Financial Statements
June 30, 2022

Victor Valley Union High School District

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Victor Valley Union High School District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Correction of an Error

As discussed in Note 18 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for accounts payable as of June 30, 2021, were discovered during the current year. Accordingly, a restatement has been made to the fund balance of the General Fund and governmental activities net position as of July 1, 2021, to correct the error. Our opinions are not modified with respect to this matter.

__Adoption of New Accounting Standard__

As discussed in Notes 1 and 19 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, Leases, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position and the fund balance of the General Fund as of July 1, 2021, to restate beginning net position and beginning fund balance. Our opinions are not modified with respect to this matter.

__Responsibilities of Management for the Financial Statements__

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

__Auditor's Responsibilities for the Audit of the Financial Statements__

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's net OPEB liability and related ratios, schedule of the District's contributions for OPEB, schedule of OPEB investment returns, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the Schedule of Expenditures of Federal Awards, combining non-major governmental fund financial statements, and 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 our report dated July 31, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
July 31, 2023

VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

BUSINESS SERVICES DIVISION
16350 Mojave Drive, Victorville, CA 92395-3655
(760) 955-3201 ext. 10211
Shawntee Milton, Assistant Superintendent

This section of Victor Valley Union High School District's (the District) (2021-2022) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022, with comparative information for the year ending June 30, 2021. 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 (including capital assets and right-to-use leased assets) and deferred outflows of resources of the District, as well as all liabilities (including long-term 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.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

In the *Statement of Net Position* and the *Statement of Activities*, we 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 - 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 the governmental fund financial statements.

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 employee retiree benefits and funds to account for the activity of Community Facility Districts. The District's fiduciary activities are reported in the *Fiduciary Funds - Statement of Net Position* and *Fiduciary Funds – Statement of Changes in 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 $68,358,918 for the fiscal year ended June 30, 2022. Of this amount, $(110,701,120) 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	
	2022	2021 as restated
Assets		
Current and other assets	$ 146,316,862	$ 141,522,804
Capital assets anf right-to-use leased assets	281,333,036	284,061,809
Total assets	427,649,898	425,584,613
Deferred Outflows Of Resources	34,715,491	46,869,348
Liabilities		
Current liabilities	56,478,573	38,961,083
Long-term liabilities other than OPEB and pensions	170,159,092	176,283,391
Net other postemployment benefits (OPEB) liability	20,745,662	22,582,604
Aggregate net pension liability	71,876,682	140,574,356
Total liabilities	319,260,009	378,401,434
Deferred Inflows Of Resources	74,746,462	23,727,111
Net Position		
Net investment in capital assets	140,921,772	140,806,046
Restricted	38,138,266	34,010,513
Unrestricted (deficit)	(110,701,120)	(104,491,143)
Total net position	$ 68,358,918	$ 70,325,416

The $(110,701,120) in unrestricted (deficit) net position represents the *accumulated* results of all past years' operations. Unrestricted (deficit) 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 (deficit) net position increased by 5.9% ($110,701,120 deficit compared to $104,491,143 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 16. 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	
	2022	2021 *
Revenues		
Program revenues		
Charges for services and sales	$ 2,380,350	$ 2,267,572
Operating grants and contributions	33,723,159	49,696,412
Capital grants and contributions	-	111,847
General revenues		
Federal and State aid not restricted	123,282,003	112,961,705
Property taxes	29,204,454	28,438,009
Other general revenues	(604,936)	8,501,422
Total revenues	187,985,030	201,976,967
Expenses		
Instruction	117,147,527	118,586,467
Pupil services	21,583,670	16,466,650
Administration	13,015,378	17,912,029
Plant services	17,614,234	16,565,814
All other services	23,086,568	28,036,073
Total expenses	192,447,377	197,567,033
Change in net position	$ (4,462,347)	$ 4,409,934

* The revenues and expenses for fiscal year 2021 were not restated to show the effects of GASB 87 for comparative purposes.

Governmental Activities

As reported in the Statement of Activities on page 16, the cost of all of our governmental activities this year was $192,447,377. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $29,204,454. The remaining cost was paid by those who benefited from the programs, $2,380,350, or by other governments and organizations who subsidized certain programs with $33,643,612 in grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with $122,756,614 in Federal and 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-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	
	2022	2021 *	2022	2021 *
Instruction	$ 117,147,527	$ 118,586,467	$ (95,982,844)	$ (86,711,067)
Pupil services	21,583,670	16,466,650	(13,539,850)	(10,566,852)
Administration	13,015,378	17,912,029	(10,256,147)	(9,389,996)
Plant services	17,614,234	16,565,814	(17,107,814)	(14,333,413)
All other services	23,086,568	28,036,073	(19,457,213)	(24,489,874)
Total	$ 192,447,377	$ 197,567,033	$ (156,343,868)	$ (145,491,202)

* The total and net cost of services for fiscal year 2021 were not restated to show the effects of GASB 87 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $90,864,630 which is a decrease of $15,410,234 or 14.5%, from last year (Table 4).

Table 4

	Balances and Activity			
Governmental Fund	July 1, 2021 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2022
General Fund	$ 69,504,389	$ 174,555,245	$ 191,507,046	$ 52,552,588
Student Activity Fund	821,803	1,829,741	1,488,127	1,163,417
Adult Education Fund	173,372	461,422	445,127	189,667
Cafeteria Fund	571,031	5,920,501	5,430,230	1,061,302
Building Fund	495,207	(6,911)	53,375	434,921
Capital Facilities Fund	5,580,380	2,200,714	503,958	7,277,136
County School Facilities	5,551,832	(79,546)	287,986	5,184,300
Special Reserve Fund for Capital Outlay Projects	14,803,196	2,836,862	3,965,609	13,674,449
Capital Project Fund for Blended Component Units	3,210	-	-	3,210
Bond Interest and Redemption Fund	8,689,305	8,215,821	7,661,418	9,243,708
Debt Service Fund	81,139	2,008,812	2,010,019	79,932
Total	$ 106,274,864	$ 197,942,661	$ 213,352,895	$ 90,864,630

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 27, 2022. (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 73.)

CAPITAL AND RIGHT-TO-USE LEASE ASSETS AND DEBT ADMINISTRATION

Capital and Right-To-Use Leased Assets

At June 30, 2022, the District had $281,333,036 in a broad range of capital and right-to-use leased assets (net of depreciation and amortization), including land and construction in progress, land improvements and buildings and improvements, furniture and equipment, and right-to-use leased assets. This amount represents a net decrease (including additions, deductions, depreciation, and amortization) of $2,728,773 or 1.0%, from last year (Table 5).

Table 5

	Governmental Activities	
	2022	2021
Land and construction in progress	$ 14,907,983	$ 31,039,660
Land improvements and buildings and improvements	259,132,706	246,899,699
Furniture and quipment	7,169,478	5,754,133
Right-to-use leased assets	122,869	368,317
Total	$ 281,333,036	$ 284,061,809

We present more detailed information about our capital and right-to-use leased assets in Note 5 to the financial statements.

Long-Term Liabilities other than Other Postemployment Benefits Provided (OPEB) and Pensions

At the end of this year, the District had $170,159,092 in long-term liabilities other than OPEB and pension outstanding versus $176,283,391 last year, a decrease of $6,124,299, or 3.5%. These long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2022	2021 as restated
Long-Term Liabilities		
General obligation bonds	$ 135,040,083	$ 136,505,641
Unamortized premiums on bonds	8,340,574	9,016,197
Certificates of participation	18,720,000	20,235,000
Unamortized discounts on certificates	(234,139)	(252,384)
Leases	125,347	368,317
Finance purchase agreements	1,528,083	1,796,351
Supplemental early retirement plan	3,813,609	6,365,553
Compensated absences	2,825,535	2,248,716
Total	$ 170,159,092	$ 176,283,391

We present more detailed information about our long-term liabilities in Note 10 to the financial statements.

OPEB and Pensions

The District had a net other postemployment benefit (OPEB) liability of $20,745,662 and $22,582,604 at June 30, 2022 and 2021, respectively, a decrease of $1,836,942, or 8.1%.

In addition, the District had an aggregate net pension liability of $71,876,682 and $140,574,356 at June 30, 2022 and 2021, respectively, a decrease of $68,697,674, or 48.9%.

We present more detailed information about OPEB and Pensions in Note 11 and Note 15, respectively to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2022-2023 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 however, due to the continued impact of COVID-19 pandemic on ADA, and in order to conservatively budget, we are not budgeting an increase.

Revenue Assumptions

1. Local Control Funding Formula (LCFF) is budgeted to increase to $162.2 million:
    a. Cost of Living Adjustment (COLA) of 13.26% which is comprised of Statutory COLA of 6.56% and augmented COLA of 6.70%.
    b. A three-year rolling average unduplicated pupil percentage of 84.47%, 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 $16.8 million.

Total COVID-19 One-time Funding awarded to the District since March 2020 was $144.1 million. The District began the 2022- 2023 fiscal year with $124.2 million of this funding available. We will see his funding expended over the next several years with the final grants ending June 30, 2028.

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 3.14% in 2022-2023 and 3.54% in 2023-2024.
4. All Federal, State, and Local categorical grant programs are budgeted with revenues equaling expenditures at 100% of the final 2021 – 2022 allocation. 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 be adjusted 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. There was no projected ADA increase for the LCFF Revenue Calculator. Enrollment/Average Daily Attendance (ADA) is expected to increase again in 2022 - 2023 however, the District will maintain a conservative estimate until the increase in enrollment is realized.
4. The District's contribution to the CalSTRS and CalPERS retirement systems will continue to rise.

The 2022 – 2023 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, 2022.

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 smilton@vvusd.org.

