outflows of resources of the District, as well as all liabilities and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statements in regards to interfund activity, payables, and receivables.

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

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

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

The Primary unit of the government is the Victor Valley Union High School District.

### BOARD OF TRUSTEES

Jose Berrios ♦ Caleb Castaneda ♦ Barbara Dew ♦ Penny Edmiston ♦ Joshua Garcia

## REPORTING THE DISTRICT AS A WHOLE

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

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

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

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

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

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



## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

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

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

## THE DISTRICT AS A TRUSTEE

### Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, such as funds for associated student body activities, and debt service for special tax bonds. The District's fiduciary activities are reported in the *Fiduciary Funds - Statements of 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.

**THE DISTRICT AS A WHOLE**

**Net Position**

The District's net position was \$64,735,985 for the fiscal year ended June 30, 2020. Of this amount, \$(108,970,715) was unrestricted (deficit). Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	\$ 98,531,726	\$ 96,071,104
Capital assets	289,554,518	292,463,457
Total assets	388,086,244	388,534,561
Deferred outflows of resources	49,034,797	53,381,861
Liabilities		
Current liabilities	19,649,190	19,829,889
Long-term liabilities other than OPEB and Pensions	176,854,404	186,773,003
Total other postemployment benefits (OPEB) liabilities	44,794,992	38,406,428
Aggregate net pension liabilities	124,424,100	122,476,453
Total liabilities	365,722,686	367,485,773
Deferred inflows of resources	6,662,370	4,740,442
Net Position		
Net investment in capital assets	144,425,144	145,252,005
Restricted	29,281,556	32,473,683
Unrestricted (deficit)	(108,970,715)	(108,035,481)
Total net position	\$ 64,735,985	\$ 69,690,207

The \$(108,970,715) in unrestricted deficit of governmental activities represents the *accumulated* results of all past years' operations. Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. The unrestricted net position decreased by 0.9 percent (\$108,970,715 deficit compared to \$108,035,481 deficit in the prior year).

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 1,380,669	\$ 1,028,526
Operating grants and contributions	25,518,731	28,517,520
Capital grants and contributions	128,917	120,332
General revenues		
Federal and State aid not restricted	115,916,644	107,414,069
Property taxes	27,190,301	29,407,330
Other general revenues	7,012,005	3,320,857
Total revenues	177,147,267	169,808,634
Expenses		
Instruction	109,631,341	105,369,519
Pupil services	19,867,503	20,212,385
Administration	10,327,694	8,953,320
Plant services	14,749,001	15,817,629
All other services	27,525,950	23,231,011
Total expenses	182,101,489	173,583,864
Change in net position	\$ (4,954,222)	\$ (3,775,230)

**Governmental Activities**

As reported in the Statement of Activities on page 15, the cost of all of our governmental activities this year was \$182,101,489. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$27,190,301. The remaining cost was paid by those who benefited from the programs; \$1,380,669, or by other governments and organizations who subsidized certain programs with \$25,647,648 in grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with State funds, and with other revenues, like interest and general entitlements.

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

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	\$ 109,631,341	\$ 105,369,519	\$ (91,332,235)	\$ 85,366,868
Pupil services	19,867,503	20,212,385	(13,696,627)	13,435,885
Administration	10,327,694	8,953,320	(9,668,957)	7,904,335
Plant services	14,749,001	15,817,629	(14,665,294)	15,328,600
All other services	27,525,950	23,231,011	(25,710,059)	21,881,798
<b>Total</b>	<b>\$ 182,101,489</b>	<b>\$ 173,583,864</b>	<b>\$ (155,073,172)</b>	<b>\$ 143,917,486</b>

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of \$80,109,400 which is an increase of \$3,184,602 or 4.14 percent, from last year (Table 4).

**Table 4**

Governmental Fund	Balances and Activity			
	June 30, 2019	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2020
General	\$ 36,769,557	\$ 153,827,483	\$ 148,221,244	\$ 42,375,796
Special Reserve Fund for Capital Outlay Projects	11,569,947	3,014,890	1,575,956	13,008,881
Bond Interest and Redemption	14,402,673	10,630,341	13,197,594	11,835,420
Adult Education	212,010	460,954	518,000	154,964
Cafeteria	2,056,381	5,391,311	5,895,324	1,552,368
Building	552,580	10,897	20,500	542,977
Capital Facilities	2,973,571	1,286,093	600,652	3,659,012
County School Facilities	6,523,818	128,917	89,000	6,563,735
Capital Project Fund for Blended Component Units	1,785,146	17,779	1,466,340	336,585
Debt Service	79,115	1,978,985	1,978,438	79,662
<b>Total</b>	<b>\$ 76,924,798</b>	<b>\$ 176,747,650</b>	<b>\$ 173,563,048</b>	<b>\$ 80,109,400</b>

**General Fund Budgetary Highlights**

Over the course of the year, the District revises its Budget as it attempts to manage changes in revenues and expenditures. These changes primarily occur due to the posting of carryover funding, State and grant allocation changes and increases or savings in expenditures that occur after the Budget was adopted. The final amendment to the budget was adopted on June 25, 2020. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our audit report on page 74.)

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2020, the District had \$289,554,518 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$2,908,939 or 1.0 percent, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2020	2019
Land and construction in progress	\$ 29,915,911	\$ 27,739,861
Buildings and improvements	253,455,864	259,395,699
Equipment	6,182,743	5,327,897
Total	\$ 289,554,518	\$ 292,463,457

We present more detailed information about our capital assets in Note 5 to the financial statements.

**Long-Term Liabilities other than OPEB and Pensions**

At the end of this year, the District had \$176,854,404 in long-term liabilities outstanding versus \$186,773,003 last year, a decrease of 5.3 percent. These long-term liabilities consisted of:

**Table 6**

	Governmental Activities	
	2020	2019
Long-Term Liabilities		
General obligation bonds	\$ 140,819,167	\$ 147,371,165
Unamortized premiums on bonds	9,691,820	10,368,218
Certificates of participation	21,700,000	23,125,000
Unamortized premiums/(discounts) on certificates	(241,652)	(225,121)
Equipment lease financing	2,053,232	2,293,586
Voluntary retirement program	422,425	1,163,088
Compensated absences	2,409,412	2,677,067
Total	\$ 176,854,404	\$ 186,773,003

We present more detailed information about our long-term liabilities in Note 9 to the financial statements.

**OPEB and Pensions**

The District had an other postemployment benefit (OPEB) liability of \$44,794,992 and \$38,406,428 at June 30, 2020 and 2019, respectively, an increase of \$6,388,564, or 16.6 percent.

The District had a net pension liability of \$124,424,100 and \$122,476,453 at June 30, 2020 and 2019, respectively, an increase of \$1,947,647, or 1.6 percent.

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

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

### Enrollment/ADA

Over the past six years the Victor Valley Union High School District (VVUHSD) has been experiencing an increase in enrollment. Enrollment is projected to continue to grow in the current and subsequent two fiscal years. Due to the unknown impact that COVID-19 will have on enrollment, and in order to conservatively budget, the increase is limited to under two percent per year.

### Revenue Assumptions

1. Local Control Funding Formula (LCFF) is budgeted to decrease to \$117.9 million:
  - a. Cost of Living Adjustment (COLA) of 2.31 percent, with a negative 10 percent deficit factor.
  - b. A three-year rolling average unduplicated pupil percentage of 85.65 percent, which is the count of pupils who are English Learner students, Free or Reduced-Price Meal students, and/or Foster Youth.
  - c. Local property taxes net of In-Lieu of \$12.9 million.
2. One Time Cares Act initial funding of \$6.04 million. As of the 2020-2021 first interim period, CARES Act funding increased to approximately \$20 million.

### Expenditure Assumptions

1. The district adds teachers to reflect the increased enrollment in 2021-2022 (7 FTE) and 2022-2023 (3 FTE)
2. Step and column salary increases have been provided for all applicable contract positions. In addition, due to recent pension reform, the District has increased its contribution to CalPERS and temporarily decreased its contribution to CalSTRS due to a onetime State contribution to CalSTRS.
3. Books and supplies and operating expenditures are increased by the Consumer Price Index (CPI) of 3.19 percent in 2021-2022 and 2.86 percent in 2022-2023.
4. All Federal, State, and Local categorical grant programs are budgeted with revenues equaling expenditures at 80 percent of the final 2019-2020 allocation due to the unknown impact of COVID-19. Entitlement programs are budgeted for expenditures equaling the sum of current year.

The key assumptions in our revenue forecast are the following:

1. Local Control Funding Formula income may increase based the Department of Finance estimates and new legislation.
2. Federal and State income are computed using the prior year amounts adjusted to reflect anticipated changes in enrollment data for the respective qualifying populations.

3. LCFF Revenue Calculator updated for a projected increase of 140 ADA. Enrollment/Average Daily Attendance (ADA) is expected to increase again in 2020-2021. Next year's budget will be based on our prior year ADA. Until the District actually sees increased enrollment, it will maintain a conservative estimate.
4. Increases in the CalSTRS and CalPERS retirement systems will continue to rise.

The District has experienced a continual significant increase in ADA over the last two years which has resulted in increased revenue. The 2020-2021 First Interim Report Multi-Year Projections indicate that the District should be able to meet its financial obligations for the current and two subsequent years. Unfunded liabilities in the form of retirement and post-employment health benefits remain a pressure on the budget, but the District is confident that measures will be implemented in the coming years to address these long-term obligations. The Board of Trustees approved a Positive Certification of the First Interim Report on December 15, 2020.

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

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at Victor Valley Union High School District, 16350 Mojave Drive, Victorville, California 92395, (760) 955-3201, or e-mail at [ahawkins@vvusd.org](mailto:ahawkins@vvusd.org).



