LAS VIRGENES UNIFIED SCHOOL DISTRICT

LOS ANGELES COUNTY

AUDIT REPORT

For the Fiscal Year Ended June 30, 2019

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NIGRO & NIGRO PC
A PROFESSIONAL ACCOUNTANCY CORPORATION

INDEPENDENT AUDITORS' REPORT

Board of Education
Las Virgenes Unified School District
Calabasas, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Las Virgenes Unified School District, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA, EA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
OAKLAND OFFICE 333 Hegenberger Road, Suite 388, Oakland, CA 94621 • P: (844) 557-3111 • F: (844) 557-3444

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Other Matters

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 68 to 71 and the schedule of expenditures of federal awards on page 72 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 67 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 30, 2019, 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 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 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.

Nigro + Nigro, PC.

Murrieta, California
October 30, 2019

This discussion and analysis of Las Virgenes Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's combined fund balances increased by $7.4 million, primarily due to proceeds from a bond issuance.
- Unassigned fund balances in the General Fund increased by $2.2 million, or 11.8%.
- The District's overall financial status declined from last year, as the net position decreased by 10.2% to $(51.3) million for governmental activities. This change is primarily due to increases in long-term liabilities.
- The total cost of basic programs was $142.1 million. Because a portion of these costs were paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was $132.2 million.
- Average daily attendance (grades K-12) decreased by 183, or 1.7%.

NET PENSION LIABILITY

The implementation of GASB 68 during the 2014-15 fiscal year has caused the District to record a liability, deferred inflows and deferred outflows, in the government-wide financial statements. These items are related to the CalSTRS and CalPERS pension plans, which the District is required to participate. As a participating employer in these pension plans, the District must now report its proportionate share of the plans' unfunded liabilities. However, the District's required contributions to the plans are not determined by the District. Rather, the contributions are set by legislation or the pension plan itself. The proportionate share percentage is determined by comparing the District's contributions to the plan against total plan contributions. This liability is described further in Note 8 to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

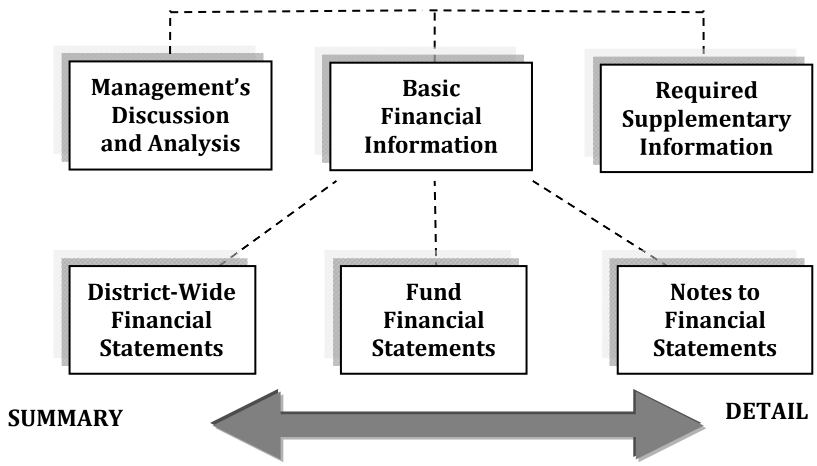
This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (enterprise funds) are provided in the *proprietary fund statements.*
  - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Las Virgenes Unified School District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds and food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses & Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.

- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- *Proprietary funds* – Proprietary funds use full accrual basis of accounting. Enterprise funds are considered business-type activities and are reported under a full accrual method. This is the same basis as business-type activities; therefore, no reconciling entries are required.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2019, than it was the year before – decreasing 10.2% to $(51.3) million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase	Business-Type Activities	
	2019	2018	(Decrease)	2019	2018
Current assets	$ 81,897,900	$ 71,954,890	$ 9,943,010	$ 679,934	$ 708,217
Capital assets, net of depreciation	205,245,970	208,474,937	(3,228,967)	123,838	125,874
Total assets	287,143,870	280,429,827	6,714,043	803,772	834,091
Total deferred outflows	2,846,043	1,724,459	1,121,584	-	-
Current liabilities	12,794,488	10,039,569	2,754,919	183,593	210,079
Long-term liabilities	228,175,216	223,304,255	4,870,961	-	-
Net pension liability	126,636,676	122,034,499	4,602,177	-	-
Total liabilities	367,606,380	355,378,323	12,228,057	183,593	210,079
Total deferred inflows	805,596	910,868	(105,272)	-	-
Net position					
Net investment in capital assets	68,967,217	69,124,920	(157,703)	123,838	125,874
Restricted	31,901,108	29,735,537	2,165,571	496,341	498,138
Unrestricted	(52,653,712)	(50,960,863)	(1,692,849)	-	-
Total net position, before net pension liability	48,214,613	47,899,594	315,019	$ 620,179	$ 624,012
Amounts related to the net pension liability					
Deferred outflows	32,849,628	34,366,999	(1,517,371)		
Net pension liability	(126,636,676)	(122,034,499)	(4,602,177)		
Deferred inflows	(5,759,294)	(6,830,391)	1,071,097		
Total net position	$ (51,331,729)	$ (46,598,297)	$ (4,733,432)		

Changes in net position, governmental activities. The District's total revenues decreased 1.4% to $137.3 million (See Table A-2). The decrease is due primarily to decreases in operating grants and contributions.

The total cost of all programs and services remained relatively consistent, decreasing 0.1% to $142.1 million. The District's expenses are predominantly related to educating and caring for students, 74.8%. The purely administrative activities of the District accounted for just 7.2% of total costs.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)	Business-Type Activities	
	2019	2018		2019	2018
Revenues					
Program Revenues:					
Charges for services	$ 904,628	$ 1,176,576	$ (271,948)	$ 1,491,078	$ 1,504,679
Operating grants and contributions	8,943,188	16,538,605	(7,595,417)	488,391	495,298
General Revenues:					
Property taxes	74,021,368	69,886,714	4,134,654	-	-
Federal and state aid not restricted	46,226,865	44,331,746	1,895,119	-	-
Other general revenues	7,242,869	7,388,903	(146,034)	11,313	9,318
Total Revenues	137,338,918	139,322,544	(1,983,626)	1,990,782	2,009,295
Expenses					
Instruction-related	97,365,453	99,243,835	(1,878,382)	-	-
Pupil services	8,862,910	9,519,665	(656,755)	-	-
Administration	10,201,601	9,381,452	820,149	-	-
Plant services	12,636,761	12,060,800	575,961	-	-
All other activities	13,005,625	12,073,559	932,066	1,994,615	2,059,123
Total Expenses	142,072,350	142,279,311	(206,961)	1,994,615	2,059,123
Increase (decrease) in net position	$ (4,733,432)	$ (2,956,767)	$ (1,776,665)	$ (3,833)	$ (49,828)
Total Net Position	$ (51,331,729)	$ (46,598,297)	$ (4,733,432)	$ 620,179	$ 624,012

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $68.7 million, which is above last year's ending fund balance of $61.3 million. The primary cause of the increased fund balance is proceeds received from 2006 Series D Bonds related to Measure R.

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2018	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2019
Fund					
General Fund	$ 29,435,763	$ 133,563,976	$ 132,426,816	$ (893,752)	$ 29,679,171
Deferred Maintenance Fund	286,103	11,178	538,510	915,000	673,771
Building Fund	4,967,551	231,368	5,759,615	10,435,000	9,874,304
Capital Facilities Fund	8,127,327	962,035	561,959	-	8,527,403
Bond Interest and Redemption Fund	18,514,813	19,562,360	18,748,893	616,051	19,944,331
	$ 61,331,557	$ 154,330,917	$ 158,035,793	$ 11,072,299	$ 68,698,980

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by $3.0 million primarily due to revised state budget estimates.
- Salaries and benefits costs – increased by $3.3 million due to changes in collective bargaining agreements.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $1.2 million, the actual results for the year show that revenues exceeded expenditures by roughly $1.1 million. Actual revenues were $1.2 million more than anticipated, while expenditures were $1.2 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2019, that will be carried over into the 2019-20 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018-19, the District had invested $6.0 million in new capital assets, related to the District's facility program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year approximated $9.3 million.