	Governmental Activities
Assets	
Deposits and investments	$ 129,834,949
Receivables	15,474,744
Prepaid expenses	583,995
Stores inventories	249,102
Lease receivable	174,072
Capital assets not depreciated	14,907,983
Capital assets, net of accumulated depreciation	266,302,184
Right-to-use leased assets, net of accumulated amortization	122,869
Total assets	427,649,898
Deferred Outflows of Resources	
Deferred charge on refunding	385,906
Deferred outflows of resources related to OPEB	4,407,934
Deferred outflows of resources related to pensions	29,921,651
Total deferred outflows of resources	34,715,491
Liabilities	
Accounts payable	43,717,431
Accrued interest payable	1,197,496
Unearned revenue	11,563,646
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	9,280,105
Long-term liabilities other than OPEB and pensions due in more than one year	160,878,987
Net other postemployment benefits (OPEB) liability	20,745,662
Aggregate net pension liability	71,876,682
Total liabilities	319,260,009
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	18,990,518
Deferred inflows of resources related to pensions	55,584,789
Deferred inflows of resources related to leases	171,155
Total deferred inflows of resources	74,746,462
Net Position	
Net investment in capital assets	140,921,772
Restricted for	
Debt service	8,126,144
Capital projects	12,461,436
Educational programs	15,358,535
Other activities	2,192,151
Unrestricted (deficit)	(110,701,120)
Total net position	$ 68,358,918

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 100,259,273	$ 393	$ 16,425,612	$ (83,833,268)
Instruction-related activities				
Supervision of instruction	6,876,260	-	3,530,424	(3,345,836)
Instructional library, media, and technology	1,023,858	-	929,463	(94,395)
School site administration	8,988,136	-	278,791	(8,709,345)
Pupil services				
Home-to-school transportation	5,455,860	-	84,456	(5,371,404)
Food services	5,153,509	70,854	5,650,522	567,867
All other pupil services	10,974,301	4,199	2,233,789	(8,736,313)
Administration				
Data processing	2,596,289	-	255,198	(2,341,091)
All other administration	10,419,089	16,125	2,487,908	(7,915,056)
Plant services	17,614,234	363,095	143,325	(17,107,814)
Ancillary services	4,505,087	-	1,885,231	(2,619,856)
Interest on long-term liabilities	8,391,914	-	-	(8,391,914)
Other outgo	1,854,580	1,925,684	(181,560)	(110,456)
Depreciation (unallocated)	8,334,987	-	-	(8,334,987)
Total governmental activities	$ 192,447,377	$ 2,380,350	$ 33,723,159	(156,343,868)
General Revenues and Subventions				
Property taxes, levied for general purposes				17,504,992
Property taxes, levied for debt service				8,223,667
Taxes levied for other specific purposes				3,475,795
Federal and State aid not restricted to specific purposes				123,282,003
Interest, investment earnings, and change in fair market valuations				(1,579,688)
Miscellaneous				974,752
Subtotal, general revenues and subventions				151,881,521
Change in Net Position				(4,462,347)
Net Position - Beginning, as restated				72,821,265
Net Position - Ending				$ 68,358,918

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Deposits and investments	$ 93,987,964	$ 35,846,985	$ 129,834,949
Receivables	14,617,774	856,970	15,474,744
Due from other funds	1,140,828	3,000,000	4,140,828
Prepaid expenditures	583,995	-	583,995
Stores inventories	111,062	138,040	249,102
Lease receivable	174,072	-	174,072
Total assets	$ 110,615,695	$ 39,841,995	$ 150,457,690
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 43,328,306	$ 389,125	$ 43,717,431
Due to other funds	3,000,000	1,140,828	4,140,828
Unearned revenue	11,563,646	-	11,563,646
Total liabilities	57,891,952	1,529,953	59,421,905
Deferred Inflows of Resources			
Deferred inflows of resources related to leases	171,155	-	171,155
Fund Balances			
Nonspendable	770,057	139,125	909,182
Restricted	15,358,535	24,415,358	39,773,893
Assigned	3,395,276	13,757,559	17,152,835
Unassigned	33,028,720	-	33,028,720
Total fund balances	52,552,588	38,312,042	90,864,630
Total liabilities, deferred inflows of resources, and fund balances	$ 110,615,695	$ 39,841,995	$ 150,457,690

Total Fund Balance - Governmental Funds		$ 90,864,630
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	$ 403,928,044	
Accumulated depreciation is	(122,717,877)	
Net capital assets		281,210,167
Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of right-to-use leased assets is	368,317	
Accumulated amortization is	(245,448)	
Net right-to-use leased assets		122,869
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.		(1,197,496)
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		
Deferred charge on refunding	385,906	
Net other postemployment benefits (OPEB) liability	4,407,934	
Aggreate net pension liability	29,921,651	
Total deferred outflows of resources		34,715,491
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Net other postemployment benefits (OPEB) liability	(18,990,518)	
Aggregate net pension liability	(55,584,789)	
Total deferred inflows of resources		(74,575,307)
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(71,876,682)

The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (20,745,662)
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	$ (112,632,567)	
Unamortized premium on bonds	(8,340,574)	
Certificates of participation	(18,720,000)	
Unamortized discount on certificates	234,139	
Leases	(125,347)	
Finance purchase agreements	(1,528,083)	
Supplemental early retirement plan	(3,813,609)	
Compensated absences (vacations)	(2,825,535)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(22,407,516)	
Total long-term liabilities		(170,159,092)
Total net position - governmental activities		$ 68,358,918

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Local Control Funding Formula	$ 138,393,647	$ -	$ 138,393,647
Federal sources	17,855,940	5,580,236	23,436,176
Other State sources	15,045,541	838,891	15,884,432
Other local sources	3,260,117	11,958,270	15,218,387
Total revenues	174,555,245	18,377,397	192,932,642
Expenditures			
Current			
Instruction	113,034,837	198,839	113,233,676
Instruction-related activities			
Supervision of instruction	8,207,066	7,033	8,214,099
Instructional library, media, and technology	1,085,788	-	1,085,788
School site administration	9,456,421	91,966	9,548,387
Pupil services			
Home-to-school transportation	7,268,609	-	7,268,609
Food services	1,843	5,249,848	5,251,691
All other pupil services	11,726,292	127,750	11,854,042
Administration			
Data processing	2,658,522	-	2,658,522
All other administration	10,433,504	268,629	10,702,133
Plant services	18,277,307	34,594	18,311,901
Ancillary services	3,178,924	1,488,127	4,667,051
Other outgo	1,854,580	1,854,580	1,854,580
Facility acquisition and construction	749,338	2,697,607	3,446,945
Debt service			
Principal	511,238	4,515,000	5,026,238
Interest and other	62,777	5,156,437	5,219,214
Total expenditures	188,507,046	21,690,410	208,342,876
Deficiency of Revenues Over Expenditures	(13,951,801)	(3,313,013)	(15,410,234)
Other Financing Sources (Uses)			
Transfers in	-	5,010,019	5,010,019
Transfers out	(3,000,000)	(2,010,019)	(5,010,019)
Net Financing Sources (Uses)	(3,000,000)	3,000,000	-
Net Change in Fund Balances	(16,951,801)	1,541,567	(15,410,234)
Fund Balance - Beginning, as restated	69,504,389	36,770,475	106,274,864
Fund Balance - Ending	$ 52,552,588	$ 38,312,042	$ 90,864,630

Total Net Change in Fund Balances - Governmental Funds		$ (15,410,234)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlay to purchase or build capital assets is 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 and amortization in the Statement of Activities. This is the amount by which depreciation expense exceeds capital outlay in the period.		
Depreciation and amortization expenses	$ (8,580,435)	
Capital outlay	5,851,662	
Net expense adjustment		(2,728,773)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid were more than the amounts earned by $2,551,944. Vacation earned was more than the amounts used by $576,819.		1,975,125
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 aggregate net pension liability during the year.		7,224,384
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.		2,623,613
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		675,623
Discount amortization		(18,245)
Deferred charge on refunding amortization		(2,315,434)

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	$ 3,000,000
Certificates of participation	1,515,000
Leases	242,970
Finance purchase agreements	268,268
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 long-term liabilities increased by $19,798. Second, $1,534,442 of additional accumulated interest accreted on the District's general obligation bonds.	(1,514,644)
Change in net position of governmental activities	$ (4,462,347)

	Retiree Benefits Trust	Custodial Funds
Assets		
Deposits and investments	$ 4,918,006	$ 1,502,195
Net Position		
Restricted for postemployment benefits other than pensions	$ 4,918,006	$ -
Restricted for individuals, organizations, and other governments	-	1,502,195
Total net position	$ 4,918,006	$ 1,502,195

	Retiree Benefits Trust	Custodial Funds
Additions		
Contributions		
Taxes	$ -	$ 494,919
Employer contributions	2,898,830	-
Investment income	(1,418,654)	-
Interest and change in fair market valuation	321,012	172
Total contributions	1,801,188	495,091
Deductions		
Administrative expense	52,534	-
Payments to investors	-	376,953
Total deductions	52,534	376,953
Net Increase In Fiduciary Net Position	1,748,654	118,138
Net Position - Beginning	3,169,352	1,384,057
Net Position - Ending	$ 4,918,006	$ 1,502,195

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 Project 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’s are authorized to levy special taxes on parcels of taxable property within the CFD to pay the principal and interest on the bonds. The CFDs financial activity is presented in the Custodial Funds. Debt instruments issued by the CFDs 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 of $7,219,000.

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.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

- **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.).

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

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

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.

- **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).

- **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 resources held for the benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Trust funds are used to account for resources held by the District under a trust agreement for individuals, private organizations, or other governments. The District's trust fund is the retiree benefit trust fund, which was established for the purpose of accounting for benefits payments and contribution related to the District's other postemployment benefits (OPEB) plan. Custodial funds are used to account for resources, not in a trust, that are held by the District for other parties outside the District's reporting entity. The District's custodial funds account for the activity of the Community Facilities Districts No. 2003-1 and 2007-1 (the CFDs).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

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 and amortization of leased assets. 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 governmental 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 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.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract.

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, leases, 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.

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Leases

The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Fund Balances - Governmental Funds

As of June 30, 2022, 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, t 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 $38,138,266 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

Implementation of GASB Statement No. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires 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. The effect of the implementation of this standard on beginning net position is disclosed in Note 19 and the additional disclosures required by this standard are included in Notes 4, 5, 6, and 10.

Implementation of GASB Statement No. 92

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.

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.

The provisions of this Statement have been implemented as of June 30, 2022.

Implementation of GASB Statement No. 93

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.

The provisions of this Statement have been implemented as of June 30, 2022.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Governmental funds	$ 129,834,949
Fiduciary funds	6,420,201
Total deposits and investments	$ 136,255,150

Deposits and investments as of June 30, 2022, consist of the following:

Cash on hand and in banks	$ 1,082,485
Cash in revolving	76,085
Investments	135,096,580
Total deposits and investments	$ 136,255,150

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	$ 756,385	11
U.S. Bank Money Market	749,564	1
Investments with Benefit Trust - Mutual Funds	4,918,006	N/A
San Bernardino County Treasury Investment Pool	128,672,625	461
Total	$ 135,096,580	

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, 2022. The U.S. Bank Money Market and the Investments with Benefit Trust – Mutual Funds are not rated.

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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the District's bank balance of $824,781 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.