Victor Valley Union High School District  
Statement of Net Position  
June 30, 2020

	Governmental Activities
<b>Assets</b>	
Deposits and investments	\$ 73,472,026
Receivables	24,919,840
Prepaid expenses	9,880
Stores inventories	129,980
Capital assets not depreciated	29,915,911
Capital assets, net of accumulated depreciation	259,638,607
Total assets	388,086,244
<b>Deferred Outflows of Resources</b>	
Deferred charge on refunding	5,016,774
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	5,057,502
Deferred outflows of resources related to pensions	38,960,521
Total deferred outflows of resources	49,034,797
<b>Liabilities</b>	
Accounts payable	17,815,320
Accrued interest payable	1,226,864
Unearned revenue	607,006
<b>Long-term liabilities</b>	
Long-term liabilities other than OPEB and pensions due within one year	8,054,306
Long-term liabilities other than OPEB and pensions due in more than one year	168,800,098
Total other postemployment benefits liabilities	44,794,992
Aggregate net pension liabilities	124,424,100
Total liabilities	365,722,686
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources related to other postemployment benefits (OPEB) liability	450,962
Deferred inflows of resources related to pensions	6,211,408
Total deferred inflows of resources	6,662,370
<b>Net Position</b>	
Net investment in capital assets	144,425,144
<b>Restricted for</b>	
Debt service	10,688,218
Capital projects	10,222,747
Educational programs	6,761,836
Other activities	1,608,755
Unrestricted (deficit)	(108,970,715)
Total net position	\$ 64,735,985

Victor Valley Union High School District  
Statement of Activities  
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$ 94,734,117	\$ 136	\$ 15,848,272	\$ 128,917	\$ (78,756,792)
Instruction-related activities					
Supervision of instruction	4,401,478	-	1,513,757	-	(2,887,721)
Instructional library, media, and technology	1,058,056	-	203,172	-	(854,884)
School site administration	9,437,690	-	604,852	-	(8,832,838)
Pupil services					
Home-to-school transportation	5,053,951	-	55,308	-	(4,998,643)
Food services	5,938,058	152,832	4,719,773	-	(1,065,453)
All other pupil services	8,875,494	-	1,242,963	-	(7,632,531)
Administration					
Data processing	2,092,661	-	17,967	-	(2,074,694)
All other administration	8,235,033	14,771	625,999	-	(7,594,263)
Plant services	14,749,001	198	83,509	-	(14,665,294)
Ancillary services	2,721,494	-	85,587	-	(2,635,907)
Interest on long-term liabilities	9,432,572	-	-	-	(9,432,572)
Other outgo	7,186,350	1,212,732	517,572	-	(5,456,046)
Depreciation (unallocated)	8,185,534	-	-	-	(8,185,534)
<b>Total governmental activities</b>	<b>\$ 182,101,489</b>	<b>\$ 1,380,669</b>	<b>\$ 25,518,731</b>	<b>\$ 128,917</b>	<b>(155,073,172)</b>
General Revenues and Subventions					
Property taxes, levied for general purposes					13,986,030
Property taxes, levied for debt service					10,206,880
Taxes levied for other specific purposes					2,997,391
Federal and State aid not restricted to specific purposes					115,916,644
Interest and investment earnings					866,520
Interagency revenues					35,452
Miscellaneous					6,110,033
<b>Subtotal, general revenues</b>					<b>150,118,950</b>
Change in Net Position					(4,954,222)
Net Position - Beginning					69,690,207
Net Position - Ending					<b>\$ 64,735,985</b>

Victor Valley Union High School District

Balance Sheet – Governmental Funds

June 30, 2020

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Deposits and investments	\$ 36,060,870	\$ 12,978,651	\$ 11,835,420	\$ 12,597,085	\$ 73,472,026
Receivables	23,784,654	30,230	-	1,104,956	24,919,840
Due from other funds	666,189	-	-	-	666,189
Prepaid expenditures	9,880	-	-	-	9,880
Stores inventories	72,082	-	-	57,898	129,980
<b>Total assets</b>	<b>\$ 60,593,675</b>	<b>\$ 13,008,881</b>	<b>\$ 11,835,420</b>	<b>\$ 13,759,939</b>	<b>\$ 99,197,915</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 17,610,873	\$ -	\$ -	\$ 204,447	\$ 17,815,320
Due to other funds	-	-	-	666,189	666,189
Unearned revenue	607,006	-	-	-	607,006
<b>Total liabilities</b>	<b>18,217,879</b>	<b>-</b>	<b>-</b>	<b>870,636</b>	<b>19,088,515</b>
<b>Fund Balances</b>					
Nonspendable	156,962	-	-	57,898	214,860
Restricted	6,761,836	-	11,835,420	12,790,726	31,387,982
Assigned	3,381,116	13,008,881	-	40,679	16,430,676
Unassigned	32,075,882	-	-	-	32,075,882
<b>Total fund balances</b>	<b>42,375,796</b>	<b>13,008,881</b>	<b>11,835,420</b>	<b>12,889,303</b>	<b>80,109,400</b>
<b>Total liabilities and fund balances</b>	<b>\$ 60,593,675</b>	<b>\$ 13,008,881</b>	<b>\$ 11,835,420</b>	<b>\$ 13,759,939</b>	<b>\$ 99,197,915</b>

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

Total Fund Balance - Governmental Funds		\$ 80,109,400
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 395,596,125	
Accumulated depreciation is	<u>(106,041,607)</u>	
Net capital assets		289,554,518
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		
		(1,226,864)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings	5,016,774	
Other postemployment benefits (OPEB) liability	5,057,502	
Net pension liability	<u>38,960,521</u>	
Total deferred outflows of resources		49,034,797
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits (OPEB) liability	(450,962)	
Net pension liability	<u>(6,211,408)</u>	
Total deferred inflows of resources		(6,662,370)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(124,424,100)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(44,794,992)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	(117,822,040)	
Premium on issuance of general obligation bonds	(9,691,820)	
Certificates of participation	(21,700,000)	
Premium on issuance of certificates of participation	(28,977)	
Discount on issuance of certificates of participation	270,629	
Equipment lease financing	(2,053,232)	
Voluntary retirement program	(422,425)	
Compensated absences (vacations)	(2,409,412)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(22,997,127)</u>	
Total long-term liabilities		<u>(176,854,404)</u>
Total net position - governmental activities		<u>\$ 64,735,985</u>

Victor Valley Union High School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2020

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund
<b>Revenues</b>			
Local Control Funding Formula	\$ 127,200,703	\$ -	\$ -
Federal sources	11,050,605	-	-
Other State sources	9,762,406	-	85,912
Other local sources	5,813,769	141,034	10,544,429
Total revenues	<u>153,827,483</u>	<u>141,034</u>	<u>10,630,341</u>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	87,170,493	-	-
Instruction-related activities			
Supervision of instruction	3,977,064	-	-
Instructional library, media, and technology	980,550	-	-
School site administration	8,524,975	-	-
Pupil services			
Home-to-school transportation	5,295,619	-	-
Food services	99,298	-	-
All other pupil services	8,048,250	-	-
Administration			
Data processing	2,065,508	-	-
All other administration	7,508,589	-	-
Plant services	14,509,234	-	-
Ancillary services	2,565,647	-	-
Other outgo	2,335,589	-	-
Facility acquisition and construction	1,958,467	28,518	-
Debt service			
Principal	240,354	-	9,145,000
Interest and other	67,751	-	4,052,594
Total expenditures	<u>145,347,388</u>	<u>28,518</u>	<u>13,197,594</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,480,095</u>	<u>112,516</u>	<u>(2,567,253)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	2,873,856	-
Transfers out	(2,873,856)	(1,547,438)	-
Net Financing Sources (Uses)	<u>(2,873,856)</u>	<u>1,326,418</u>	<u>-</u>
Net Change in Fund Balances	5,606,239	1,438,934	(2,567,253)
Fund Balance - Beginning	<u>36,769,557</u>	<u>11,569,947</u>	<u>14,402,673</u>
Fund Balance - Ending	<u>\$ 42,375,796</u>	<u>\$ 13,008,881</u>	<u>\$ 11,835,420</u>

Victor Valley Union High School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2020

	Non-Major Governmental Funds	Total Governmental Funds
Revenues		
Local Control Funding Formula	\$ -	\$ 127,200,703
Federal sources	4,919,438	15,970,043
Other State sources	735,340	10,583,658
Other local sources	1,643,253	18,142,485
	<u>7,298,031</u>	<u>181,896,889</u>
Total revenues		
Expenditures		
Current		
Instruction	208,814	87,379,307
Instruction-related activities		
Supervision of instruction	89,551	4,066,615
Instructional library, media, and technology	-	980,550
School site administration	137,771	8,662,746
Pupil services		
Home-to-school transportation	-	5,295,619
Food services	5,689,175	5,788,473
All other pupil services	66,318	8,114,568
Administration		
Data processing	-	2,065,508
All other administration	386,618	7,895,207
Plant services	6,262	14,515,496
Ancillary services	-	2,565,647
Other outgo	-	2,335,589
Facility acquisition and construction	1,575,840	3,562,825
Debt service		
Principal	1,425,000	10,810,354
Interest and other	553,438	4,673,783
	<u>10,138,787</u>	<u>168,712,287</u>
Total expenditures		
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,840,756)</u>	<u>3,184,602</u>
Other Financing Sources (Uses)		
Transfers in	1,976,905	4,850,761
Transfers out	(429,467)	(4,850,761)
	<u>1,547,438</u>	<u>-</u>
Net Financing Sources (Uses)		
Net Change in Fund Balances	(1,293,318)	3,184,602
Fund Balance - Beginning	<u>14,182,621</u>	<u>76,924,798</u>
Fund Balance - Ending	<u>\$ 12,889,303</u>	<u>\$ 80,109,400</u>

## Victor Valley Union High School District

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

Total Net Change in Fund Balances - Governmental Funds \$ 3,184,602

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

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

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

Depreciation expense	\$ (8,185,534)
Capital outlays	<u>5,276,595</u>

Net expense adjustment (2,908,939)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and voluntary retirement plan are measured by the amounts earned during the year. In the governmental fund, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation paid was more than the amounts earned by \$267,655 and voluntary retirement benefits paid was \$740,663.

1,008,318

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

(10,030,235)

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

(2,259,533)

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

Premium amortization	711,172
Discount amortization	(18,243)
Deferred charge on refunding amortization	(2,315,435)

Victor Valley Union High School District

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

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

General obligation bonds	\$ 9,145,000
Certificates of participation	1,425,000
Equipment lease financing	240,354

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is a result of two factors. First, accrued interest on the general obligation bonds increased by \$543,281. Second, \$2,593,002 of additional accumulated interest accreted on the District's general obligation bonds.