Table A-4: Capital Assets at Year-End, Net of Depreciation

	Governmental Activities				Variance Increase	
	2019		2018		(Decrease)	
Land	$	14,853,507	$	14,853,507	$	-
Land improvements		3,779,434		3,830,035		(50,601)
Buildings		180,352,414		188,022,761		(7,670,347)
Equipment		1,875,345		1,430,843		444,502
Construction in progress		4,385,270		337,791		4,047,479
Total	$	205,245,970	$	208,474,937	$	(3,228,967)

Long-Term Debt

At year-end the District had approximately $228.2 million in general obligation bonds, certificates of participation, compensated absences, early retirement incentives, and employment benefits – an increase of 2.2% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities				Variance Increase	
	2019		2018		(Decrease)	
General obligation bonds	$	188,847,530	$	186,147,640	$	2,699,890
Certificates of participation		10,405,193		10,825,617		(420,424)
Compensated absences		1,020,846		915,676		105,170
Early retirement incentive		127,221		258,950		(131,729)
Other postemployment benefits		27,774,426		25,156,372		2,618,054
Total	$	228,175,216	$	223,304,255	$	4,870,961

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature passed the final budget package on June 13, 2019. The Governor signed the *2019-20 Budget Act* and 15 other budget-related bills on June 27, 2019.

Major Features of the 2019-20 Spending Plan

Makes $5.9 Billion in Additional Unfunded Liability Payments
Teachers, administrators, and other certificated employees of school districts earn pension benefits from the California State Teachers' Retirement System (CalSTRS). Other school district employees, such as clerical staff, also earn pension benefits administered by California Public Employees' Retirement System (CalPERS). The state and school districts each have full responsibility for their respective CalPERS' unfunded liabilities associated with their own employees. In the case of CalSTRS, the state and school districts share responsibility for the system's total unfunded liability (about one-third is the responsibility of the state and two-thirds of the districts).

The spending plan allocates $5.9 billion General Fund to pay down unfunded pension liabilities on behalf of both the state and school districts (some of which is counted toward the state's Proposition 2 debt payment requirements). In particular, the spending plan dedicates:

- ***$3.6 Billion to Address State's Unfunded Liabilities.*** The spending plan uses $2.5 billion in General Fund monies to pay down the state's CalPERS unfunded liability. The spending plan also devotes $1.1 billion General Fund to reduce the state's share of the CalSTRS unfunded liability, as part of the state's Proposition 2 debt payment requirements.
- ***$2.3 Billion to Address School Districts' Unfunded Liabilities.*** The spending plan also devotes $1.6 billion General Fund to reduce the school districts' share of the CalSTRS unfunded liability and $660 million General Fund to address the school districts' CalPERS unfunded liability.

K-14 Education

Provides a Few Notable Ongoing Proposition 98 Augmentations
Under the spending plan, Proposition 98 funding for 2019-20 increases $2.9 billion (3.7 percent) from the revised 2018-19 level. The spending plan devotes the largest share of this increase—$2 billion—to school districts to cover changes in student attendance and provide a 3.26 percent cost-of-living adjustment (COLA) for the Local Control Funding Formula (general purpose per-student funding). The budget also provides two augmentations related to special education: (1) $493 million for school districts based on the number of three- and four-year old children identified with disabilities affecting their education and (2) $153 million for special education agencies with average or below average per-pupil funding rates.

Pays a Portion of Districts' Pension Costs for the Next Two Years
The spending plan also provides additional monies to school districts outside of the Proposition 98 funding requirement by paying a portion of districts' pension costs for the next two years. School districts' pension contribution rates for both CalPERS and CalSTRS have been rising and are set to continue increasing for at least the next few years. For CalSTRS, the budget provides $606 million for the state to pay a portion of districts' costs (reducing district contribution rates by about 1 percent of payroll in 2019-20 and 2020-21). Similarly, the budget provides $244 million for the state to cover a portion of districts' CalPERS costs (reducing district rates by about 1 percent of payroll in 2019-20 and 2020-21). Although district pension rates will continue to rise, the increases will be slower than previously projected.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

All of these factors were considered in preparing the Las Virgenes Unified School District budget for the 2019-20 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Karen Kimmel, CPA, Assistant Superintendent of Business Services, at Las Virgenes Unified School District, 4111 N. Las Virgenes Road, Calabasas, California, 91302 or by calling (818) 878-5203.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Statement of Net Position