The District's fair value measurements are as follows at June 30, 2022:

Investment Type	Reported Amount	Fair Value Measurements Using Level 1 Inputs	Fair Value Measurements Using Level 2 Inputs
First American Government Obligation Fund, Class - D	$ 756,385	$ -	$ 756,385
U.S. Bank Money Market	749,564	-	749,564
Investments with Benefit Trust - Mutual Funds	4,918,006	4,918,006	-
Total	6,423,955	$ 4,918,006	$ 1,505,949
Investments not measured at fair value or subject to the fair value hierarchy			
San Bernardino County Treasury Investment Pool	128,672,625		
Total Investments	$ 135,096,580		

Note 4 - Receivables

Receivables at June 30, 2022, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total
Federal Government			
Categorical aid	$ 7,781,402	$ 585,405	$ 8,366,807
State Government			
LCFF apportionment	2,611,614	-	2,611,614
Categorical aid	3,313,699	62,868	3,376,567
Lottery	462,855	-	462,855
Special education	114,991	-	114,991
Local Government			
Interest	15,745	56,904	72,649
Other local sources	317,468	151,793	469,261
Total	$ 14,617,774	$ 856,970	$ 15,474,744

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance as restated July 1, 2021	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	$ 10,687,177	$ -	$ -	$ 10,687,177
Construction in progress	20,352,483	3,097,056	(19,228,733)	4,220,806
Total capital assets not being depreciated	31,039,660	3,097,056	(19,228,733)	14,907,983
Capital assets being depreciated				
Land improvements	23,327,139	1,474,081	-	24,801,220
Buildings and improvements	320,614,018	18,087,818	-	338,701,836
Furniture and equipment	23,095,565	2,421,440	-	25,517,005
Total capital assets being depreciated	367,036,722	21,983,339	-	389,020,061
Total capital assets	398,076,382	25,080,395	(19,228,733)	403,928,044
Accumulated depreciation				
Land improvements	(12,916,657)	(770,765)	-	(13,687,422)
Buildings and improvements	(84,124,801)	(6,558,127)	-	(90,682,928)
Furniture and equipment	(17,341,432)	(1,006,095)	-	(18,347,527)
Total accumulated depreciation	(114,382,890)	(8,334,987)	-	(122,717,877)
Net depreciable capital assets	252,653,832	13,648,352	-	266,302,184
Right-to-use leased assets being amortized				
Furniture and equipment	368,317	-	-	368,317
Accumulated amortization				
Furniture and equipment	-	(245,448)	-	(245,448)
Net right-to-use leased assets	368,317	(245,448)	-	122,869
Governmental activities capital assets and right-to-use leased assets, net	$ 284,061,809	$ 16,499,960	$ (19,228,733)	$ 281,333,036

Depreciation expenses were not allocated to a governmental function. Amortization expenses were charged as a direct expense to governmental functions as follows:

Governmental Activities	
School site administration	$ 245,448
Unallocated	8,334,987
Total depreciation and amortization expenses governmental activities	$ 8,580,435

Note 6 - Lease Receivables

The District has entered into a lease agreement with a lessee. The lease receivable is summarized below:

Lease Receivable	July 1, 2021 as restated	Addition	Deletion	June 30, 2022
Cell Tower	$ 185,032	$ -	$ (10,960)	$ 174,072

Cellular Tower Antenna Sites

The District licenses (leases) a portion of its facilities for a cellular tower antenna site. This license is non-cancelable for a period of five years, with five renewal periods of five years each. The District believes the licensee will exercise the renewal option with reasonable certainty. The agreement allows for 15.00% increases to the license payments at each renewal period. At termination, the lessee must remove all equipment and restore the site to its original state. During the fiscal year, the District recognized $10,960 in lease revenue and $4,781 in interest revenue related to this agreement. At June 30, 2022, the District recorded $174,072 in lease receivable and $171,155 in deferred inflows of resources for this arrangement. The District used an interest rate of 4.00%, based on the rates available to finance real estate or machinery and equipment over the same time periods.

Note 7 - 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, 2022, between major and non-major governmental funds are as follows:

	Due From		
Due To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 1,140,828	$ 1,140,828
Non-Major Governmental Funds	3,000,000	-	3,000,000
Total	$ 3,000,000	$ 1,140,828	$ 4,140,828

The balance of $3,000,000 is due from the General Fund to the Special Reserve Non-Major Governmental Fund for Capital Outay Projects for the RDA transfer.

A balance of $137,691 is due from the Adult Education Non-Major Governmental Fund to the General Fund for payroll, benefits, and other operating expenditures.

A balance of $933,929 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for payroll, benefits, and other operating expenditures.

A balance of $69,208 is due from the Capital Facilities Non-Major Governmental Fund to the General Fund for reimbursement of expenditures.

Operating Transfers

Interfund transfers for the year ended June 30, 2022, consisted of the following:

	Transfer From			
Transfer To	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Special Reserve Fund for Capital Outlay Projects	$ 3,000,000	$ -	$ -	$ 3,000,000
Non-Major Governmental Funds	-	1,576,519	433,500	2,010,019
Total	$ 3,000,000	$ 1,576,519	$ 433,500	$ 5,010,019

The General Fund transferred to the Special Reserve Non-Major Governmental Fund redevelopment (RDA) funds geared for facility usage.	$ 3,000,000
The Special Reseve Non-Major Governmental Fund for Capital Outlay Projects transferred to the Debt Service Non-Major Governmental Fund for the certificate of participation payment.	1,576,519
The Capital Facilities Non-Major Governmental Fund transferred to the Debt Service Non-Major Governmental Fund for the certificate of participation payment.	433,500
Total	$ 5,010,019

Note 8 - Accounts Payable

Accounts payable at June 30, 2022, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Salaries and benefits	$ 16,329,110	$ 22,991	$ 16,352,101
LCFF apportionment	21,511,317	-	21,511,317
Supplies and materials	905,172	17,606	922,778
Services	1,640,468	24,157	1,664,625
Capital outlay	1,630,411	324,341	1,954,752
Other vendor payables	1,311,828	30	1,311,858
Total	$ 43,328,306	$ 389,125	$ 43,717,431

Note 9 - Unearned Revenue

Unearned revenue at June 30, 2022, consisted of the following:

	General Fund
Federal financial assistance	$ 4,904,184
State categorical aid	6,659,462
Total	$ 11,563,646

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

Summary

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

	Balance July 1, 2021 as restated	Additions	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 136,505,641	$ 1,534,442	$ (3,000,000)	$ 135,040,083	$ 3,940,000
Unamortized premium on bonds	9,016,197	-	(675,623)	8,340,574	-
Certificates of participation	20,235,000	-	(1,515,000)	18,720,000	1,120,000
Unamortized discount on certificates	(252,384)	-	18,245	(234,139)	-
Leases	368,317	-	(242,970)	125,347	122,974
Finance purchase agreements	1,796,351	-	(268,268)	1,528,083	283,522
Supplemental early retirement plan	6,365,553	-	(2,551,944)	3,813,609	3,813,609
Compensated absences	2,248,716	576,819	-	2,825,535	-
Total	$ 176,283,391	$ 2,111,261	$ (8,235,560)	$ 170,159,092	$ 9,280,105

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 leases, finance purchase agreements, and the supplemental early retirement plan 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, 2021	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2022
10/7/2009	8/1/2028	1.75-5.77%	$ 69,999,600	$ 44,138,266	$ 1,350,195	$ (755,000)	$ 44,733,461
2/26/2013	8/1/2035	1.35-5.90%	36,839,953	1,557,375	184,247	-	1,741,622
5/3/2016	8/1/2034	2.00-5.00%	41,530,000	39,670,000	-	(320,000)	39,350,000
8/10/2016	8/1/2037	2.00-4.00%	52,140,000	51,140,000	-	(1,925,000)	49,215,000
				$ 136,505,641	$ 1,534,442	$ (3,000,000)	$ 135,040,083

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%. 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, 2022, the principal balance outstanding of the General Obligation Bonds, Series 2009 was $44,733,461. Unamortized premium received on issuance of the bonds amounted to $978,952 as of June 30, 2022.

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%. 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, 2022, the principal balance outstanding of the General Obligation Bonds, Series B was $1,741,622. Unamortized premium received on issuance of the bonds amounted to $1,372,105 as of June 30, 2022.

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%. 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, 2022, the principal balance outstanding of the General Obligation Refunding Bonds, 2016 Series A was $39,350,000. Unamortized premium received on issuance of the bonds amounted to $1,261,938 as of June 30, 2022.

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%. 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, 2022, the principal balance outstanding of the General Obligation Refunding Bonds, 2016 Series B was $49,215,000. Unamortized premium received on issuance and deferred charge on refunding amounted to $4,727,579 and $385,906, 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
2023	$ 3,871,528	$ 68,472	$ 4,599,394	$ 8,539,394
2024	4,609,720	230,280	4,534,894	9,374,894
2025	5,195,723	189,277	4,417,919	9,802,919
2026	5,505,947	729,053	4,296,369	10,531,369
2027	5,850,474	1,119,526	4,214,519	11,184,519
2028-2032	38,825,068	5,179,932	18,133,919	62,138,919
2033-2037	56,531,623	6,138,377	7,860,166	70,530,166
2038	14,650,000	-	293,000	14,943,000
Total	$ 135,040,083	$ 13,654,917	$ 48,350,180	$ 197,045,180

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 obligations of the District. Interest rates on the refunding certificates range from 2.00% to 4.00%. The refunding certificates had a final maturity in November 2021. At June 30, 2022, the certificates were fully matured.

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%. The certificates have a final maturity to occur in November 2035. At June 30, 2022, the principal balance outstanding was $18,720,000. Unamortized discount received on issuance of the certificates amounted to $234,139 as of June 30, 2022.

The certificates mature through 2036, as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,240,000	397,025	1,637,025
2027	1,280,000	371,025	1,651,025
2028-2032	7,135,000	1,348,050	8,483,050
2033-2036	5,585,000	290,625	5,875,625
Total	$ 18,720,000	$ 3,741,000	$ 22,461,000

Leases

The District has entered into agreements to lease various equipment. The District's liability on lease agreements is summarized below:

Leases	Leases Outstanding July 1, 2021 as restated	Addition	Payments	Leases Outstanding June 30, 2022
Copiers	$ 352,874	$ -	$ (232,894)	$ 119,980
Postage machine #1	3,403	-	(493)	2,910
Postage machine #2	5,040	-	(4,011)	1,029
Postage machine #3	4,217	-	(3,357)	860
Postage machine #4	2,783	-	(2,215)	568
Total	$ 368,317	$ -	$ (242,970)	$ 125,347

As of June 30, 2022, the District recognized a right-to-use asset of $122,869 and a lease liability of $125,347 related to these agreements. The District is required to make principal and interest payments through June 2027. The lease agreements have an interest rate of 4.00%.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 122,974	$ 1,537	$ 124,511
2024	558	87	645
2025	581	64	645
2026	605	40	645
2027	629	16	645
Total	$ 125,347	$ 1,744	$ 127,091

Finance Purchase Agreement

On May 12, 2015, the District entered into an equipment finance purchase 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% for a period of 12 years. The District's liability on the equipment finance purchase agreement is summarized below:

Year Ending June 30,	Principal	Interest	Total
2023	$ 283,522	$ 44,202	$ 327,724
2024	302,228	35,481	337,709
2025	324,071	26,168	350,239
2026	348,816	16,170	364,986
2027	269,446	5,401	274,847
Total	$ 1,528,083	$ 127,422	$ 1,655,505

Supplemental Early Retirement Plan (SERP)

In 2020-2021 fiscal year, the District adopted the supplemental early retirement plan whereby certain eligible certificated and classified employees are eligible. The criteria for qualification are as follows: Must be a certificated or classified employee of the district, have to be at least 55 years of age with 10 years of continuous service with the district, must be actively employed by the District on March 1, 2021, must retire from the District on or before June 30, 2021 or June 30, 2022. The following represents the obligation for those who elected retirement prior to June 30, 2022:

Future payments are as follows:

Year Ending June 30,	Payment
2023	$ 3,813,609

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to $2,825,535.

Note 11 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2022, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 20,220,436	$ 4,407,934	$ 18,990,518	$ 1,832,803
Medicare Premium Payment (MPP) Program	525,226	-	-	(173,151)
Total	$ 20,745,662	$ 4,407,934	$ 18,990,518	$ 1,659,652

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 June 30, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	83
Active employees	848
Total	931

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, 2022, the District contributed $4,283,265 to the Plan, of which $1,384,435 was used for current premiums and $2,898,830 was used to fund the OPEB Trust.