(3,136,283)

Change in net position of governmental activities

\$ (4,954,222)



Victor Valley Union High School District  
Statement of Net Position – Fiduciary Funds  
June 30, 2020

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	<u>Debt Service Fund for Special Tax Bonds</u>	<u>Associated Student Body</u>	<u>Total Agency Funds</u>
<b>Assets</b>			
Deposits and investments	\$ 1,277,881	\$ 1,099,355	\$ 2,377,236
Stores inventories	-	80,142	80,142
Total assets	<u>1,277,881</u>	<u>\$ 1,179,497</u>	<u>\$ 2,457,378</u>
<b>Liabilities</b>			
Due to student groups	-	\$ 1,179,497	\$ 1,179,497
Due to bond holders	<u>1,277,881</u>	<u>-</u>	<u>1,277,881</u>
Total liabilities	<u>\$ 1,277,881</u>	<u>\$ 1,179,497</u>	<u>\$ 2,457,378</u>

**Note 1 - Summary of Significant Accounting Policies****Financial Reporting Entity**

The Victor Valley Union High School District (the District) was organized in 1915 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades 7 - 12 as mandated by the State and/or Federal agencies. The District operates three junior high schools, three comprehensive high schools, a continuation high school, and alternative educational programs.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Victor Valley Union High School District, this includes general operations, food service, and student related activities of the District.

**Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units described below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units* and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Victor Valley Union High School District Public Financing Corporation's financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units and the Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for Victor Valley Union High School District Public Financing Corporation.

The District established Community Facilities Districts (CFD) No. 2003-1 and 2007-1 to authorize the levy of special taxes. The purpose of the agreement is to provide for the issuance of certain debt obligations to provide and finance the design, acquisition, and construction of certain public facilities, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The CFD is authorized to levy special taxes on parcels of taxable property within the CFD to pay the principal and interest on the bonds. The CFD financial activity is presented in the Agency Fund. Debt instruments issued by the CFD do not represent liabilities of the District or component unit and are not included in the District-wide financial statements.

### Other Related Entities

**Charter School** The District has approved Options for Youth – Victor Valley Charter School (Charter No. 0013) pursuant to *Education Code* Section 47605. The Charter Schools is not operated by the District, and their financial activities are not presented in the District's financial statements. The Charter School is operated by a separate governing board and is not considered a component unit of the District. The Charter School receives State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies.

### Basis of Presentation - Fund Accounting

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

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

### Major Governmental Funds

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

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as an extension of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance, revenues, and expenditures and other financing uses of \$10,192,085, \$156,183, and \$1,188,058, respectively.

**Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

### Non-Major Governmental Funds

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

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

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

- **Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.
- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51), authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).
- **Capital Project Fund for Blended Component Units** The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term liabilities.

- **Debt Service Fund** The Debt Service Fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term liabilities.

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

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

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

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

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

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

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

**Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

**Investments**

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

**Prepaid Expenditures (Expenses)**

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

**Stores Inventories**

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

**Capital Assets and Depreciation**

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

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 15 to 20 years; equipment, 5 to 20 years, and vehicles, 8 years.

**Interfund Balances**

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

**Compensated Absences**

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

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

**Accrued Liabilities and Long-Term Liabilities**

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

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

**Debt Premiums and Discounts**

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities. Debt premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

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



**Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items, and for OPEB related items. The deferred inflows related to pension and OPEB relate to differences between expected and actual experience, net differences between projected and actual earnings on OPEB plan investments, differences between projected and actual earnings on pension plan investments, differences between expected and actual experiences in the measurement of total pension liability, change in proportions and differences between contributions and the District's proportionate share of contributions, and changes of assumptions.

**Pensions**

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

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money

market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

### **Fund Balances - Governmental Funds**

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

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

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

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

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

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

### **Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$29,281,556 of restricted net position.

**Interfund Activity**

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

**Estimates**

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

**Property Tax**

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

**Change in Accounting Principles**

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

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

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

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

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

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

### **New Accounting Pronouncements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition

- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

**Note 2 - Deposits and Investments****Summary of Deposits and Investments**

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

Governmental funds	\$ 73,472,026
Fiduciary funds	<u>2,377,236</u>
Total deposits and investments	<u><u>\$ 75,849,262</u></u>

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

Cash on hand and in banks	\$ 1,099,650
Cash with fiscal agent	637,886
Cash in revolving	75,000
Investments	<u>74,036,726</u>
Total deposits and investments	<u><u>\$ 75,849,262</u></u>

**Policies and Practices**

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

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

### General Authorizations

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

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

### Interest Rate Risk

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

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

Investment Type	Reported Amount	Weighted Average Maturity in Days
First American Government Obligation Fund, Class - D	\$ 640,534	43
Fidelity Institutional Prime Money Market Fund	336,585	57
San Bernardino County Treasury Investment Pool	73,059,607	553
Total	\$ 74,036,726	

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the *California Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

The investment in the San Bernardino County Treasury Investment Pool has been rated AAA by Fitch ratings. The investment in First American Government Obligations Fund Class D and Fidelity Institutional Prime Money Market Fund have been rated Aaa-mf by Moody's Investor Service as of June 30, 2020.

### Concentration of Credit Risk

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 or mutual funds and are therefore exempt.

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's bank balance of \$1,249,135 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**Note 3 - Fair Value Measurements**

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the San Bernardino County Treasury Investment Pool, First American Government Obligations Fund Class D, and Fidelity Institutional Prime Money Market Fund are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share. The County Treasury Investment Pool has a daily redemption frequency period and a one-day redemption notice period.

Investment Type	Reported Amount	Uncategorized
First American Government Obligation Fund, Class - D	\$ 640,534	\$ 640,534
Fidelity Institutional Prime Money Market Fund	336,585	336,585
San Bernardino County Treasury Investment Pool	73,059,607	73,059,607
Total	\$ 74,036,726	\$ 74,036,726

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

**Note 4 - Receivables**

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

	<u>General Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Federal Government				
Categorical aid	\$ 3,066,052	\$ -	\$ 984,736	\$ 4,050,788
State Government				
LCFF apportionment	18,704,173	-	-	18,704,173
Categorical aid	365,661	-	-	365,661
Lottery	505,156	-	-	505,156
Special education	482,601	-	-	482,601
Local Government				
Interest	214,717	30,230	58,901	303,848
Other local sources	446,294	-	61,319	507,613
	<u>\$ 23,784,654</u>	<u>\$ 30,230</u>	<u>\$ 1,104,956</u>	<u>\$ 24,919,840</u>

**Note 5 - Capital Assets**

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 10,687,177	\$ -	\$ -	\$ 10,687,177
Construction in progress	17,052,684	2,176,050	-	19,228,734
Total capital assets not being depreciated	27,739,861	2,176,050	-	29,915,911
Capital assets being depreciated				
Land improvements	22,449,990	74,723	-	22,524,713
Buildings and improvements	319,345,841	1,268,177	-	320,614,018
Furniture and equipment	20,783,838	1,757,645	-	22,541,483
Total capital assets being depreciated	362,579,669	3,100,545	-	365,680,214
Total capital assets	390,319,530	5,276,595	-	395,596,125
Accumulated depreciation				
Land improvements	(11,443,674)	(725,238)	-	(12,168,912)
Buildings and improvements	(70,956,458)	(6,557,497)	-	(77,513,955)
Furniture and equipment	(15,455,941)	(902,799)	-	(16,358,740)
Total accumulated depreciation	(97,856,073)	(8,185,534)	-	(106,041,607)
Governmental activities capital assets, net	\$ 292,463,457	\$ (2,908,939)	\$ -	\$ 289,554,518

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

Governmental Activities	
Unallocated	\$ 8,185,534



**Note 6 - Interfund Transactions****Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2020, between major and non-major governmental funds are as follows:

<u>Due To</u>	<u>Due From Non-Major Governmental Funds</u>
General Fund	<u>\$ 666,189</u>

A balance of \$52,934 is due from the Adult Education Non-Major Governmental Fund to the General Fund for payroll, benefits and other operating expenditures.

A balance was \$613,235 is due from the Cafeteria Non-Major Governmental Fund to General Fund for payroll, benefits and other operating expenditures.

**Operating Transfers**

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

<u>Transfer To</u>	<u>Transfer From</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Non-Major Governmental Funds</u>	
Special Reserve Fund for Capital Outlay Projects	\$ 2,873,856	\$ -	\$ -	\$ 2,873,856
Non-Major Governmental Funds	<u>-</u>	<u>1,547,438</u>	<u>429,467</u>	<u>1,976,905</u>
Total	<u>\$ 2,873,856</u>	<u>\$ 1,547,438</u>	<u>\$ 429,467</u>	<u>\$ 4,850,761</u>

The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects redevelopment funds geared for facility usage. \$ 2,873,856

The Special Reserve Fund for Capital Outlay Projects transferred to the Debt Service Non-Major Governmental Fund for certificate of participation payment. 1,547,438

The Capital Facilities Non-Major Governmental Fund transferred to the Debt Service Non-Major Governmental Fund for certificate of participation payment. 429,467

Total \$ 4,850,761

**Note 7 - Accounts Payable**

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

	General Fund	Non-Major Governmental Funds	Total
Salaries and benefits	\$ 9,169,348	\$ 13,400	\$ 9,182,748
LCFF apportionment	5,728,204	-	5,728,204
Supplies and materials	405,216	14,239	419,455
Services	877,660	171,425	1,049,085
Capital outlay	271,792	-	271,792
Due to San Bernardino County Superintendent of Schools	610,291	-	610,291
Other vendor payables	548,362	5,383	553,745
	<u>\$ 17,610,873</u>	<u>\$ 204,447</u>	<u>\$ 17,815,320</u>

**Note 8 - Unearned Revenue**

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

	General Fund
Federal financial assistance	\$ 317,817
State categorical aid	289,189
	<u>\$ 607,006</u>

**Note 9 - Long-Term Liabilities other than OPEB and Pensions****Summary**

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 147,371,165	\$ 2,593,002	\$ (9,145,000)	\$ 140,819,167	\$ 5,910,000
Unamortized premium on bonds	10,368,218	-	(676,398)	9,691,820	-
Certificates of participation	23,125,000	-	(1,425,000)	21,700,000	1,465,000
Unamortized premium on certificates	63,751	-	(34,774)	28,977	-
Unamortized discount on certificates	(288,872)	-	18,243	(270,629)	-
Equipment lease financing	2,293,586	-	(240,354)	2,053,232	256,881
Voluntary retirement program	1,163,088	-	(740,663)	422,425	422,425
Compensated absences	2,677,067	-	(267,655)	2,409,412	-
	<u>\$ 186,773,003</u>	<u>\$ 2,593,002</u>	<u>\$ (12,511,601)</u>	<u>\$ 176,854,404</u>	<u>\$ 8,054,306</u>
Total					

Payments made on the General Obligation Bonds are made from the Bond Interest and Redemption Fund with local revenues. Payments for the Certificates of Participation are made from the Debt Service Fund. Payments for the equipment lease financing and the voluntary retirement program will be made by the General Fund. The compensated absences will be paid by the General Fund, Adult Education Fund, and the Cafeteria Fund.