June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	$ 75,305,946	$ 578,779	$ 75,884,725
Accounts receivable	6,374,538	69,167	6,443,705
Inventories	171,022	31,988	203,010
Prepaid expenses	46,394	-	46,394
Non-depreciable assets	19,238,777	-	19,238,777
Depreciable assets	313,490,956	550,100	314,041,056
Less, accumulated depreciation	(127,483,763)	(426,262)	(127,910,025)
Total assets	287,143,870	803,772	287,947,642
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	32,849,628	-	32,849,628
Deferred amount on refunding	1,579,578	-	1,579,578
Deferred outflow of resources OPEB	1,266,465	-	1,266,465
Total deferred outflows	35,695,671	-	35,695,671
LIABILITIES			
Accounts payable	11,307,500	183,593	11,491,093
Unearned revenue	1,486,988	-	1,486,988
Long-term liabilities other than pensions:			
Portion due or payable within one year	15,633,259	-	15,633,259
Portion due or payable after one year	212,541,957	-	212,541,957
Net pension liability	126,636,676	-	126,636,676
Total liabilities	367,606,380	183,593	367,789,973
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	5,759,294	-	5,759,294
Deferred inflow of resources OPEB	805,596	-	805,596
Total deferred inflows	6,564,890	-	6,564,890
NET POSITON			
Net investment in capital assets	68,967,217	123,838	69,091,055
Restricted for:			
Capital projects	8,527,403	-	8,527,403
Debt service	19,944,331	-	19,944,331
Educational programs	2,592,703	-	2,592,703
Nutritional services	-	496,341	496,341
Self insurance	836,671	-	836,671
Unrestricted	(152,200,054)	-	(152,200,054)
Total net position	$ (51,331,729)	$ 620,179	$ (50,711,550)

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2019

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instructional Services:						
Instruction	$ 84,716,277	$ 130,627	$ 4,357,866	$ (80,227,784)	$ -	$ (80,227,784)
Instruction-Related Services:						
Supervision of instruction	2,841,568	5,585	425,316	(2,410,667)	-	(2,410,667)
Instructional library, media and technology	812,199	-	(21,451)	(833,650)	-	(833,650)
School site administration	8,995,409	9,877	(349,504)	(9,335,036)	-	(9,335,036)
Pupil Support Services:						
Home-to-school transportation	2,187,045	7,999	412,028	(1,767,018)	-	(1,767,018)
Food services	192,254	-	-	(192,254)	-	(192,254)
All other pupil services	6,483,611	17,427	581,718	(5,884,466)	-	(5,884,466)
General Administration Services:						
Data processing services	2,419,669	926	3,962	(2,414,781)	-	(2,414,781)
Other general administration	7,781,932	3,608	231,115	(7,547,209)	-	(7,547,209)
Plant services	12,636,761	6,646	38,404	(12,591,711)	-	(12,591,711)
Ancillary services	1,156,092	-	(21,223)	(1,177,315)	-	(1,177,315)
Interest on long-term debt	11,045,204	-	-	(11,045,204)	-	(11,045,204)
Debt issuance costs and discounts	232,356	-	-	(232,356)	-	(232,356)
Other outgo	571,973	721,933	3,284,957	3,434,917	-	3,434,917
Total Governmental Activities	142,072,350	904,628	8,943,188	(132,224,534)	-	(132,224,534)
Business-Type Activities:						
Food Services	1,994,615	1,491,078	488,391	-	(15,146)	(15,146)
Total Business-Type Activities	1,994,615	1,491,078	488,391	-	(15,146)	(15,146)
Total	$ 144,066,965	$ 2,395,706	$ 9,431,579	(132,224,534)	(15,146)	(132,239,680)

	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Property taxes	74,021,368	-	74,021,368
Federal and state aid not restricted to specific purpose	46,226,865	-	46,226,865
Interest and investment earnings	565,002	11,313	576,315
Miscellaneous	6,677,867	-	6,677,867
Total general revenues	127,491,102	11,313	127,502,415
Change in net position	(4,733,432)	(3,833)	(4,737,265)
Net position - July 1, 2018	(46,598,297)	624,012	(45,974,285)
Net position - June 30, 2019	$ (51,331,729)	$ 620,179	$ (50,711,550)

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Balance Sheet – Governmental Funds