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, expect 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, 2022:

Asset Class	Target Allocation
All Fixed Income	55%
Real Estate Investment Trusts	4%
All Domentic Equities	22%
All International Equities	19%

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, 2022, investments in mutual funds represents 100% of the total investment.

Rate of Return

For the year ended June 30, 2022, the annual money-weighed rate of return on investments, net of investment expense, was 5.75%. 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 $20,220,436 was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The components of the net OPEB liability of the District at June 30, 2022, were as follows:

Total OPEB liability	$ 25,138,442
Plan fiduciary net position	(4,918,006)
Net OPEB liability	$ 20,220,436
Plan fiduciary net position as a percentage of the total OPEB liability	19.56%

Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Discount rate	5.75%
Investment rate of return	5.75%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00% for 2022

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period July 1, 2020 to June 30, 2021.

The long-term expected rate of return on OPEB plan investments of 5.75% 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, 2022, (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 - Fixed income	4.25%
Mutual Fund - Real estate	7.25%
Mutual Fund - Domestic equity	7.25%
Mutual Fund - International equity	7.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75% as of the valuation date for the unfunded portion and the long-term rate of return 5.75% 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, 2021	$ 25,053,579	$ 3,169,352	$ 21,884,227
Service cost	1,485,680	-	1,485,680
Interest	1,277,804	(1,097,642)	2,375,446
Contributions - employer	-	4,283,265	(4,283,265)
Changes of assumptions	(1,294,186)	-	(1,294,186)
Benefit payments	(1,384,435)	(1,384,435)	-
Administrative expense	-	(52,534)	52,534
Net change in total OPEB liability	84,863	1,748,654	(1,663,791)
Balance, June 30, 2022	$ 25,138,442	$ 4,918,006	$ 20,220,436

Changes of assumptions reflect a change in the discount rate from 5.09% in 2021 to 5.75% in 2022 and a change in the expected rate of return on assets from 6.00% in 2021 to 5.75% in 2022.

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 (4.75%)	$ 22,153,227
Current discount rate (5.75%)	20,220,436
1% increase (6.75%)	18,605,982

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 (3.00%)	$ 17,426,329
Current healthcare cost trend rate (4.00%)	20,220,436
1% increase (5.00%)	23,359,388

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

For the year ended June 30, 2022, the District recognized OPEB expense of $1,832,803. At June 30, 2022, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 775,464	$ 3,773,911
Changes of assumptions	2,526,950	15,216,607
Net difference between projected and actual earnings on OPEB plan investments	1,105,520	-
Total	$ 4,407,934	$ 18,990,518

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ (708,547)
2024	(699,829)
2025	(610,887)
2026	(772,095)
2027	(1,744,678)
Thereafter	(10,046,548)
Total	$ (14,582,584)

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, 2020 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, 2022, the District reported a liability of $525,226 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021 and June 30, 2020, respectively, was 0.1317%, and 0.1433%, resulting in a net decrease in the proportionate share of 0.0116%.

For the year ended June 30, 2022, the District recognized OPEB expense of ($173,151).

Actuarial Methods and Assumptions

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2020	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018	June 30,-2014 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.16%	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2020, 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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) 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 245 or an average of 0.16% of the potentially eligible population (152,062).

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, 2021, 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, 2021, is 2.16%. 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 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

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

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

Discount Rate	Net OPEB Liability
1% decrease (1.16%)	$ 578,943
Current discount rate (2.16%)	525,226
1% increase (3.16%)	479,330

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	$ 477,632
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	525,226
1% increase (5.50% Part A and 6.40% Part B)	579,791

Note 12 - 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 $5,075,000 as of June 30, 2022, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

Note 13 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Non-Major Governmental Funds	Total
Nonspendable			
Revolving cash	$ 75,000	$ 1,085	$ 76,085
Stores inventories	111,062	138,040	249,102
Prepaid expenditures	583,995	-	583,995
Total nonspendable	770,057	139,125	909,182
Restricted			
Legally restricted programs	15,358,535	1,188,747	16,547,282
Food service	-	1,003,404	1,003,404
Capital projects	-	12,899,567	12,899,567
Debt service	-	9,323,640	9,323,640
Total restricted	15,358,535	24,415,358	39,773,893
Assigned			
Adult education program	-	83,110	83,110
Deferred maintenance program	3,395,276	-	3,395,276
Capital projects	-	13,674,449	13,674,449
Total assigned	3,395,276	13,757,559	17,152,835
Unassigned			
Reserve for economic uncertainties	5,745,211	-	5,745,211
Remaining unassigned	27,283,509	-	27,283,509
Total unassigned	33,028,720	-	33,028,720
Total	$ 52,552,588	$ 38,312,042	$ 90,864,630

Note 14 - 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, 2022, 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 2022, the District participated in CSRM, 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 ensures that each participant shares equally in the overall performance of the JPA. Participation in the CSRM 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 15 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2022, 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	$ 39,866,064	$ 23,182,641	$ 41,782,490	$ 4,621,936
CalPERS	32,010,618	6,739,010	13,802,299	3,214,418
Total	$ 71,876,682	$ 29,921,651	$ 55,584,789	$ 7,836,354

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, 2020, 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% 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, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.92	16.92
Required state contribution rate	10.828%	10.828%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were $9,277,327.

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

At June 30, 2022, 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	$ 39,866,064
State's proportionate share of the net pension liability	20,059,057
Total	$ 59,925,121

The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, respectively, was 0.0876% and 0.0946%, resulting in a net decrease in the proportionate share of 0.0070%.

For the year ended June 30, 2022, the District recognized pension expense of $4,621,936. In addition, the District recognized pension expense and revenue of $686,296 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 9,277,327	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	8,156,849	6,004,827
Differences between projected and actual earnings on pension plan investments	-	31,535,083
Differences between expected and actual experience in the measurement of the total pension liability	99,867	4,242,580
Changes of assumptions	5,648,598	-
Total	$ 23,182,641	$ 41,782,490

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 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 Inflows of Resources
2023	$ (8,008,020)
2024	(7,324,722)
2025	(7,506,496)
2026	(8,695,845)
Total	$ (31,535,083)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ 2,938,236
2024	3,084,035
2025	157,691
2026	(634,117)
2027	(465,476)
Thereafter	(1,422,462)
Total	$ 3,657,907

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, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) 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 as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent 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, 2021, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	(0.4%)

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. 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 of 7.10% and assume 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%)	$ 81,153,037
Current discount rate (7.10%)	39,866,064
1% increase (8.10%)	5,598,664

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, 2020, 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, 2022, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	22.910%	22.910%

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 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, 2022, are presented above and the total District contributions were $5,783,411.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $32,010,618. The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, respectively was 0.1574% and 0.1594%, resulting in a net decrease in the proportionate share of 0.0020%.

For the year ended June 30, 2022, the District recognized pension expense of $3,214,418. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 5,783,411	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	-	1,442,113
Differences between projected and actual earnings on pension plan investments	-	12,284,724
Differences between expected and actual experience in the measurement of the total pension liability	955,599	75,462
Total	$ 6,739,010	$ 13,802,299

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 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 Inflows of Resources
2023	$ (3,080,999)
2024	(2,833,254)
2025	(2,953,851)
2026	(3,416,620)
Total	$ (12,284,724)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, and differences between expected and actual experience in the measurement of the total pension liability 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
2023	$ (26,022)
2024	(335,929)
2025	(183,726)
2026	(16,299)
Total	$ (561,976)

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, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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% 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%. 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%)	$ 53,974,396
Current discount rate (7.15%)	32,010,618
1% increase (8.15%)	13,775,969

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

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 $5,633,908 (10.828% 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.

Note 16 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

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, 2022

Note 17 - 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 and 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, 2022, the District made payments of $2,268,524 and $1,581,466 for its workers' compensation and property and liability coverage, respectively.

Note 18 - Correction of an Error

The District's prior year governmental activities net position and General Fund balance have been restated as of July 1, 2021 to correct an error reported in the prior year financial statements. The error was related to an overstatement of accounts payable.

Governmental Activities Financial Statements	
Beginning net position as previously reported as of June 30, 2021	$ 70,325,416
Decrease accounts payable	2,495,849
Net Position as restated, July 1, 2021	
(After correcton of an error, but before GASB 87 implementation)	$ 72,821,265

	General Fund	Total Governmental Funds
General Fund		
Beginning fund balance as previously reported as of June 30, 2021	$ 67,008,540	$ 103,779,015
Decrease accounts payable	2,495,849	2,495,849
Fund Balance as Restated, July 1, 2021		
After correction of error, but before GASB 87 implementation	$ 69,504,389	$ 106,274,864

Note 19 - Adoption of New Accounting Standard – Restatement of Prior Year Net Position and Fund Balance

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires 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. Beginning net position wand fund balance were restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

Governmental Activities Financial Statements	
Net position - Beginning as of June 30, 2021	
(After correcton of an error, but before GASB 87 implementation)	$ 72,821,265
Lease receivable	185,032
Right-to-use intangible asset, net of amortization	368,317
Lease liability	(368,317)
Deferred inflows of resources related to leases	(185,032)
Net Position - Beginning as restated, July 1, 2021	$ 72,821,265

	General Fund	Total Governmental Funds
Fund Balance - Beginning as of June 30, 2021		
(After correcton of an error, but before GASB 87 implementation)	$ 69,504,389	$ 106,274,864
Lease receivable	185,032	185,032
Deferred inflows of resources related to leases	(185,032)	(185,032)
Fund Balance - Beginning as restated, July 1, 2021	$ 69,504,389	$ 106,274,864

Required Supplementary Information
June 30, 2022

Victor Valley Union High School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 134,884,369	$ 170,281,873	$ 138,393,647	$ (31,888,226)
Federal sources	25,228,600	22,090,859	17,855,940	(4,234,919)
Other State sources	19,265,836	13,829,604	15,045,541	1,215,937
Other local sources	5,019,970	5,145,522	3,260,117	(1,885,405)
Total revenues [1]	184,398,775	211,347,858	174,555,245	(36,792,613)
Expenditures				
Current				
Certificated salaries	58,300,522	77,248,480	67,932,017	9,316,463
Classified salaries	25,711,207	27,191,572	27,273,214	(81,642)
Employee benefits	52,344,098	67,108,998	53,878,178	13,230,820
Books and supplies	28,939,777	16,216,809	10,010,436	6,206,373
Services and operating expenditures	17,265,327	26,027,289	23,624,908	2,402,381
Other outgo	2,018,348	1,706,660	2,040,721	(334,061)
Capital outlay	2,035,555	4,653,210	3,173,557	1,479,653
Debt service				
Debt service - principal	412,182	412,182	511,238	(99,056)
Debt service - interest and other	60,289	60,289	62,777	(2,488)
Total expenditures [1]	187,087,305	220,625,489	188,507,046	32,118,443
Excess of Revenues Over Expenditures	(2,688,530)	(9,277,631)	(13,951,801)	(4,674,170)
Other Financing Uses				
Transfers out	(3,000,000)	(3,000,000)	(3,000,000)	-
Net Change in Fund Balances	(5,688,530)	(12,277,631)	(16,951,801)	(4,674,170)
Fund Balance - Beginning, as restated	69,504,389	69,504,389	69,504,389	-
Fund Balance - Ending	$ 63,815,859	$ 57,226,758	$ 52,552,588	$ (4,674,170)

[1] 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, they are not included in the original and final General Fund budgets.