**General Obligation Bonds**

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
4/7/1999	8/1/2020	4.60-5.10%	\$ 30,158,731	\$ 8,709,540	\$ -	\$ 437,824	\$ (5,785,000)	\$ 3,362,364
10/7/2009	8/1/2028	1.75-5.77%	69,999,600	46,001,332	-	2,007,852	(3,065,000)	44,944,184
2/26/2013	8/1/2035	1.35-5.90%	36,839,953	1,245,293	-	147,326	-	1,392,619
5/3/2016	8/1/2034	2.00-5.00%	41,530,000	40,275,000	-	-	(295,000)	39,980,000
8/10/2016	8/1/2037	2.00-4.00%	52,140,000	51,140,000	-	-	-	51,140,000
				<u>\$ 147,371,165</u>	<u>\$ -</u>	<u>\$ 2,593,002</u>	<u>\$ (9,145,000)</u>	<u>\$ 140,819,167</u>

**1999 General Obligation Refunding Bonds, Series A**

On April 7, 2009, the District, pursuant to an agreement with the Golden West Schools Financing Authority, issued \$30,158,731 of the 1999 General Obligation Refunding Bonds, Series A. The bonds were issued as follows: current interest bonds of \$4,405,000 with stated interest rates ranging from 4.60 to 5.10 percent and maturing August 1, 2007, and capital appreciation bonds fully maturing on August 1, 2020. The bonds were issued to refund the previously issued 1994 General Obligation Bonds. At June 30, 2020, the principal balance outstanding was \$3,362,364.

**General Obligation Bonds, Series 2009**

On October 7, 2009, the District issued \$69,999,600 of the General Obligation Bonds, Series 2009 consisting of \$37,545,000 in current interest bonds, \$13,206,759 term bonds, and \$19,247,841 in capital appreciation bonds. The Series A have a final maturity to occur on August 1, 2028. Interest rates on the bonds range from of 1.75 to 5.77 percent. Proceeds from the sale of the bonds were to be used to upgrade classrooms, replace portables, and construct new vocational/career tech classrooms and build a new high school in Adelanto. At June 30, 2020, the principal balance outstanding of the General Obligation Bonds, Series 2009 was \$44,944,184. Unamortized premium received on issuance of the bonds amounted to \$1,292,216 as of June 30, 2020.

**General Obligation Bonds, Series B**

On February 26, 2013, the District issued \$36,839,953 General Obligation Bonds, Series B consisting of capital appreciation bonds. The bonds have a final maturity to occur on August 1, 2035. Interest rates on the bonds range from of 1.35 to 5.90 percent. Proceeds from the sale of the bonds were to be used to affect the prepayment of the Bond Anticipation Notes (issued in 2010 and obligation satisfied in 2013), whose proceeds were applied for the purposes of financing acquisition, construction, and modernization of certain District property and school facilities.

On August 10, 2016, the District issued General Obligation Refunding Bonds, 2016 Series B, to refund \$44,297,353 of the District's General Obligation Bonds, 2008 Election, Series B. At June 30, 2020, the principal balance outstanding of the General Obligation Bonds, Series B was \$1,392,619. Unamortized premium received on issuance of the bonds amounted to \$1,566,445 as of June 30, 2020.

**General Obligation Refunding Bonds, 2016 Series A**

On May 3, 2016, the District issued \$41,530,000 of the General Obligation Refunding Bonds, 2016 Series A. The bonds have a final maturity to occur on August 1, 2034. Interest rates on the bonds range from 2.00 to 5.00 percent. The bonds were issued to refund certain maturities of the District's General Obligation Bonds, Series 2009 and to pay for the costs of issuance of the bonds. At June 30, 2020, the principal balance outstanding of the General Obligation Refunding Bonds, 2016 Series A was \$39,980,000. Unamortized premium received on issuance of the bonds amounted to \$1,475,224 as of June 30, 2020.

**General Obligation Refunding Bonds, 2016 Series B**

On August 10, 2016, the District issued \$52,140,000 General Obligation Refunding Bonds, 2016 Series B. The bonds have a final maturity to occur on August 1, 2037. Interest rates on the bonds range from 2.00 to 4.00 percent. The bonds were issued to advance refund certain maturities of the District's General Obligation Bonds, Series B, with the prepayment to occur August 1, 2023, and to pay for the costs of issuance of the bonds. At June 30, 2020, the principal balance outstanding of the General Obligation Refunding Bonds, 2016 Series B was \$51,140,000. Unamortized premium received on issuance and deferred charge on refunding amounted to \$5,357,935 and \$5,016,774, respectively.

**Debt Service Requirements to Maturity**

The bonds mature through 2038, as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest	Total
2021	\$ 5,755,564	\$ 154,436	\$ 4,702,894	\$ 10,612,894
2022	2,944,647	55,353	4,661,419	7,661,419
2023	3,614,837	325,163	4,599,394	8,539,394
2024	4,329,636	510,364	4,534,894	9,374,894
2025	5,061,480	323,520	4,417,919	9,802,919
2026-2030	28,675,384	8,929,616	20,528,006	58,133,006
2031-2035	55,265,000	-	11,873,166	67,138,166
2036-2038	35,172,619	6,487,381	2,396,800	44,056,800
Total	<u>\$ 140,819,167</u>	<u>\$ 16,785,833</u>	<u>\$ 57,714,492</u>	<u>\$ 215,319,492</u>

**Certificates of Participation**

On April 28, 2016, the District issued the \$3,005,000 Certificates of Participation pursuant to a lease agreement with the Victor Valley Union High School District Financing Corporation. The proceeds of the certificates were used to prepay certain outstanding lease obligation of the District. Interest rates on the refunding certificates range from 2.00 to 4.00 percent. The refunding certificates have a final maturity to occur on November 2021. At June 30, 2020, the principal balance outstanding was \$830,000. Unamortized premium on issuance of the certificates amounted to \$28,977 as of June 30, 2020.

On April 28, 2016, the District issued the \$23,890,000 Certificates of Participation pursuant to a lease agreement with the Victor Valley Union High School District Financing Corporation. The proceeds of the certificates will be used to finance the costs of certain facilities of the District. Interest rates on the certificates range from 2.00 to 3.00 percent. The certificates have a final maturity to occur on November 2035. At June 30, 2020, the principal balance outstanding was \$20,870,000. Unamortized discount received on issuance of the certificates amounted to \$270,629 as of June 30, 2020.

Victor Valley Union High School District

Notes to Financial Statements

June 30, 2020

The certificates mature through 2036, as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,465,000	\$ 525,738	\$ 1,990,738
2022	1,515,000	495,019	2,010,019
2023	1,120,000	467,825	1,587,825
2024	1,160,000	445,025	1,605,025
2025	1,200,000	421,425	1,621,425
2026-2030	6,640,000	1,691,575	8,331,575
2031-2035	8,010,000	706,300	8,716,300
2036	590,000	8,850	598,850
Total	<u>\$ 21,700,000</u>	<u>\$ 4,761,757</u>	<u>\$ 26,461,757</u>

**Equipment Lease Financing**

On May 12, 2015, the District entered into an equipment lease agreement for the acquisition of certain equipment for the Energy Conservation Measures. The terms of the agreement are semi-annual payments with a stated interest rate of 3.03 percent for a period of 12 years. The District's liability on the equipment lease financing with options to purchase is summarized below:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2021	\$ 256,881	\$ 60,288	\$ 317,169
2022	268,268	52,433	320,701
2023	283,522	44,202	327,724
2024	302,228	35,481	337,709
2025	324,071	26,168	350,239
2026-2027	618,262	21,572	639,834
Total	<u>\$ 2,053,232</u>	<u>\$ 240,144</u>	<u>\$ 2,293,376</u>

Financed assets under the financing agreement in capital assets at June 30, 2020 include the following:

Equipment	\$ 4,056,720
Less accumulated depreciation	<u>(2,028,360)</u>
Total	<u>\$ 2,028,360</u>

**Voluntary Retirement Program (VRP)**

The District offered a voluntary retirement program to qualified certificated and classified employees. Eligibility requirements were that employees must be at least age 55 with 10 or more years of continuous service in the District as of June 30, 2015 and extended through June 30, 2016. VRP benefits are based on 90 percent of the STRS/PERS creditable compensation for the applicable fiscal year. The District will fund the benefits over a five-year period. Currently, there are 35 employees participating in this plan and the District's obligation to those retirees as of June 30, 2020, is \$422,425.

**Compensated Absences**

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to \$2,409,412.

**Note 10 - Net Other Postemployment Benefit (OPEB) Liability**

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

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 44,228,487	\$ 5,057,502	\$ 450,962	\$ 2,281,428
Medicare Premium Payment (MPP) Program	566,505	-	-	(21,895)
Total	\$ 44,794,992	\$ 5,057,502	\$ 450,962	\$ 2,259,533

The details of each plan are as follows:

**District Plan****Plan Administration**

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the Plan is vested in the District management. Management of the trustee assets is vested with the Benefit Trust Company.

**Plan Membership**

At July 1, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	69
Active employees	970
	<hr/>
Total	1,039
	<hr/> <hr/>

**Benefits Provided**

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

**Contributions**

The contribution requirements of the Plan members and the District are established and may be amended by the District, the Victor Valley Teachers Association (VVTA), the local California Service Employees Association (CSEA), and unrepresented groups. Voluntary contributions are based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, VVTA, CSEA, and the unrepresented groups are based on availability of funds. For the measurement period of June 30, 2020, the District contributed \$1,919,626 to the Plan, all of which was used for current premiums.