June 30, 2019

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Fund	Total Governmental Funds
ASSETS						
Cash	$ 34,616,932	$ 10,467,906	$ 8,484,947	$ 19,944,331	$ 960,290	$ 74,474,406
Accounts receivable	5,550,372	59,806	44,438	-	2,783	5,657,399
Inventories	171,022	-	-	-	-	171,022
Prepaid expenditures	46,394	-	-	-	-	46,394
Total Assets	$ 40,384,720	$ 10,527,712	$ 8,529,385	$ 19,944,331	$ 963,073	$ 80,349,221
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 9,218,561	$ 653,408	$ 1,982	$ -	$ 289,302	$ 10,163,253
Unearned revenue	1,486,988	-	-	-	-	1,486,988
Total Liabilities	10,705,549	653,408	1,982	-	289,302	11,650,241
Fund Balances						
Nonspendable	244,016	-	-	-	-	244,016
Restricted	2,592,703	9,874,304	8,527,403	19,944,331	160,000	41,098,741
Committed	5,278,743	-	-	-	513,771	5,792,514
Assigned	478,686	-	-	-	-	478,686
Unassigned	21,085,023	-	-	-	-	21,085,023
Total Fund Balances	29,679,171	9,874,304	8,527,403	19,944,331	673,771	68,698,980
Total Liabilities and Fund Balances	$ 40,384,720	$ 10,527,712	$ 8,529,385	$ 19,944,331	$ 963,073	$ 80,349,221

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Total fund balances - governmental funds			$ 68,698,980
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.			
	Capital assets at historical cost:	332,729,733	
	Accumulated depreciation:	(127,483,763)	
	Net:		205,245,970
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The net OPEB liability at the end of the period was:			(27,774,426)
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(1,144,247)
In governmental funds, interest subsidies received from Build America Bonds (BABs) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The federal interest subsidies included in accounts receivable in the government-wide statements were:			712,008
In the government-wide statements funds deferred amounts on refunding are recognized as a deferred outflow of resources and amortized over the life of the defeased debt. Unamortized deferred amounts included on the statement of net position are:			1,579,578
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
	General obligation bonds payable	188,847,530	
	Certificates of participation payable	10,405,193	
	Compensated absences payable	1,020,846	
	Supplementary retirement plan	127,221	(200,400,790)
In governmental funds, deferred outflows and inflows of resources relating to pension and other postemployment benefits (OPEB) are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported. The deferred inflows and outflows for the period were:			
	Deferred outflows of resources		34,116,093
	Deferred inflows of resources		(6,564,890)
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements			(126,636,676)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service fund is:			836,671
Total net position - governmental activities			$ (51,331,729)

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Fund	Total Governmental Funds
REVENUES						
LCFF sources	$ 95,622,871	$ -	$ -	$ -	$ -	$ 95,622,871
Federal sources	3,411,613	-	-	1,708,820	-	5,120,433
Other state sources	23,014,859	-	-	66,046	-	23,080,905
Other local sources	11,514,633	231,368	962,035	17,787,494	11,178	30,506,708
Total Revenues	133,563,976	231,368	962,035	19,562,360	11,178	154,330,917
EXPENDITURES						
Current:						
Instruction	87,077,325	-	-	-	-	87,077,325
Instruction-Related Services:						
Supervision of instruction	3,134,253	-	-	-	-	3,134,253
Instructional library, media and technology	812,214	-	-	-	-	812,214
School site administration	9,484,422	-	-	-	-	9,484,422
Pupil Support Services:						
Home-to-school transportation	2,183,927	-	-	-	-	2,183,927
Food Services	1,804	-	-	-	-	1,804
All other pupil services	7,423,406	-	-	-	-	7,423,406
Ancillary Services	1,160,609	-	-	-	-	1,160,609
General Administration Services:						
Data processing services	2,329,036	-	-	-	-	2,329,036
Other general administration	6,069,242	-	11,267	-	-	6,080,509
Transfers of Indirect Costs	(58,367)	-	-	-	-	(58,367)
Plant Services	11,373,429	-	-	-	240,627	11,614,056
Capital Outlay	513,543	5,527,259	130,268	-	297,883	6,468,953
Intergovernmental Transfers	571,973	-	-	-	-	571,973
Debt Service:						
Principal	-	-	420,424	8,253,746	-	8,674,170
Interest	350,000	-	-	10,495,147	-	10,845,147
Issuance costs	-	232,356	-	-	-	232,356
Total Expenditures	132,426,816	5,759,615	561,959	18,748,893	538,510	158,035,793
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,137,160	(5,528,247)	400,076	813,467	(527,332)	(3,704,876)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	-	-	-	-	915,000	915,000
Interfund transfers out	(915,000)	-	-	-	-	(915,000)
Issuance of debt - general obligation bonds	-	10,435,000	-	-	-	10,435,000
Premiums on issuance of debt	-	-	-	616,051	-	616,051
All other Financing sources	21,248	-	-	-	-	21,248
Total Other Financing Sources and Uses	(893,752)	10,435,000	-	616,051	915,000	11,072,299
Net Change in Fund Balances	243,408	4,906,753	400,076	1,429,518	387,668	7,367,423
Fund Balances, July 1, 2018	29,435,763	4,967,551	8,127,327	18,514,813	286,103	61,331,557
Fund Balances, June 30, 2019	$ 29,679,171	$ 9,874,304	$ 8,527,403	$ 19,944,331	$ 673,771	$ 68,698,980