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 1,485,680	$ 2,656,752	$ 2,579,371	$ 1,861,111	$ 1,889,914
Interest	1,277,804	982,862	871,633	1,421,601	1,294,096
Difference between expected and actual experience	-	(4,479,317)	1,281,652	98,699	5,364
Changes of assumptions	(1,294,186)	(16,383,886)	3,603,983	1,109,108	(796,535)
Benefit payments	(1,384,435)	(2,139,989)	(1,919,626)	(2,062,446)	(1,750,555)
Net change in total OPEB liability	84,863	(19,363,578)	6,417,013	2,428,073	642,284
Total OPEB Liability - Beginning	25,053,579	44,417,157	38,000,144	35,572,071	34,929,787
Total OPEB Liability - Ending (a)	$ 25,138,442	$ 25,053,579	$ 44,417,157	$ 38,000,144	$ 35,572,071
Plan Fiduciary Net Position					
Contributions - employer	$ 4,283,265	$ 5,038,819	$ 1,919,626	$ 2,062,446	$ 1,750,555
Interest	(1,097,642)	91,000	10,927	5,533	5,818
Benefit payments	(1,384,435)	(2,139,989)	(1,919,626)	(2,062,446)	(1,750,555)
Administrative expense	(52,534)	(9,148)	(4,373)	-	-
Net change in plan fiduciary net position	1,748,654	2,980,682	6,554	5,533	5,818
Plan Fiduciary Net Position - Beginning	3,169,352	188,670	182,116	176,583	170,765
Plan Fiduciary Net Position - Ending (b)	$ 4,918,006	$ 3,169,352	$ 188,670	$ 182,116	$ 176,583
Net OPEB Liability - Ending (a) - (b)	$ 20,220,436	$ 21,884,227	$ 44,228,487	$ 37,818,028	$ 35,395,488
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	19.56%	12.65%	0.42%	0.48%	0.50%
Covered Payroll	$ -	$ -	$ -	$ -	$ -
Net OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

[1] The District's OPEB Plan is administered through a trust, however, 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.

	2022	2021	2020	2019	2018
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -
Contribution in relation to the actuarially determined contribution	4,283,265	5,038,819	1,919,626	2,062,446	1,750,555
Contribution deficiency (excess)	$ (4,283,265)	$ (5,038,819)	$ (1,919,626)	$ (2,062,446)	$ (1,750,555)
Covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Contributions as a percentage of covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]

[1] 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.

	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	5.75%	6.00%	3.60%	3.10%	3.40%

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

Year ended June 30,	2022	2021	2020	2019	2018
Proportion of the net OPEB liability	0.1317%	0.1433%	0.1521%	0.1537%	0.1420%
Proportionate share of the net OPEB liability	$ 525,226	$ 698,377	$ 566,505	$ 588,400	$ 598,106
Covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	(0.80%)	(0.71%)	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Proportion of the net pension liability	0.0876%	0.0946%	0.0860%	0.0856%	0.0785%	0.0751%	0.0751%	0.0617%
Proportionate share of the net pension liability	$ 39,866,064	$ 91,653,020	$ 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	20,059,057	47,247,143	42,371,998	45,066,775	42,962,194	34,579,406	26,727,574	21,767,639
Total	$ 59,925,121	$ 138,900,163	$ 120,038,017	$ 123,779,602	$ 115,583,572	$ 95,321,528	$ 77,262,819	$ 57,816,135
Covered payroll	$ 50,146,588	$ 50,466,140	$ 47,140,037	$ 45,259,349	$ 41,451,479	$ 37,593,588	$ 34,706,588	34,710,030
Proportionate share of the net pension liability as a percentage of its covered payroll	79.50%	181.61%	164.76%	173.92%	175.20%	161.58%	145.61%	103.86%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS								
Proportion of the net pension liability	0.1574%	0.1594%	0.1604%	0.1641%	0.1523%	0.1470%	0.1407%	0.1237%
Proportionate share of the net pension liability	$ 32,010,618	$ 48,921,336	$ 46,758,081	$ 43,763,626	$ 36,367,214	$ 29,033,283	$ 20,735,093	$ 14,048,470
Covered payroll	$ 22,611,208	$ 23,660,905	$ 22,359,179	$ 21,334,834	$ 19,457,424	$ 17,561,383	$ 15,590,757	15,590,781
Proportionate share of the net pension liability as a percentage of its covered payroll	141.57%	206.76%	209.12%	205.13%	186.91%	165.32%	133.00%	90.11%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2021	June 30, 2020	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.

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Contractually required contribution	$ 9,277,327	$ 8,098,674	$ 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	9,277,327	8,098,674	8,629,710	7,674,398	6,530,924	5,214,596	4,033,792	3,081,945
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 54,830,538	$ 50,146,588	$ 50,466,140	$ 47,140,037	$ 45,259,349	$ 41,451,479	$ 37,593,588	$ 34,706,588
Contributions as a percentage of covered payroll	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS								
Contractually required contribution	$ 5,783,411	$ 4,680,520	$ 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	5,783,411	4,680,520	4,666,167	4,038,515	3,313,513	2,702,247	2,080,497	1,835,188
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 25,244,046	$ 22,611,208	$ 23,660,905	$ 22,359,179	$ 21,334,834	$ 19,457,424	$ 17,561,383	$ 15,590,757
Contributions as a percentage of covered payroll	22.910%	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

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

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 5.09% to 5.75% since the previous valuation. The expected rate of return on assets was changed from 6.00% to 5.75% since the previous valuation.

Schedule of the District’s 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 2.21% to 2.16% 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 the District’s 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, 2022

Victor Valley Union High School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through CDE			
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	$ 396,783
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	3,244,470
COVID19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	758,416
COVID-19: Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	46,842
COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	62,950
COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	797,021
COVID 19: Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	689,557
COVID-19: Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	66,059
Subtotal			6,062,098
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	6,658,452
Title I, ESEA School Improvement Grant (CSI)	84.010	15438	293,752
Subtotal			6,952,204
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	594,323
Title II, Part A, Supporting Effective Instruction	84.367	14341	447,667
Title III, English Learner Student Program	84.365	14346	5,687
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	395,594
Passed through Desert/Mountain Special Education Local Plan Area			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,187,928
COVID-19: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	508,375
COVID-19: ARP IDEA Part B, Sec. 611, Local Assistance Private School ISPs	84.027	10169	300
Total Special Education (IDEA) Cluster			2,696,603
Total U.S. Department of Education			17,154,176

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through CDE			
Child Nutrition Cluster			
Especially Needy Breakfast Program	10.553	13526	$ 846,889
National School Lunch Program - Section 4	10.553	13523	384,588
National School Lunch Program - Section 11	10.555	13524	3,680,889
Commodities	10.555	13396	278,604
COVID 19: SNP COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.555	15637	217,267
Subtotal Child Nutrition Cluster			5,408,237
CACFP Claims - Centers and Family Day Care Homes	10.558	13529	129,395
CCFP Cash in Lieu of Commodities	10.558	13534	9,192
CACFP COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.558	15577	27,598
Subtotal			166,185
Total U.S. Department of Agriculture			5,574,422
U.S. Department of Defense			
Junior Reserve Officer Training Corps - Air Force	12.000	[1]	63,014
Total U.S. Department of Defense			63,014
Federal Communications Commission (FCC)			
COVID- 19: Emergency Connectivity Fund Program	32.009	[1]	638,750
Total Federal Communications Commission (FCC)			638,750
Total Federal Financial Assistance			$ 23,430,362

[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

MEMBER	OFFICE	TERM EXPIRES
Joshua Garcia	President	2022
Caleb Castaneda	Vice President	2022
Penny Edmiston	Clerk	2024
Barbara Dew	Member	2024
Jose Berrios	Member	2024

ADMINISTRATION

Elvin Momon	Superintendent
Dr. Antoine Hawkins	Assistant Superintendent, Business Services
Dr. Ratmony Yee	Assistant Superintendent, Educational Services
Dr. Ramiro Rubalcaba	Assistant Superintendent, Human Resources

	Final Report		As Adjusted per Audit	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA				
Seventh and eighth	2,369.81	2,284.55	2,295.48	2,210.22
Ninth through twelfth	7,739.65	7,398.78	7,489.35	7,148.48
Total Regular ADA	10,109.46	9,683.33	9,784.83	9,358.70
Special Education, Nonpublic, Nonsectarian Schools				
Seventh and eighth	6.04	6.10	6.04	6.10
Ninth through twelfth	14.01	13.46	14.01	13.46
Total Special Education, Nonpublic, Nonsectarian Schools	20.05	19.56	20.05	19.56
Extended Year Special Education, Nonpublic, Nonsectarian Schools				
Seventh and eighth	0.28	0.49	0.28	0.49
Ninth through twelfth	1.14	1.38	1.14	1.38
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.42	1.87	1.42	1.87
Total ADA	10,130.93	9,704.76	9,806.30	9,380.13

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar Number of Actual Days	Traditional Calendar Number of Days Credited Form J-13A	Traditional Calendar Total Days Offered	Multitrack Calendar Number of Actual Days	Multitrack Calendar Number of Days Credited Form J-13A	Multitrack Calendar Total Days Offered	Status
Grades 4 - 8	54,000										
Grade 7		65,742	-	65,742	180	-	180	N/A	N/A	N/A	Complied
Grade 8		65,742	-	65,742	180	-	180	N/A	N/A	N/A	Complied
Grades 9 - 12	64,800										
Grade 9		65,742	-	65,742	180	-	180	N/A	N/A	N/A	Complied
Grade 10		65,742	-	65,742	180	-	180	N/A	N/A	N/A	Complied
Grade 11		65,742	-	65,742	180	-	180	N/A	N/A	N/A	Complied
Grade 12		65,742	-	65,742	180	-	180	N/A	N/A	N/A	Complied

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

	General Fund
Fund Balance	
Balance, June 30, 2022, Unaudited Actuals	$ 59,788,665
Increase in	
Lease receivable	174,072
Accounts payable	(7,238,994)
Deferred inflows of resources related to leases	(171,155)
Balance, June 30, 2022, Audited Financial Statements	$ 52,552,588

	(Budget) 2023 [1]	2022	2021 [1] as restated	2020 [1,4]
General Fund [3]				
Revenues	$ 238,463,058	$ 174,665,041	$ 182,086,019	$ 153,671,301
Expenditures	244,647,676	186,652,466	149,082,549	141,823,741
Other uses	3,000,000	4,854,580	6,011,588	5,209,445
Total expenditures and other uses	247,647,676	191,507,046	155,094,137	147,033,186
Increase/(Decrease) in Fund Balance	(9,184,618)	(16,842,005)	26,991,882	6,638,115
Ending Fund Balance	$ 36,148,970	$ 45,333,588	$ 62,175,593	$ 35,183,711
Available Reserves [2, 4]	$ 31,462,085	$ 33,028,720	$ 49,226,791	$ 32,075,882
Available Reserves as a Percentage of Total Outgo [4]	12.70%	17.25%	31.74%	21.82%
Long-Term Liabilities including OPEB and Pensions	N/A	$ 262,781,436	$ 339,440,351	$ 346,073,496
K-12 Average Daily Attendance at P-2	9,824	9,806	10,241	10,241

The General Fund balance has increased by $10,149,877 over the past two years. The fiscal year 2022-2023 budget projects a decrease of $9,184,618 (20.3%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years; however, the District anticipates incurring an operating deficit during the 2022-2023 fiscal year. Total long-term liabilities have decreased by $83,292,060 over the past two years.