**Investment****Investment Policy**

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Mutual Fund - Domestic equity	28%
Mutual Fund - Fixed income	59%
Mutual Fund - International equity	7%
Mutual Fund - Real estate	6%



**Concentration**

The investment policy of the Plan contains no limitations on the amount that can be invested in any one issuer. As of June 30, 2020, investments in mutual funds represents 100 percent of the total investment.

**Rate of Return**

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 3.1 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Receivable**

There are no receivables for long-term contracts with the District for contributions required to be disclosed under paragraph 34c of GASB Statement No. 74.

**Allocated Insurance Contracts**

There are no allocated insurance contracts excluded from OPEB plan assets required to be disclosed under paragraph 34d of GASB Statement No. 74.

**Reserves**

There are no reserves required to be reported under paragraph 34e of GASB Statement No. 74.

**Net OPEB Liability of the District**

The District's net OPEB liability of \$44,228,487 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019. The components of the net OPEB liability of the District at June 30, 2020, were as follows:

Total OPEB liability	\$ 44,417,157
Plan fiduciary net position	<u>(188,670)</u>
Net OPEB liability	<u><u>\$ 44,228,487</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>0.42%</u></u>

### Actuarial Assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	2.20 percent
Investment rate of return	6.00 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6.00 percent for 2020

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

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actual experience study for the period July 1, 2018 to June 30, 2019.

The long-term expected rate of return on OPEB plan investments of 6.00 percent for the Futuris Trust was provided by Morgan Stanley and the Benefits Trust Company, using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Mutual Fund - Domestic equity	9.3%
Mutual Fund - Fixed income	4.8%
Mutual Fund - International equity	8.8%
Mutual Fund - Real estate	6.4%

### Discount Rate

The discount rate used to measure the total OPEB liability was 2.20 percent as of the valuation date for the unfunded portion and the long-term rate of return 6.00 percent for the funded portion, based on the results of a cross-over test performed as of the valuation date. The cross-over test assumed the District would make no further contributions to the trust.

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2019	\$ 38,000,144	\$ 182,116	\$ 37,818,028
Service cost	2,579,371	-	2,579,371
Interest	871,633	-	871,633
Contributions - employer	-	1,919,626	(1,919,626)
Net investment income	-	10,927	(10,927)
Difference between expected and actual experience	1,281,652	(4,373)	1,286,025
Changes of assumptions and other inputs	3,603,983	-	3,603,983
Benefit payments	(1,919,626)	(1,919,626)	-
Net change in total OPEB liability	6,417,013	6,554	6,410,459
Balance, June 30, 2020	\$ 44,417,157	\$ 188,670	\$ 44,228,487

Changes of assumptions reflect a change in the discount rate from 3.50 percent in 2019 to 2.20 percent in 2020.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

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

Discount Rate	Net OPEB Liability
1% decrease (1.20%)	\$ 47,743,357
Current discount rate (2.20%)	44,228,487
1% increase (3.20%)	41,007,936

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

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

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (5.0%)	\$ 40,767,036
Current healthcare cost trend rate (6.0%)	44,228,487
1% increase (7.0%)	46,451,773

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$2,281,428. At June 30, 2020, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,171,748	\$ -
Changes of assumptions	3,877,448	450,962
Net difference between projected and actual earnings on OPEB plan investments	<u>8,306</u>	<u>-</u>
Total	<u><u>\$ 5,057,502</u></u>	<u><u>\$ 450,962</u></u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 760,973
2022	760,973
2023	760,087
2024	768,877
2025	857,685
Thereafter	<u>697,945</u>
Total	<u><u>\$ 4,606,540</u></u>

**Medicare Premium Payment (MPP) Program****Plan Description**

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

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

**Benefits Provided**

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

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

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

**Net OPEB Liability and OPEB Expense**

At June 30, 2020, the District reported a liability of \$566,505 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.1521 percent, and 0.1537 percent, resulting in a net decrease in the proportionate share of 0.0016 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of \$(21,895).

**Actuarial Methods and Assumptions**

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

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

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

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

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

### Discount Rate

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

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

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.50%)	\$ 618,186
Current discount rate (3.50%)	566,505
1% increase (4.50%)	518,986

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.70% Part A and 3.10% Part B)	\$ 530,984
Current Medicare costs trend rate (3.70% Part A and 4.10% Part B)	566,505
1% increase (4.70% Part A and 5.10% Part B)	637,456

**Note 11 - Non-Obligatory Debt**

Non-obligatory debt relates to debt issuances by the Community Facility Districts, and the name of component unit, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders and may initiate foreclosure proceedings. Special assessment debt of \$5,355,000 as of June 30, 2020, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

**Note 12 - Fund Balances**

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 75,000	\$ -	\$ -	\$ -	\$ 75,000
Stores inventories	72,082	-	-	57,898	129,980
Prepaid expenditures	9,880	-	-	-	9,880
Total nonspendable	<u>156,962</u>	<u>-</u>	<u>-</u>	<u>57,898</u>	<u>214,860</u>
<b>Restricted</b>					
Legally restricted programs	6,761,836	-	-	114,285	6,876,121
Food service	-	-	-	1,494,470	1,494,470
Capital projects	-	-	-	11,102,309	11,102,309
Debt services	-	-	11,835,420	79,662	11,915,082
Total restricted	<u>6,761,836</u>	<u>-</u>	<u>11,835,420</u>	<u>12,790,726</u>	<u>31,387,982</u>
<b>Assigned</b>					
Adult education program	-	-	-	40,679	40,679
Deferred maintenance program	3,381,116	-	-	-	3,381,116
Capital projects	-	13,008,881	-	-	13,008,881
Total assigned	<u>3,381,116</u>	<u>13,008,881</u>	<u>-</u>	<u>40,679</u>	<u>16,430,676</u>
<b>Unassigned</b>					
Reserve for economic uncertainties	4,410,996	-	-	-	4,410,996
Remaining unassigned	27,664,886	-	-	-	27,664,886
Total unassigned	<u>32,075,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,075,882</u>
Total	<u>\$ 42,375,796</u>	<u>\$ 13,008,881</u>	<u>\$ 11,835,420</u>	<u>\$ 12,889,303</u>	<u>\$ 80,109,400</u>

**Note 13 - Risk Management****Property and Liability**

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions, injuries to employees, life, and health of employees and natural disasters. During fiscal year ending June 30, 2020, the District contracted with California Schools Risk Management (CSRM) Joint Powers Authority for property and liability insurance coverage. Settlement claims have not exceeded the limits of this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.



### Workers' Compensation

For fiscal year 2020, the District participated in CSRSM, an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the CSRSM is limited to districts that can meet the JPA's selection criteria.

### Employee Medical Benefits

The District has contracted with the Anthem Blue Cross, Blue Shield, and Kaiser Permanente to provide employee health benefits, and Delta Dental for dental benefits. Additional vision benefits are provided by Medical Eye Services and basic life insurance benefits are provided through Johnson Rooney Welch, Inc.

### Note 14 - Employee Retirement Systems

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

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 77,666,019	\$ 27,334,911	\$ 5,180,257	\$ 11,964,594
CalPERS	46,758,081	11,625,610	1,031,151	8,823,939
Total	\$ 124,424,100	\$ 38,960,521	\$ 6,211,408	\$ 20,788,533

The details of each plan are as follows:

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

#### **Plan Description**

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

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

#### **Benefits Provided**

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

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

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

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

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

### Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were \$8,629,710.

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

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

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 77,666,019
State's proportionate share of the net pension liability	<u>42,371,998</u>
Total	<u><u>\$ 120,038,017</u></u>

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0860 percent and 0.0856 percent, resulting in a net increase in the proportionate share of 0.0004 percent.

Victor Valley Union High School District

Notes to Financial Statements

June 30, 2020

For the year ended June 30, 2020, the District recognized pension expense of \$11,964,594. In addition, the District recognized pension expense and revenue of \$6,310,104 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 8,629,710	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	8,686,081	-
Differences between projected and actual earnings on pension plan investments	-	2,991,719
Differences between expected and actual experience in the measurement of the total pension liability	196,066	2,188,538
Changes of assumptions	<u>9,823,054</u>	-
Total	<u>\$ 27,334,911</u>	<u>\$ 5,180,257</u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ (301,766)
2022	(2,375,073)
2023	(493,101)
2024	<u>178,221</u>
Total	<u>\$ (2,991,719)</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 4,591,962
2022	4,591,963
2023	3,362,548
2024	3,506,741
2025	627,912
Thereafter	<u>(164,463)</u>
Total	<u>\$ 16,516,663</u>

#### Actuarial Methods and Assumptions

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

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

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

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

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

### Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 115,651,131
Current discount rate (7.10%)	77,666,019
1% increase (8.10%)	46,169,127

## California Public Employees Retirement System (CalPERS)

### Plan Description

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

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

<https://www.calpers.ca.gov/page/forms-publications>.

### Benefits Provided

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

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

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were \$4,666,167.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$46,758,081. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.1604 percent and 0.1641 percent, resulting in a net decrease in the proportionate share of 0.0037 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$8,823,939. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,666,167	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,337,100	597,461
Differences between projected and actual earnings on pension plan investments	-	433,690
Differences between expected and actual experience in the measurement of the total pension liability	3,396,513	-
Changes of assumptions	2,225,830	-
	<u>\$ 11,625,610</u>	<u>\$ 1,031,151</u>
Total	<u>\$ 11,625,610</u>	<u>\$ 1,031,151</u>

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



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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 428,100
2022	(855,116)
2023	(129,582)
2024	122,908
Total	<u>\$ (433,690)</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 4,133,632
2022	1,838,256
2023	354,633
2024	35,461
Total	<u>\$ 6,361,982</u>

### Actuarial Methods and Assumptions

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

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

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

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

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

#### Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 67,398,700
Current discount rate (7.15%)	46,758,081
1% increase (8.15%)	29,635,263

**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$4,425,890 (10.328 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*. These amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule*.