Average daily attendance has decreased by 435 over the past two years. However, an increase of 18 ADA is anticipated during fiscal year 2022-2023.

[1] Financial information for 2023, 2021, and 2020 are included for analytical purposes only and has not been subjected to audit.

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

[3] 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.

[4] 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.

Name of Charter School	Charter Number	Included in Audit Report
Options for Youth - Victor Valley Charter School	0013	No

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund
Assets						
Deposits and investments	$ 1,083,275	$ 292,363	$ 1,365,612	$ 446,039	$ 7,179,935	$ 5,172,968
Receivables	-	54,334	596,541	1,007	166,409	11,332
Due from other funds	-	-	-	-	-	-
Stores inventories	80,142	-	57,898	-	-	-
Total assets	$ 1,163,417	$ 346,697	$ 2,020,051	$ 447,046	$ 7,346,344	$ 5,184,300
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ -	$ 19,339	$ 24,820	$ 12,125	$ -	$ -
Due to other funds	-	137,691	933,929	-	69,208	-
Total liabilities	-	157,030	958,749	12,125	69,208	-
Fund Balances						
Nonspendable	81,227	-	57,898	-	-	-
Restricted	1,082,190	106,557	1,003,404	434,921	7,277,136	5,184,300
Assigned	-	83,110	-	-	-	-
Total fund balances	1,163,417	189,667	1,061,302	434,921	7,277,136	5,184,300
Total liabilities and fund balances	$ 1,163,417	$ 346,697	$ 2,020,051	$ 447,046	$ 7,346,344	$ 5,184,300

	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
Assets					
Deposits and investments	$ 10,980,117	$ 3,210	$ 9,243,708	$ 79,758	$ 35,846,985
Receivables	27,173	-	-	174	856,970
Due from other funds	3,000,000	-	-	-	3,000,000
Stores inventories	-	-	-	-	138,040
Total assets	$ 14,007,290	$ 3,210	$ 9,243,708	$ 79,932	$ 39,841,995
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 332,841	$ -	$ -	$ -	$ 389,125
Due to other funds	-	-	-	-	1,140,828
Total liabilities	332,841	-	-	-	1,529,953
Fund Balances					
Nonspendable	-	-	-	-	139,125
Restricted	-	3,210	9,243,708	79,932	24,415,358
Assigned	13,674,449	-	-	-	13,757,559
Total fund balances	13,674,449	3,210	9,243,708	79,932	38,312,042
Total liabilities and fund balances	$ 14,007,290	$ 3,210	$ 9,243,708	$ 79,932	$ 39,841,995

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund
Revenues						
Federal sources	$ -	$ -	$ 5,580,236	$ -	$ -	$ -
Other State sources	-	465,882	310,559	-	-	-
Other local sources	1,829,741	(4,460)	29,706	(6,911)	2,200,714	(79,546)
Total revenues	1,829,741	461,422	5,920,501	(6,911)	2,200,714	(79,546)
Expenditures						
Current						
Instruction	-	198,839	-	-	-	-
Instruction-related activities						
Supervision of instruction	-	7,033	-	-	-	-
School site administration	-	91,966	-	-	-	-
Pupil services						
Food services	-	-	5,249,848	-	-	-
All other pupil services	-	127,750	-	-	-	-
Administration						
All other administration	-	19,539	178,632	-	70,458	-
Pla Plant services	-	-	1,750	-	-	-
Ancillary services	1,488,127	-	-	-	-	-
Facility acquisition and construction	-	-	-	53,375	-	287,986
Debt service						
Principal	-	-	-	-	-	-
Interest and other	-	-	-	-	-	-
Total expenditures	1,488,127	445,127	5,430,230	53,375	70,458	287,986
Excess (Deficiency) of Revenues Over Expenditures	341,614	16,295	490,271	(60,286)	2,130,256	(367,532)
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(433,500)	-
Net Financing Sources (Uses)	-	-	-	-	(433,500)	-
Net Change in Fund Balances	341,614	16,295	490,271	(60,286)	1,696,756	(367,532)
Fund Balance - Beginning	821,803	173,372	571,031	495,207	5,580,380	5,551,832
Fund Balance - Ending	$ 1,163,417	$ 189,667	$ 1,061,302	$ 434,921	$ 7,277,136	$ 5,184,300

	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues					
Federal sources	$ -	$ -	$ -	$ -	$ 5,580,236
Other State sources	-	-	62,450	-	838,891
Other local sources	(163,138)	-	8,153,371	(1,207)	11,958,270
Total revenues	(163,138)	-	8,215,821	(1,207)	18,377,397
Expenditures					
Current					
Instruction	-	-	-	-	198,839
Instruction-related activities					
Supervision of instruction	-	-	-	-	7,033
School site administration	-	-	-	-	91,966
Pupil services					
Food services	-	-	-	-	5,249,848
All other pupil services	-	-	-	-	127,750
Administration					
All other administration	-	-	-	-	268,629
Pla Plant services	32,844	-	-	-	34,594
Ancillary services	-	-	-	-	1,488,127
Facility acquisition and construction	2,356,246	-	-	-	2,697,607
Debt service					
Principal	-	-	3,000,000	1,515,000	4,515,000
Interest and other	-	-	4,661,418	495,019	5,156,437
Total expenditures	2,389,090	-	7,661,418	2,010,019	19,835,830
Excess (Deficiency) of Revenues Over Expenditures	(2,552,228)	-	554,403	(2,011,226)	(1,458,433)
Other Financing Sources (Uses)					
Transfers in	3,000,000	-	-	2,010,019	5,010,019
Transfers out	(1,576,519)	-	-	-	(2,010,019)
Net Financing Sources (Uses)	1,423,481	-	-	2,010,019	3,000,000
Net Change in Fund Balances	(1,128,747)	-	554,403	(1,207)	1,541,567
Fund Balance - Beginning	14,803,196	3,210	8,689,305	81,139	36,770,475
Fund Balance - Ending	$ 13,674,449	$ 3,210	$ 9,243,708	$ 79,932	$ 38,312,042

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, 2022. 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 District, it is not intended to and does not present the financial position of the District.

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

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

Food Donation
Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the District did not report any commodities inventory.

SEFA Reconciliation
The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of COVID-19: Pandemic Local Administrative Grant funds which have been recorded in the current period as revenues that have not been expended as of June 30, 2022. These unspent balances are reported as legally restricted ending balances within the Cafeteria Fund.

	Federal Financial Assistance Listing Number	Amount
Total Federal Revenues reported on the financial statements		$ 23,436,176
COVID-19: Pandemic EBT Local Administrative Grant	10.649	(5,814)
Total federal financial assistance		$ 23,430,362

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 46207.

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

These schedules 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, 2022

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 Governing Board
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, the business-type activities, the aggregate discretely presented component units, 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 31, 2023.

Correction of an Error

As discussed in Note 18 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for accounts payable as of June 30, 2021, were discovered during the current year. Accordingly, a restatement has been made to the fund balance of the General Fund and governmental activities net position as of July 1, 2021, to correct the error. Our opinions are not modified with respect to this matter.

Adoption of New Accounting Standard

As discussed in Notes 1 and 19 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities and net position and the fund balance of the General Fund as of July 1, 2021, to restate beginning net position and beginning fund balance. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 and items 2022-005, 2022-006, and 2022-007 as described in the accompanying Schedule of State Compliance Findings and Questioned Costs that we consider to be a material weaknesses.

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated [REPORT DATE].

Victor Valley Union High School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Eide Bailly LLP

Rancho Cucamonga, California
July 31, 2023

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

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

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Victor Valley Union High School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Emergency Connectivity Fund Program

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Emergency Connectivity Fund Program for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Emergency Connectivity Fund Program

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Assistance Listing No. 32.009 Emergency Connectivity Fund Program as described in finding number 2022-003 for Equipment and Special Tests.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-004 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other 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
July 31, 2023

Independent Auditor's Report on State Compliance

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

Report on Compliance

Qualified and Unmodified Opinions on State Compliance

We have audited Victor Valley Union High School District's (the District) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2022.

Qualified Opinion on Attendance, Independent Study, Continuation Education, and Unduplicated Local Control Funding Formula Pupil Counts

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022, except as described in the accompanying Schedule of Findings and Questioned Costs.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Attendance, Independent Study, Continuation Education, and Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Attendance, Independent Study, Continuation Education, and Unduplicated Local Control Funding Formula Pupil Counts (see findings 2022-005, 2022-006, and 2022-007).

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio 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
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program:	Yes, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No, see below
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	Yes

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Charter Schools	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional 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.

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.

We did not perform Juvenile Court Schools procedures because the program is not offered by the District.

We did not perform Middle or Early College High Schools procedures because the program is not offered by the District.

The District is a high school district; 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 District was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-008 and 2022-009.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The 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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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 a material noncompliance with compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-005, 2022-006, and 2022-007 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other 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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
July 31, 2023

Schedule of Findings and Questioned Costs
June 30, 2022

Victor Valley Union High School District

Financial Statements

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

Federal Awards

Internal control over major program	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified*

*Unmodified for all programs except for the following program which was qualified

Name of Program
Emergency Connectivity Fund Program - 32.009

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	Yes

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing Number
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D
COVID19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U
COVID-19: Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D
COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U
COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U
COVID 19: Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C
COVID-19: Expanded Learning Opportunities (ELO) Grant GEER II	84.425C
Basic Local Assistance Entitlement, Part B, Sec 611	84.027
COVID-19: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027
COVID-19: ARP IDEA Part B, Sec. 611, Local Assistance Private School ISPs	84.027
COVID-19: Emergency Connectivity Fund Program	32.009

Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for programs	Unmodified*

*Unmodified for all programs except for the following programs which were qualified

Name of Program
Attendance
Independent Study
Continuation Education
Unduplicated Local Control Funding Formula Pupil Counts

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

Refer to findings 2022-005, 2022-006, and 2022-007 in the State Compliance Findings and Questioned Costs section.

2022-001 30000 – Internal Control over Financial Reporting and Preparation of Financial Statements (Material Weakness)

Criteria or Specific Requirements

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

Condition

During the course of our engagement, we identified certain material misstatements of balances within the District's 2021-2022 unaudited actuals financial report. Through review of supporting records, we noted that the District's beginning net position of the governmental activities and beginning fund balance of the General Fund were understated as a result overstatement of accounts payable of $2,495,849. This misstatement was caused by an error, which has been detailed in Note 18. In addition, we also noted that the ending net position and ending fund balance in the General Fund were overstated as a result of understated accounts payable of $7,238,994. This misstatement was caused by errors related to accrual of health and welfare benefits expenditures and Local Control Funding Formula revenue. The identification of the material misstatements, as well as various passed adjustments indicates a material weakness in the preparation of the financial statements.

Cause

The cause of the condition identified appears to be due to inadequate internal control processes related to the preparation of the District's year-end financial statements, which includes the related conversion entries in preparation of the government-wide financial statements.

Effect

Due to the condition identified, the District's prior period ending net position and the prior period ending fund balance of the General Fund were understated by $2,495,849. In addition, the ending net position and governmental fund balances were overstated by $7,238,994. The net effect of these errors resulted in misstatements that were not detected or prevented by the District's internal accounting control and review process.

Questioned Costs

There were no questioned costs associated with this condition.

Context

The condition was identified through review of available District records related to the financial account balances in the Governmental Funds.

Repeat Finding

No.

Recommendation

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

Corrective Action Plan and Views of Responsible Officials

The prior year's understated amount of $2,495.849 and $1,571,101 of the current year overstated amount is related to the reconciliation of health & welfare benefits by employee. The Director of Fiscal Services is working with the Risk Management and Benefits department to develop reconciliation procedures for the health & welfare benefits associated with each employee after the close of monthly payrolls. These processes will be documented and implemented for the current fiscal year.

The remaining $5,667,893 of the current year's overstated amount is related to Average Daily Attendance (ADA) that was disallowed for Independent Study programs and the overpayment of Local Control Funding Formula (LCFF) revenue due to the District not being able to provide sufficient documentation for several students who are in our Unduplicated Pupil Percentage (UPP). The District has implemented processes for our 2022–2023 school year to ensure that all students of our Victor Valley Virtual Academy and Goodwill Independent Study programs have Independent Study contracts on file. This process was implemented in the Fall of 2022 and will continue. Regarding the Victor Valley Virtual Academy, the District did not know that the program had to be operated under independent study rules based on documentation we received from the California Department of Education when we started the program.

The District plans to appeal this finding. Regarding documentation for our Unduplicated Pupil Population, the District implemented the Rocket Scan program in 2021-2022 for our alternative income forms. These forms are now either completed using a web-based form or scanned into the system if a paper form is used. This system uses data from our Student Information System, Aeries, to validate the student data and pulls in direct certification data from the state. The forms that we could not provide during this audit were forms that we collected during our base year of 2017-2018. The paper forms were unfortunately discarded by our Food Services department per their retention guidelines.

We will process correcting entries during our 2022–2023 year-end close process to adjust our fund balances.

The following findings represent a significant deficiency, material weakness, and material instances of noncompliance including questioned costs that are required to be reported by the Uniform Guidance. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2022-002 50000 – Education Stabilization Fund: Time Certifications (Significant Deficiency in Internal Control, Noncompliance)

Federal Program Affected

Program Name: COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund
Assistance Listing Number: 84.425D
Pass-Through Entity: California Department of Education (CDE)
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

The Uniform Guidance 2 CFR § 200.430(i)(1)(viii) states that budget estimates alone may not be used to allocate compensation charges to Federal awards. When using budget estimates for interim accounting purposes, entities must also establish internal controls to identify significant changes in corresponding work activities and review and adjust after-the-fact interim charges to reflect accurate, allowable, and properly allocated charges.

Condition

The District charged multi-funded employees based on budget estimates. There was not a system of monitoring and internal controls to identify significant changes in corresponding work activities nor to adjust budgeted charges to reflect the actual percentage of work performed for the grant.

Questioned Costs

The condition identified above resulted in $991 of questioned costs in the sample of employee compensation charges tested during the audit, including estimated costs of statutory benefits. The full questioned costs are unknown, as the District does not currently have a process to identify differences from budgeted time allocations to the actual time reflected on approved employee time certifications.

Context

The condition was identified during the auditor's federal program testing of the District's compensation charges. The sampling included 11 compensation charges, two of which were for multi-funded employees. Both multi-funded employees in the sample were charged based on budgeted time and not adjusted after-the-fact to reflect the actual time reflected on the approved time certifications.

Effect

The District is not in compliance with Uniform Guidance 2 CFR § 200.430(i)(1)(viii) for compensation charges related to multi-funded employee time certifications.

Cause

The condition identified appears to be due to lack of sufficient internal controls to monitor and adjust after-the-fact employee budgeted time to actual time reflected on approved employee time certifications.

Repeat Finding

No.

Recommendation

It is recommended that the District implement internal controls to ensure that employee time certifications are completed timely, employee time certifications are monitored for significant changes in corresponding work activities, and processes are in place to review after-the-fact interim charges based on budget estimates against the actual time reflected on approved employee time certifications and make necessary adjustments to the charges.

Corrective Action Plan and Views of Responsible Officials

All employees are paid based on budget allocations assigned in our position control system. The Director of LCAP, Curriculum & Instruction, Innovation and Special Projects and/or their designee will reconcile the actual time & effort reported to the budget allocations prior to each fiscal year end close. Any necessary adjustments will be communicated to the Fiscal Services department to be processed.

2022-003 50000 – Emergency Connectivity Fund Program: Equipment and Special Tests (Material Weakness in Internal Control, Noncompliance)

Federal Program Affected

Program Name: COVID-19: Emergency Connectivity Fund (ECF) Program
Assistance Listing Number: 32.009
Pass-Through Entity: N/A – Direct Award
Federal Agency: Federal Communications Commission

Criteria or Specific Requirements

In accordance with Federal Communications Commission (FCC) Report and Order 21-58 paragraphs 116-118, COVID-19 Emergency Connectivity Fund (ECF) Program participants are required to maintain asset and service inventories of the devices and services purchased with ECF Program support. Asset inventories are required to contain the following elements: (a) device type, (b) device make/model, (c) equipment serial number, (d) the name of the person to whom the device was provided, and (e) the dates the device was loaned out and returned to the school.

In accordance with FCC Report and Order 21-58 paragraph 5, ECF Program support shall be used by schools to meet the otherwise unmet connectivity needs of students and school staff during the COVID-19 pandemic. In accordance with FCC Report and Order 21-58 paragraph 54, ECF Program support shall not be used to fund more than one connected device and more than one Wi-Fi hotspot per students or school staff member during the COVID-19 emergency period.

Condition

The District did not maintain adequate asset inventories for devices purchased using ECF support, as inventory records do not contain all of the aforementioned required elements.

The District was not able to substantiate unmet need for all devices for which reimbursement was requested.

Questioned Costs

The condition identified resulted in $638,750 of questioned costs due to insufficient inventory records for 2,000 devices and lack of demonstrating unmet need for 1,648 devices.

Context

The condition was identified through inquiries with District management and review of program records. For equipment inventory, the sample included 60 transactions, and it was noted that all 60 did not contain the required element of dates that equipment was loaned out and returned. For special tests for unmet need, the sample included 60 transactions, and it was noted that 48 of the 60 were not able to demonstrate unmet need, as the devices had not been provided to students. We noted that of the population of 2,000 devices, all 2,000 were lacking sufficient data in the equipment inventory records, and 1,648 were not able to demonstrate unmet need.

Effect

The District is not in compliance with the Equipment or Restricted Purpose Special Tests for the ECF Program. The District does not have adequate internal controls over compliance in place to ensure compliance with program requirements.

Cause

The condition identified appears to be due to lack of sufficient internal controls to ensure that program requirements are met.

Repeat Finding

No.

Recommendation

The District should ensure that program requirements are reviewed and adequate controls over compliance are in place prior to commencing program activities under new federal programs.

Corrective Action Plan and Views of Responsible Officials

The Board of Trustees has authorized a reorganization of the Fiscal Services department that includes adding Purchasing Manager and Purchasing Technician to ensure the District follows all purchasing guidelines and compliance requirements related to purchasing. The Purchasing Manager will also be responsible for our warehouse and inventory processes. This reorganization was approved effective July 1, 2023. Recruitment has begun for these positions.

2022-004 50000 – Emergency Connectivity Fund Program: Procurement (Significant Deficiency in Internal Control)

Federal Program Affected

Program Name: COVID-19: Emergency Connectivity Fund (ECF) Program
Assistance Listing Number: 32.009
Pass-Through Entity: N/A – Direct Award
Federal Agency: Federal Communications Commission

Criteria or Specific Requirements

In accordance with 2 CFR §200.214 of the Uniform Guidance, non-Federal entities must verify that vendors are nor suspended or debarred prior to entering into covered transactions.

Condition

The District did not maintain documentation to demonstrate that they verified whether a vendor was suspended or debarred prior to entering into a covered transaction.

Questioned Costs

There were no questioned costs identified as a result of the condition identified above.

Context

The condition was identified through inquiries with District management and review of program records. The sample included the one item that was noted in the population.

Effect

The District does not have adequate internal controls over compliance in place to ensure compliance with program requirements.

Cause

The condition identified appears to be due to lack of sufficient internal controls to ensure that program requirements are met.

Repeat Finding

No.

Recommendation

The District should ensure that program requirements are reviewed and adequate controls over compliance are in place prior to commencing program activities under new federal programs.

Corrective Action Plan and Views of Responsible Officials

The Board Trustees has authorized a reorganization of the Fiscal Services department that includes adding Purchasing Manager and Purchasing Technician to ensure the District follows all purchasing guidelines and compliance requirements related to purchasing. The Purchasing Manager will also be responsible for our warehouse and inventory processes. This reorganization was approved effective July 1, 2023. Recruitment has begun for these positions.

The following findings represent material weaknesses, and material instances of noncompliance including questioned costs that are required to be reported by the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
10000	Attendance
40000	State Compliance
70000	Instructional Materials

2022-005 10000 and 40000 – Independent Study and Attendance (Material Weakness)

Criteria or Specific Requirements

California *Education Code* Section 51747(g) states that pupils enrolled in independent study must have a written learning agreement with certain required elements. California *Education Code* Section 51747(g) states that written learning agreements must be signed prior to the commencement of independent study. California Code of Regulations Title 5 Section 11703(b)(3) requires school districts to maintain representative work samples for each pupil enrolled in independent study.

Condition

The District maintains two school sites for independent study: one traditional independent study school and one virtual independent study school. At the traditional independent study school, not all pupils have written learning agreements on file. Additionally, some pupils' written learning agreements do not have the required signatures. Certain pupils' files are also lacking representative work samples and/or records to support the average daily attendance (ADA) earned. At the virtual independent study school, no written learning agreements were completed.

Questioned Costs

Questioned costs associated with this condition resulted in a net decrease of $4,339,773 in Local Control Funding Formula. The estimated penalty was calculated using the CDE's Audit Penalty Calculator.

Context

The condition was identified through a review of a sample of 25 independent study pupils at each of the two independent study schools. For the virtual school, the District reported 250.40 ADA at Second Period and 239.68 ADA at Annual. As no written learning agreements were obtained for any pupils at the virtual school, all ADA generated at this site has been disallowed.