**Note 15 - Commitments and Contingencies****Grants**

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

**Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2020.

**Note 16 - Participation in Public Entity Risk Pools**

The District is a member of California Schools Risk Management joint powers authority (JPA). The District pays an annual premium to the entity for its workers' compensation and property liability coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

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

During the year ended June 30, 2020, the District made payments of \$2,847,822 and \$1,078,935 for its workers' compensation and property and liability coverage, respectively.

**Note 17 - Risks and Uncertainties**

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



Required Supplementary Information  
June 30, 2020

**Victor Valley Union High School District**

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

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local Control Funding Formula	\$ 118,993,783	\$ 134,572,393	\$ 127,200,703	\$ (7,371,690)
Federal sources	10,779,317	14,743,458	11,050,605	(3,692,853)
Other State sources	7,876,707	10,280,355	9,762,406	(517,949)
Other local sources	3,716,778	4,779,823	5,813,769	1,033,946
Total revenues <sup>1</sup>	<u>141,366,585</u>	<u>164,376,029</u>	<u>153,827,483</u>	<u>(10,548,546)</u>
<b>Expenditures</b>				
<b>Current</b>				
Certificated salaries	54,479,628	62,219,882	53,126,885	9,092,997
Classified salaries	23,161,908	23,235,517	22,848,731	386,786
Employee benefits	39,675,886	42,895,497	42,750,660	144,837
Books and supplies	8,937,307	9,630,932	5,568,550	4,062,382
Services and operating expenditures	17,469,845	18,452,194	15,159,071	3,293,123
Other outgo	1,740,204	3,120,775	2,120,156	1,000,619
Capital outlay	1,133,190	2,785,315	3,465,230	(679,915)
<b>Debt service</b>				
Debt service - principal	-	-	240,354	(240,354)
Debt service - interest and other	-	-	67,751	(67,751)
Total expenditures <sup>1</sup>	<u>146,597,968</u>	<u>162,340,112</u>	<u>145,347,388</u>	<u>16,992,724</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,231,383)</u>	<u>2,035,917</u>	<u>8,480,095</u>	<u>6,444,178</u>
<b>Other Financing Uses</b>				
Transfers out	<u>(2,661,797)</u>	<u>(2,873,856)</u>	<u>(2,873,856)</u>	<u>-</u>
Net Change in Fund Balances	(7,893,180)	(837,939)	5,606,239	6,444,178
Fund Balance - Beginning	<u>36,769,557</u>	<u>36,769,557</u>	<u>36,769,557</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 28,876,377</u>	<u>\$ 35,931,618</u>	<u>\$ 42,375,796</u>	<u>\$ 6,444,178</u>

<sup>1</sup> Due to the consolidation of Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets. On behalf payments of \$1,484,593 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

Victor Valley Union High School District  
Schedule of Changes in the District's Net OPEB Liability and Related Ratios  
Year Ended June 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 2,579,371	\$ 1,861,111	\$ 1,889,914
Interest	871,633	1,421,601	1,294,096
Difference between expected and actual experience	1,281,652	98,699	5,364
Changes of assumptions	3,603,983	1,109,108	(796,535)
Benefit payments	(1,919,626)	(2,062,446)	(1,750,555)
Net change in total OPEB liability	6,417,013	2,428,073	642,284
Total OPEB Liability - Beginning	38,000,144	35,572,071	34,929,787
Total OPEB Liability - Ending (a)	<u>\$ 44,417,157</u>	<u>\$ 38,000,144</u>	<u>\$ 35,572,071</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,919,626	\$ 2,062,446	\$ 1,750,555
Net investment income	10,927	5,533	5,818
Difference between expected and actual experience	(4,373)	-	-
Benefit payments	(1,919,626)	(2,062,446)	(1,750,555)
Net change in plan fiduciary net position	6,554	5,533	5,818
Plan Fiduciary Net Position - Beginning	182,116	176,583	170,765
Plan Fiduciary Net Position - Ending (b)	<u>\$ 188,670</u>	<u>\$ 182,116</u>	<u>\$ 176,583</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 44,228,487</u>	<u>\$ 37,818,028</u>	<u>\$ 35,395,488</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.42%	0.48%	0.50%
Covered Payroll	\$ -	\$ -	\$ -
Net OPEB Liability as a Percentage of Covered Payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

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

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

Victor Valley Union High School District  
Schedule of District Contributions for OPEB  
Year Ended June 30, 2020

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	2020	2019	2018
Actuarially determined contribution	\$ 1,919,626	\$ 2,062,446	\$ 1,750,555
Contribution in relation to the actuarially determined contribution	1,919,626	2,062,446	1,750,555
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Contributions as a percentage of covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>

<sup>1</sup> Contributions are not made based on a measure of pay.  
Therefore, no measure of payroll is presented.

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



Victor Valley Union High School District  
Schedule of OPEB Investment Returns  
Year Ended June 30, 2020

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	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	<u>3.60%</u>	<u>3.10%</u>	<u>3.40%</u>

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

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

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.1521%	0.1537%	0.1420%
Proportionate share of the net OPEB liability	\$ 566,505	\$ 58,400	\$ 598,106
Covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	0.04%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

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

	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>						
Proportion of the net pension liability (asset)	0.0860%	0.0856%	0.0785%	0.0751%	0.0751%	0.0617%
Proportionate share of the net pension liability (asset)	\$ 77,666,019	\$ 78,712,827	\$ 72,621,378	\$ 60,742,122	\$ 50,535,245	\$ 36,048,496
State's proportionate share of the net pension liability (asset)	42,371,998	45,066,775	42,962,194	34,579,406	26,727,574	21,767,639
Total	<u>\$ 120,038,017</u>	<u>\$ 123,779,602</u>	<u>\$ 115,583,572</u>	<u>\$ 95,321,528</u>	<u>\$ 77,262,819</u>	<u>\$ 57,816,135</u>
Covered payroll	<u>\$ 47,140,037</u>	<u>\$ 45,259,349</u>	<u>\$ 41,451,479</u>	<u>\$ 37,593,588</u>	<u>\$ 34,706,588</u>	<u>34,710,030</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>164.76%</u>	<u>173.92%</u>	<u>175.20%</u>	<u>161.58%</u>	<u>145.61%</u>	<u>1</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>						
Proportion of the net pension liability (asset)	0.1604%	0.1641%	0.1523%	0.1470%	0.1407%	0.1237%
Proportionate share of the net pension liability (asset)	\$ 46,758,081	\$ 43,763,626	\$ 36,367,214	\$ 29,033,283	\$ 20,735,093	\$ 14,048,470
Covered payroll	<u>\$ 22,359,179</u>	<u>\$ 21,334,834</u>	<u>\$ 19,457,424</u>	<u>\$ 17,561,383</u>	<u>\$ 15,590,757</u>	<u>15,590,781</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>209.12%</u>	<u>205.13%</u>	<u>186.91%</u>	<u>165.32%</u>	<u>133.00%</u>	<u>1</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Victor Valley Union High School District  
Schedule of the District Contributions  
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>						
Contractually required contribution	\$ 8,629,710	\$ 7,674,398	\$ 6,530,924	\$ 5,214,596	\$ 4,033,792	\$ 3,081,945
Less contributions in relation to the contractually required contribution	<u>8,629,710</u>	<u>7,674,398</u>	<u>6,530,924</u>	<u>5,214,596</u>	<u>4,033,792</u>	<u>3,081,945</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$50,466,140</u>	<u>\$47,140,037</u>	<u>\$45,259,349</u>	<u>\$41,451,479</u>	<u>\$37,593,588</u>	<u>\$34,706,588</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>						
Contractually required contribution	\$ 4,666,167	\$ 4,038,515	\$ 3,313,513	\$ 2,702,247	\$ 2,080,497	\$ 1,835,188
Less contributions in relation to the contractually required contribution	<u>4,666,167</u>	<u>4,038,515</u>	<u>3,313,513</u>	<u>2,702,247</u>	<u>2,080,497</u>	<u>1,835,188</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$23,660,905</u>	<u>\$22,359,179</u>	<u>\$21,334,834</u>	<u>\$19,457,424</u>	<u>\$17,561,383</u>	<u>\$15,590,757</u>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

**Note 1 - Purpose of Schedules****Budgetary Comparison Schedule**

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

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

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

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

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

- *Change in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Change of Assumptions* – The discount rate was changed from 3.50 percent to 2.20 percent since the previous valuation.

**Schedule of District Contributions for OPEB**

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

**Schedule of OPEB Investment Returns**

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

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

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

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

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

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

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

**Schedule of District Contributions**

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



Supplementary Information  
June 30, 2020

# Victor Valley Union High School District

Victor Valley Union High School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Title I, Part A, Basic Grants Low-Income and Neglected School Improvement Funding for LEAs	84.010 84.010	14329 15438	\$ 6,421,789 <u>353,938</u>
Subtotal			<u>6,775,727</u>
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	343,781
Title IV, Part A, Student Support and Academic Enrichment Grant Program (Competitive)	84.424	15391	<u>291,808</u>
Subtotal			<u>635,589</u>
Title II, Part A, Supporting Effective Instruction	84.367	14341	1,028,698
Title III, English Learner Student Program	84.365	14346	93,449
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	385,601
Passed through Desert/Mountain Special Education Local Plan Area Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	<u>2,065,247</u>
Total Special Education (IDEA) Cluster			<u>2,065,247</u>
Total U.S. Department of Education			<u>10,984,311</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
Especially Needy Breakfast Program	10.553	13526	733,071
National School Lunch Program	10.555	13524	2,842,421
Commodities	10.555	13396	<u>331,192</u>
Subtotal			<u>3,906,684</u>
Summer Food Service Sponsor Admin	10.559	13006	76,107
Summer Food Service Program Operations	10.559	13004	<u>741,652</u>
Subtotal			<u>817,759</u>
Total Child Nutrition Cluster			<u>4,724,443</u>
Child and Adult Care Food Program	10.558	13393	<u>194,995</u>
Total U.S. Department of Agriculture			<u>4,919,438</u>
U.S. Department of Defense			
Junior Reserve Officer Training Corps - Air Force	12.000	[1]	<u>66,294</u>
Total U.S. Department of Defense			<u>66,294</u>
Total Expenditures of Federal Awards			<u>\$ 15,970,043</u>

[1] Pass-Through Entity Number not available.



## ORGANIZATION

The Victor Valley Union High School District was established in 1915 and consists of an area comprising approximately 536 square miles. The District operates three junior high schools, three comprehensive high schools, a continuation high school, and alternative education programs. There were no boundary changes during the year.

## GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Jose Berrios	President	2020
Barbara Dew	Vice President	2020
Caleb Castaneda	Clerk	2022
Penny Edmiston	Member	2022
Joshua Garcia	Member	2022

## ADMINISTRATION

Dr. Ron Williams	Superintendent
Dr. Antoine Hawkins	Assistant Superintendent, Business Services
Dr. Fal Asrani	Assistant Superintendent, Educational Services
Dr. Ramiro Rubalcaba	Assistant Superintendent, Human Resources

Victor Valley Union High School District  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2020

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	2,615.03	2,615.03
Ninth through twelfth	7,587.23	7,587.23
Total Regular ADA	10,202.26	10,202.26
Extended Year Special Education		
Seventh and eighth	5.19	5.19
Ninth through twelfth	17.19	17.19
Total Extended Year Special Education	22.38	22.38
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	2.33	2.27
Ninth through twelfth	12.60	12.70
Total Special Education, Nonpublic, Nonsectarian Schools	14.93	14.97
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.36	0.36
Ninth through twelfth	1.00	1.00
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.36	1.36
Total ADA	10,240.93	10,240.97

Victor Valley Union High School District

Schedule of Instructional Time

Year Ended June 30, 2020

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 7 - 8	54,000				
Grade 7		65,688	180	N/A	Complied
Grade 8		65,688	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,688	180	N/A	Complied
Grade 10		65,688	180	N/A	Complied
Grade 11		65,688	180	N/A	Complied
Grade 12		65,688	180	N/A	Complied

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

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

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

	(Budget) 2021 <sup>1</sup>	2020	2019	2018
General Fund <sup>3</sup>				
Revenues	\$ 172,025,628	\$ 153,671,301	\$ 145,054,852	\$ 133,048,255
Expenditures	159,497,577	141,823,741	141,084,268	128,963,447
Other uses	2,661,797	5,209,445	3,876,148	4,476,804
Total expenditures and other uses	162,159,374	147,033,186	144,960,416	133,440,251
Increase/(Decrease) in Fund Balance	9,866,254	6,638,115	94,436	(391,996)
Ending Fund Balance	\$ 42,049,965	\$ 32,183,711	\$ 25,545,596	\$ 25,451,160
Available Reserves <sup>2,4</sup>	\$ 38,312,662	\$ 32,075,882	\$ 24,254,467	\$ 23,036,175
Available Reserves as a Percentage of Total Outgo <sup>4</sup>	23.63%	21.82%	17.27%	17.26%
Long-Term Liabilities including OPEB and Pensions	N/A	\$ 346,073,496	\$ 347,655,884	\$ 339,596,858
K-12 Average Daily Attendance at P-2	10,242	10,241	9,812	9,611

The General Fund balance has increased by \$6,732,551 over the past two years. The fiscal year 2020-2021 budget projects an increase of \$9,866,254 (30.7 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2020-2021 fiscal year. Total long-term liabilities have increased by \$6,476,638 over the past two years.

Average daily attendance has increased by 630 over the past two years. An increase of one ADA is anticipated during fiscal year 2020-2021.

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

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

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

<sup>4</sup> On behalf payments of \$1,484,593 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2020.

Victor Valley Union High School District  
Schedule of Charter Schools  
Year Ended June 30, 2020

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<u>Name of Charter School and Charter Number</u>	<u>Included in Audit Report</u>
Options for Youth - Victor Valley (Charter No. 0013)	No

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

	Adult Education Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund
<b>Assets</b>				
Deposits and investments	\$ 3,407	\$ 1,347,095	\$ 540,447	\$ 3,756,929
Receivables	218,255	777,107	2,530	76,289
Stores inventories	-	57,898	-	-
<b>Total assets</b>	<b>\$ 221,662</b>	<b>\$ 2,182,100</b>	<b>\$ 542,977</b>	<b>\$ 3,833,218</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 13,744	\$ 16,497	\$ -	\$ 174,206
Due to other funds	52,954	613,235	-	-
<b>Total liabilities</b>	<b>66,698</b>	<b>629,732</b>	<b>-</b>	<b>174,206</b>
<b>Fund Balances</b>				
Nonspendable	-	57,898	-	-
Restricted	114,285	1,494,470	542,977	3,659,012
Assigned	40,679	-	-	-
<b>Total fund balances</b>	<b>154,964</b>	<b>1,552,368</b>	<b>542,977</b>	<b>3,659,012</b>
<b>Total liabilities and fund balances</b>	<b>\$ 221,662</b>	<b>\$ 2,182,100</b>	<b>\$ 542,977</b>	<b>\$ 3,833,218</b>

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

	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Debt Service Fund	Total Non-Major Governmental Funds
<b>Assets</b>				
Deposits and investments	\$ 6,533,321	\$ 336,585	\$ 79,301	\$ 12,597,085
Receivables	30,414	-	361	1,104,956
Stores inventories	-	-	-	57,898
<b>Total assets</b>	<b>\$ 6,563,735</b>	<b>\$ 336,585</b>	<b>\$ 79,662</b>	<b>\$ 13,759,939</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 204,447
Due to other funds	-	-	-	666,189
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>870,636</b>
<b>Fund Balances</b>				
Nonspendable	-	-	-	57,898
Restricted	6,563,735	336,585	79,662	12,790,726
Assigned	-	-	-	40,679
<b>Total fund balances</b>	<b>6,563,735</b>	<b>336,585</b>	<b>79,662</b>	<b>12,889,303</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,563,735</b>	<b>\$ 336,585</b>	<b>\$ 79,662</b>	<b>\$ 13,759,939</b>



Victor Valley Union High School District  
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental  
Funds  
Year Ended June 30, 2020

	Adult Education Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund
<b>Revenues</b>				
Federal sources	\$ -	\$ 4,919,438	\$ -	\$ -
Other State sources	457,937	277,403	-	-
Other local sources	3,017	194,470	10,897	1,286,093
Total revenues	<u>460,954</u>	<u>5,391,311</u>	<u>10,897</u>	<u>1,286,093</u>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	208,814	-	-	-
Instruction-related activities				
Supervision of instruction	89,551	-	-	-
School site administration	137,771	-	-	-
Pupil services				
Food services	-	5,689,175	-	-
All other pupil services	66,318	-	-	-
Administration				
All other administration	15,546	199,887	-	171,185
Plant services	-	6,262	-	-
Facility acquisition and construction	-	-	20,500	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	<u>518,000</u>	<u>5,895,324</u>	<u>20,500</u>	<u>171,185</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(57,046)</u>	<u>(504,013)</u>	<u>(9,603)</u>	<u>1,114,908</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	(429,467)
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(429,467)</u>
Net Change in Fund Balances	(57,046)	(504,013)	(9,603)	685,441
Fund Balance - Beginning	<u>212,010</u>	<u>2,056,381</u>	<u>552,580</u>	<u>2,973,571</u>
Fund Balance - Ending	<u>\$ 154,964</u>	<u>\$ 1,552,368</u>	<u>\$ 542,977</u>	<u>\$ 3,659,012</u>

Victor Valley Union High School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds  
Year Ended June 30, 2020

	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Debt Service Fund	Total Non-Major Governmental Funds
<b>Revenues</b>				
Federal sources	\$ -	\$ -	\$ -	\$ 4,919,438
Other State sources	-	-	-	735,340
Other local sources	128,917	17,779	2,080	1,643,253
<b>Total revenues</b>	<b>128,917</b>	<b>17,779</b>	<b>2,080</b>	<b>7,298,031</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	-	-	-	208,814
Instruction-related activities				
Supervision of instruction	-	-	-	89,551
School site administration	-	-	-	137,771
Pupil services				
Food services	-	-	-	5,689,175
All other pupil services	-	-	-	66,318
Administration				
All other administration	-	-	-	386,618
Plant services	-	-	-	6,262
Facility acquisition and construction	89,000	1,466,340	-	1,575,840
Debt service				
Principal	-	-	1,425,000	1,425,000
Interest and other	-	-	553,438	553,438
<b>Total expenditures</b>	<b>89,000</b>	<b>1,466,340</b>	<b>1,978,438</b>	<b>10,138,787</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>39,917</b>	<b>(1,448,561)</b>	<b>(1,976,358)</b>	<b>(2,840,756)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	1,976,905	1,976,905
Transfers out	-	-	-	(429,467)
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>1,976,905</b>	<b>1,547,438</b>
<b>Net Change in Fund Balances</b>	<b>39,917</b>	<b>(1,448,561)</b>	<b>547</b>	<b>(1,293,318)</b>
<b>Fund Balance - Beginning</b>	<b>6,523,818</b>	<b>1,785,146</b>	<b>79,115</b>	<b>14,182,621</b>
<b>Fund Balance - Ending</b>	<b>\$ 6,563,735</b>	<b>\$ 336,585</b>	<b>\$ 79,662</b>	<b>\$ 12,889,303</b>

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

### **Schedule of Expenditures of Federal Awards**

#### Basis of Presentation

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

#### Summary of Significant Accounting Policies

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

#### Indirect Cost Rate

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

#### Food Donation

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

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

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

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

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

### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 44 days due to the pandemic. As a result, the District received credit for these 44 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

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

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

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

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

#### **Schedule of Charter Schools**

This schedule lists all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District's audit.

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

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



Independent Auditor's Reports  
June 30, 2020

# Victor Valley Union High School District



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

To the Board of Directors  
Victor Valley Union High School District  
Victorville, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Victor Valley Union High School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Victor Valley Union High School District’s basic financial statements and have issued our report thereon dated March 12, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Victor Valley Union High School District’s internal control over financial reporting (internal control) as a basis for designing 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 Victor Valley Union High School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Victor Valley 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of Victor Valley Union High School District in a separate letter dated March 12, 2021.

**Purpose of this Report**

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
March 12, 2021



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

To the Board of Directors  
Victor Valley Union High School District  
Victorville, California

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

We have audited Victor Valley 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 Victor Valley Union High School District's major federal programs for the year ended June 30, 2020. Victor Valley 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 Victor Valley 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 Victor Valley 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 Victor Valley Union High School District's compliance.