For the traditional school, the District reported 138.07 ADA at Second Period and 155.17 ADA at Annual Period. In the sample of 25 students, records for 12 pupils were found to be out of compliance. Of the 256 total days apportioned in the sample of students, 137 days were not eligible for apportionment, resulting in an error rate of 53.52%. As a result of the conditions identified, the following ADA as of Second Period has been disallowed:

	7-8 Grade	9-12 Grade	Total
ADA Disallowed (Virtual School)	64.39	186.01	250.40
ADA Disallowed (Traditional School)	9.94	63.95	73.89
Total ADA Disallowed	74.33	249.96	324.29
Estimated Penalty	$868,199	$3,471,574	$4,339,773

Effect

It appears that the District failed to accurately obtain written learning agreements at the virtual independent study school. It also appears that the District failed to obtain and maintain accurate records for pupils at the traditional independent study school, including written agreements, work samples, and records to substantiate ADA earned.

Cause

The condition identified related to the virtual school has materialized due to management's belief that the school was not required to be operated under independent study rules. The condition identified related to the traditional school has materialized due to lack of appropriate controls to ensure that required documentation is obtained and maintained for all pupils enrolled in independent study.

Repeat Finding

No.

Recommendation

The District should ensure that management obtains the training and information necessary to ensure that school sites are operated under the applicable sections of the California Education Code. The District should appoint a responsible member or members of management to monitor independent study requirements and ensure that the District is compliant.

Corrective Action Plan and Views of Responsible Officials

The District has implemented processes for our 2022–2023 school year to ensure that all students of our Victor Valley Virtual Academy and Goodwill Independent Study programs have Independent Study contracts on file. This process was implemented in the Fall of 2022 and will continue. Regarding the Victor Valley Virtual Academy, the District did not know that the program had to be operated under independent study rules based on documentation we received from the California Department of Education when we started the program. The District plans to appeal this finding.

2022-006 10000 and 40000 – Continuation Education and Attendance (Material Weakness)

Criteria or Specific Requirements

California *Education Code* Section 46300(a) states that in computing average daily attendance (ADA) of a school district or county office of education, there shall be included the attendance of pupils while engaged in educational activities required of those pupils and under the immediate supervision and control of an employee of the district or county office who possessed a valid certification document, registered as required by law.

Condition

The Continuation ADA submitted in the Second Period and Annual Attendance Reports was inaccurate. It appears that the District inaccurately entered the daily bell schedules for the continuation school into the attendance system. This resulted in additional minutes claimed for days with shortened day and minimum day schedules.

Questioned Costs

The condition identified above resulted in a reduction of 0.34 ADA generated through continuation education. Questioned costs associated with this condition resulted in a net decrease of $4,722 in Local Control Funding Formula (LCFF). The estimated penalty was calculated using the CDE's Audit Penalty Calculator.

Context

The condition was identified through a review of a sample of continuation pupils to verify that attendance was not credited for more than the scheduled class time.

Effect

The District failed to accurately report continuation ADA on the Second Period and Annual Attendance Reports due to the inaccurate bell schedules in the system, resulting in 0.34 ADA overreported on the Second Period Attendance Report.

Cause

The condition identified has materialized due to lack of appropriate review procedures to ensure that daily bell schedules have been accurately entered into the attendance system.

Repeat Finding

No.

Recommendation

The District should ensure that the daily bell schedules are properly entered into the attendance system. Additionally, the District should appoint a responsible member of management to ensure that this requirement is met.

Corrective Action Plan and Views of Responsible Officials

The Director of Fiscal Services has been appointed to work with the Technology Education department to ensure that the daily bell schedules are properly entered into the Aeries, our attendance system.

2022-007 40000 – Unduplicated Local Control Funding Formula Pupil Counts (Material Weakness)

Criteria or Specific Requirements

California *Education Code* Section 42238.02(b)(4) states that the school districts should revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The Unduplicated Local Control Funding Formula Pupil Counts submitted to the California Department of Education (CDE) was inaccurate. It appears that the District inaccurately reported the eligibility status for certain pupils for Free or Reduced-Price Meals (FRPM) and certain pupils for English Learners' (EL) designation on CALPADS Form 1.18 – FRPM/English Learner/Foster Youth – Student List.

Questioned Costs

The questioned costs associated with this condition resulted in a net decrease of $1,328,120 in Local Control Funding Formula. The estimated penalty was calculated using the CDE's Audit Penalty Calculator.

Context

The condition was identified through a review of requested supporting documents for a sample of students' FRPM and/or EL status. The District did not maintain supporting documentation for five of the 25 students categorized as Free/Reduced and selected from the pupils in the FRPM category on the CALPADS Form 1.18. The auditor projected this error rate to the total population and determined a projected error of 569 pupils for FRPM status. The District did not accurately classify two of the 13 students categorized as EL and selected from the pupils in both the FRPM and EL category on the CALPADS Form 1.18. The auditor projected this error rate to the total population and determined a projected error of 72 pupils for both FRPM and EL status. This resulted in a total projected error of 641 students on the CALPADS Form 1.18.

Effect

As a result of our testing, it appears that the District failed to properly complete the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. The results of our testing have been documented as follows:

Certified Total Enrollment Count	Certified Total Unduplicated Count	Adjustment to Total Enrollment Count	Adjustment Based on Eligibility for FRPM	Adjustment Based on Eligibility for FRPM and EL	Adjusted Total Enrollment	Adjusted Total Unduplicated Pupil Count
11,202	9,652	0	(569)	(72)	10,411	9,011

Cause

The condition identified, related to FRPM, has materialized due to lack of appropriate record retention. In addition, the condition identified, related to EL designation, has materialized due to unspecified error.

Repeat Finding

No.

Recommendation

The District should emphasize the importance of completing the Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received and that document retention policies are adhered to.

Corrective Action Plan and Views of Responsible Officials

The District implemented the Rocket Scan program in 2021-2022 for our alternative income forms. These forms are now either completed using a web-based form or scanned into the system if a paper form is used. This system uses data from our Student Information System, Aeries, to validate the student data and pulls in direct certification data from the state. The forms that we could not provide during this audit were forms that we collected during our base year of 2017-2018. The paper forms were unfortunately discarded by our Food Services department per their retention guidelines.

2022-008 **70000 – Instructional Materials**

Criteria or Specific Requirements

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

Condition

The District held the public hearing on the sufficiency of instructional materials on October 7th, 2021, which was not within the first eight weeks of the start of school.

Questioned Costs

There were no questioned costs associated with this condition.

Context

The condition was identified through inquiry with District personnel and through the review of available District records.

Effect

The District was not in compliance with California Education Code Section 60119.

Cause

No specific cause was identified other than oversight.

Repeat Finding

No.

Recommendation

The District should make every effort to hold the public hearing before the end of the eighth week after 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.

Corrective Action Plan and Views of Responsible Officials

The Assistant Superintendent of Education Services and/or their designee will ensure that this public hearing is scheduled and is on the board agenda by the eighth week after the start of school.

2022-009 40000 – After School Education and Safety Program

Criteria or Specific Requirements

According to the California *Education Code* Section 8483(a)(2), it is the intent of the Legislature that elementary and middle school or junior high school pupils participate in the full day of the program every day during which pupils participate, except as allowed by the early release policy. Pupil attendance records must be maintained to verify and support the program's compliance with this requirement.

Condition

While verifying the total students served at Imogene Garner Hook Junior High School for the month of December 2021, the auditor noted discrepancies between the daily attendance counts on the sign-in/sign-out sheets and the attendance system. The total discrepancy for the month was one day which consisted of offsetting differences from various days during the month tested.

Questioned Costs

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

Context

The condition identified resulted from our review of Imogene Garner Hook Junior High, Lakeview Leadership Academy, and Cobalt Institute of Math and Science Academy schools' attendance records and monthly attendance summary totals for the month of December 2021. The auditor selected all three school sites that operate the program for the first semi-annual reporting period dated July to December 2021. The auditor reviewed sign-in/sign-out records for the month of December 2021, monthly attendance summary and detail reports, and the 1st Half: After School Base report submitted to the California Department of Education.

Effect

As a result of our testing, the District was not compliant with California *Education Code* Section 8483(a)(2) for the 2021-2022 fiscal year since pupil attendance documentation was not maintained to support the total reported pupil attendance counts.

Cause

The condition identified has materialized due to lack of appropriate review procedures to ensure that attendance information has been accurately entered into the attendance system.

Repeat Finding

No.

Recommendation

We recommend that the District implement internal controls to ensure that the daily attendance entered into the system agrees to the sign-in/sign-out sheets. An individual from the District should review and re-compute monthly attendance numbers per school site to verify that accurate information is being sent to the State for reporting.

Corrective Action Plan and Views of Responsible Officials

The Director of Student Services and/ or their designee will work with our 3rd party provider of the ASES after school program to implement internal controls to ensure that the daily attendance entered into their system agrees to the sign-in/sign-out sheets. The Student Services department will review and re-compute monthly attendance numbers per school site to ensure that accurate information is being sent to the State.

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

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, 2022, 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 July 31, 2023, on the government-wide financial statements of the District.

District Office

Observation

Based on the review of the journal entry procedures and controls, it was noted that one of the three journal entries reviewed did not have sufficient backup maintained for the journal entry. It was also noted that one of the three entries reviewed did not have proper segregation of duties for preparation and approval of the journal entry.

Recommendation

The District should ensure that adequate supporting documentation is maintained for all journal entries. The District should also ensure that there are proper segregation of duties surrounding the preparation and approval of all journal entries.

Associated Student Body (ASB)

<u>Hook Junior High School</u>

Observation

Based on the review of the cash receipting procedures, it was noted that for all six deposits tested, the cash counts/deposits were not reviewed or signed by a second individual. It was also noted that for one of the six deposits tested there was an unresolved discrepancy in the deposit.

Recommendation

The ASB should implement internal controls that include dual counting of cash collections for deposit as well as controls to ensure that any discrepancies are resolved in a timely manner.

Observation

Based on the review of the bank reconciliation procedures, it was noted that the November 2021 bank reconciliation was prepared in March 2022. It was also noted that there was no review of the reconciliation.

Recommendation

The ASB should implement internal controls that include ensuring bank reconciliations are prepared and reviewed in a timely manner.

<u>Adelanto High School</u>

Observation

Based on the review of the cash receipting procedures, it was noted that for all six deposits tested, the cash counts/deposits were not reviewed or signed by a second individual. It was also noted that for three of six deposits tested there were unresolved discrepancies in the deposits.

Recommendation

The ASB should implement internal controls that include dual counting of cash collections for deposit as well as controls to ensure that any discrepancies are resolved in a timely manner.

Observation

Based on the review of the cash disbursement procedures, it was noted that for four of 25 disbursements tested, receiving documentation and/or other indication that all goods were received prior to payment was not present.

Recommendation

The ASB should implement internal controls that include ensuring all goods have been received prior to issuing payment for an invoice.

Observation

Based on the review of the bank reconciliation procedures, it was noted that the November 2021 bank reconciliation was prepared in March 2022. It was also noted that there was no review of the reconciliation.

Recommendation

The ASB should implement internal controls that include ensuring bank reconciliations are prepared and reviewed in a timely manner.

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

Eide Bailly LLP

Rancho Cucamonga, California
July 31, 2023