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

In our opinion, Victor Valley Union High School District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001. Our opinion on each federal program is not modified with respect to these matters.

Victor Valley Union High School District's response to the noncompliance findings identified in our audit are described in the accompanying *schedule of findings and questioned costs*. Victor Valley Union High School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

Victor Valley Union High School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Victor Valley Union High School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Eide Bailly LLP*

Rancho Cucamonga, California  
March 12, 2021



## Independent Auditor's Report on State Compliance

To the Board of Directors  
Victor Valley Union High School District  
Victorville, California

### **Report on State Compliance**

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

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

**Compliance Requirements Tested**

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

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

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

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

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

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

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

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

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

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

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

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

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

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

The Charter School is independent of the District; therefore, we did not perform any procedures related to charter schools.

***Basis for Qualified Opinion on Instructional Materials and After School Education and Safety Program***

As described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*, as item 2020-002 and 2020-003, Victor Valley Union High School District did not comply with requirements regarding the Instructional Materials and After School Education and Safety Program. Compliance with such requirements is necessary, in our opinion, for Victor Valley Union High School District to comply with the requirements referred to above.

***Qualified Opinion on Instructional Materials and After School Education and Safety Program***

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

Victor Valley Union High School District's response to the noncompliance findings identified in our audit are described in the accompanying *Schedule of State Compliance Findings and Questioned Costs* as items 2020-002 and 2020-003. Victor Valley Union High School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

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



Rancho Cucamonga, California  
March 12, 2021



Schedule of Findings and Questioned Costs  
June 30, 2020

# Victor Valley Union High School District

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

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

**Identification of major programs:**

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Title I, Part A, Basic Grants Low-Income and Neglected School Improvement Funding for LEAs	84.010 84.010
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**STATE COMPLIANCE**

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

<u>Name of Program</u>
Instructional Materials After School Education and Safety Program



None reported.

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

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2020-001      Code 50000

#### Federal Program Affected

Program Name: Title I, Part A, Basic Grants Low-Income and Neglected

CFDA Number: 84.010

Pass-Through Entity: California Department of Education

Federal Agency: U.S. Department of Education

#### Criteria or Specific Requirements

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

#### Condition

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

#### Questioned Costs

There were no questioned costs identified.

#### Context

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

#### Effect

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

Cause

The condition identified appears to have materialized due to private school correspondence records not being maintained by the District for certain private schools for the 2019-2020 school year.

Repeat Finding

Yes

Recommendation

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

Corrective Action Plan

The District maintains proper files and records and reviewed and notified all private schools that it was aware of. The private school not notified was new and will be included in future correspondence. The District will ensure all private schools listed on the California Department of Education website that are within the District boundaries are properly notified in the future.

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

Five Digit Code	AB 3627 Finding Type
40000	State Compliance
70000	Instructional Materials

2020-002      70000

**Criteria or Specific Requirements**

Pursuant to Education Code 60119, the District is required to hold a public hearing regarding the sufficiency of textbooks or other instructional materials on or before the eighth week from the first day pupils attended school for that year.

**Condition**

The District was found to be out of compliance with regard to when the public hearing for instructional materials was held. The District held the hearing on November 07, 2019, which was not within the first eight weeks of the start of school.

**Questioned Costs**

There were no questioned costs associated with this condition. However, the 2012-2013 funding allocation of \$583,998 could be considered as inappropriately claimed by the District, resulting in a decrease of funding.

**Context**

The condition was identified through inquiry with District personnel and through the review of available District records related to the minutes of board meetings.

**Effect**

A public hearing, as required by Education Code, was not held within eight weeks from the first day of the school year.

**Cause**

No specific cause was identified, other than it was simply an oversight

**Repeat Finding**

No.

#### Recommendation

The District should make every effort to hold the public hearing before the eight weeks prior to the start of school. The District should designate a management employee with the responsibility for making sure the public hearing is identified on the board agenda before the eight weeks have passed. This non-compliance could result in loss of funding in the amount \$583,998.

#### Corrective Action Plan

The District will ensure the public hearing is held within the first eight weeks from the first day of the school year.

2020-003      40000

#### Criteria or Specific Requirements

According to the California Education Code Section 8482.4(c)(1), a district that receives state funding for an after-school program must report attendance to the California Department of Education (CDE) semiannually. Such reporting must be supported by attendance records supporting student participation.

#### Condition

The District compiles monthly summaries of student attendance for submission to the CDE. However, in reviewing the monthly summary totals for the first semi-annual reporting period, it was noted that for the monthly totals as summarized did not agree with what was reported on the semi-annual report. The CDE report for the second semi-annual report reports 2,777 students served for Cobalt Institute of Math and Science Academy. In contrast, the monthly summary totals for July through December 2019 reports 3,711 students served for Cobalt Institute of Math and Science Academy. This resulted in the District underclaiming the number of students served by 934.

#### Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition. However, the number of students served appears understated by 934 students for the first semi-annual reporting period.

#### Context

The attendance condition was identified when the auditor selected one semi-annual reporting period dated July 2019 to December 2019. the auditor reviewed monthly summaries for the same period noting multiple exceptions as noted above.

Effect

In addition, the District was not compliant with Education Code Section 8482.4(c)(1) for the 2019-2020 fiscal year, since the number of students served as reported to the CDE is overstated when compared to supporting records.

Cause

The attendance condition appears to have resulted from inconsistent procedures utilized to track student attendance.

Repeat Finding

No.

Recommendation

For accurate attendance reporting, the District should review procedures used to report the number of students served to the CDE to methods are consistent to allow for accurate reporting. Procedures for attendance should include an independent review of the sign out sheets, monthly summaries, and semi-annual reports prior to submitting them to the CDE.

Corrective Action Plan

District staff will ensure proper records are maintained by the staff or vendor responsible for attendance and monitor the attendance on a monthly basis. All reporting made to the California Department of Education will be reconciled to the monthly attendance reports .

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

### Financial Statement Findings

2019-001      Code 30000

#### Criteria or Specific Requirements

Under the modified basis of accounting used for governmental funds, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. In addition, the application of the completeness assertion in financial statements generally requires management to record all assets and liabilities that should have been included as ending balances on the financial statements.

#### Condition

The Victor Valley Union High School District Public Financing Corporation of California issued certificates of participation and the related activity is presented as the Capital Projects Fund for Blended Component Units and the Debt Service Fund. During the District's annual closing process, the District was unable to reconcile all the trustee statements in a timely manner to report the full amount of assets held by trustees prior to the county's year-end closing deadline. As a result, the District's financial statements excluded a net amount of \$9,935,133 in restricted funds held with trustees that should have been recorded as of June 30, 2019. These funds held with trustees were legally restricted for either debt service or capital projects.

#### Questioned Costs

There are no questioned costs associated with the condition identified.

#### Context

The condition was identified through the course of the financial audit conducted on the District's financial statements. More specifically, our review of various year-end trustee account statements linked to the District's component units (Victor Valley Union High School District Public Financing Corporation of California) indicated that the activity within these accounts were not reported by the District.

#### Effect

The effect of these unrecorded items on the ending fund balance of the District's Capital Projects Fund for Blended Component Units and the Debt Service Fund resulted in the fund balance being decreased by \$9,936,658, and increased by \$1,525, respectively, then what was reported by the District's Unaudited Actuals as of June 30, 2019.

Cause

The cause appears to be associated with the timing of when the year-end trustee statements were reconciled and the closing deadline. As a result, amounts reported in these statements were unintentionally excluded from year-end reporting.

Repeat Finding (Yes or No)

No

Recommendation

In light of the condition identified, the District should exercise care during its annual year-end closing process. The District should implement the following to prevent similar future occurrences:

1. Identify all trustee accounts linked to the District's financing corporation.
2. The District should ensure that all trustee statements are reconciled in a timely manner to allow the District to review the activities posted by the trustees.
3. Trustee activities reported on statements should be posted to the District's Capital Project Fund for Blended Component Units (Fund 49) and Debt Service Fund (Fund 56) on a monthly basis.
4. At year-end, annualized statements should be used to determine if the District's financial statements reflect accurate ending balances reflected on trustee statements.

Current status

Implemented

**Federal Awards Findings**

2019-002      Code 50000

Federal Program Affected

Program Name: Title II, Part A – Supporting Effective Instruction

CFDA Number: 84.367

Pass-Through Entity: California Department of Education

Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Title 34, Code of Federal Regulations, Part 299, Section 299.6, requires that local education agencies (LEAs) provide timely and meaningful consultations with appropriate officials of private schools. LEAs must be able to demonstrate that eligible private schools were contacted and notified of the opportunity to participate in the Title II, Part A program.



Condition

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

Questioned Costs

There were no questioned costs identified.

Context

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

Effect

The District was not in compliance with Title 34, Code of Federal Regulations, Part 299, Section 299.6.

Cause

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

Repeat Finding (Yes or No)

No

Recommendation

It is recommended that the District maintain private school correspondence records, minutes from meetings with private school representatives, and written affirmations from private school officials to demonstrate compliance with provisions under Title 34, Code of Federal Regulations, Part 299, Section 299.6.

Current status

Not Implemented. See Current Year Finding 2020-001



Management  
Victor Valley Union High School District  
Victorville, California

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

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated March 12, 2021, on the government-wide financial statements of the District.

### **Associated Student Body (ASB)**

#### Victor Valley High School

##### *Observation*

- Based on the review of the disbursement procedures, it was noted that one of the 25 transactions reviewed did not have the required three approval signatures signifying that the payment can be made.

##### *Recommendation*

- In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursements are authorized by three individuals (ASB advisor, student body representative, and an administrator). This would allow the reviewing administrator and/or the student council to determine if the payment being made is appropriate and to determine if sufficient funding is available to finance the payment.

#### Hook Junior High School

##### *Observation*

- Based on the review of the cash receipting procedures, it was noted that two of six deposits tested were not deposited in a timely manner. The delay in deposits ranged from approximately 11 to 14 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

*Recommendation*

- The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

*Observation*

- Revenue potential forms are not being used to document and control fund-raising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

*Recommendation*

- As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained, and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.

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

*Eide Bailly LLP*

Rancho Cucamonga, California  
March 12, 2021