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2019

Total net change in fund balances - governmental funds			$ 7,367,423
Amounts reported for governmental *activities* in the statement of activities are different because:			
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
	Expenditures for capital outlay	6,030,048	
	Depreciation expense	(9,259,015)	(3,228,967)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			8,674,170
In governmental funds, proceeds from debt are recognized as other financing sources. In government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issuance premium or discount were:			(11,051,051)
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized on the accrual basis. The difference between current year charges and current year amortization is:			(1,260,379)
In governmental funds, if debt is issued at a premium or a discount it is recognized as an other financing source or use in the period it is incurred. In the government-wide statements, the premium and discount are amortized over the life of the debt. Amortization of premiums and discounts for the period were:			541,392
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statements, however, this is recorded as interest expense for the period. Accreted interest additions less accreted interest paid during the year was:			(443,977)
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of payment for refunded bonds which have been defeased. In the governmental funds these charges are recognized as an expenditure. However, in the statement of activities these amounts are amortized over the life of the refunded debt. The difference between current year charges and current year amortization is:			(130,819)
In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:			(5,048,448)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:			(166,654)
In governmental funds, interest subsidies received from Build America Bonds (BABs) and Qualified School Construction Bonds (QSCBs) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The federal interest accrued at the end of the period, less the interest received during the period but earned from the prior period was:			(30,759)
In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time. This year, such liabilities increased by:			131,729
In the statement of activities, compensated absences 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).			(105,170)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:			18,078
Change in net position of governmental activities			$ (4,733,432)

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Statement of Net Position - Proprietary Funds
June 30, 2019

	Governmental Activities: Internal Service	Business-Type Activities: Enterprise Fund
	Self-Insurance Fund	Food Services
ASSETS		
Cash	$ 831,540	$ 578,779
Accounts receivable	5,131	69,167
Stores inventories	-	31,988
Capital assets	-	550,100
Less, accumulated depreciation	-	(426,262)
Total assets	836,671	803,772
LIABILITIES		
Accounts payable and accrued liabilities	-	183,593
Total liabilities	-	183,593
NET POSITION		
Net investment in capital assets	-	123,838
Restricted	836,671	496,341
Total net position	$ 836,671	$ 620,179

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

For the Fiscal Year Ended June 30, 2019

	Governmental Activities: Internal Service	Business-Type Activities: Enterprise Fund
	Self-Insurance Fund	Food Services
OPERATING REVENUES		
Charges for services	$ -	$ 1,491,078
Federal grants	-	466,335
Other grants	-	22,056
Total operating revenues	-	1,979,469
OPERATING EXPENSES		
Classified salaries	-	868,292
Employee benefits	-	357,868
Books and supplies	-	640,845
Services and other operating expenditures	-	41,955
Transfers of indirect costs	-	58,367
Depreciation	-	27,288
Total operating expenses	-	1,994,615
Operating income (loss)	-	(15,146)
NON-OPERATING REVENUES		
Interest income	18,078	11,313
Change in net position	18,078	(3,833)
Net position, July 1, 2018	818,593	624,012
Net position, June 30, 2019	$ 836,671	$ 620,179

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Governmental Activities: Internal Service Self-Insurance Fund	Business-Type Activities: Enterprise Fund Food Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations	$ -	$ 1,934,470
Self insurance premiums	-	-
Cash paid for operating expenses	-	(1,993,163)
Net cash provided (used) by operating activities	-	(58,693)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid to acquire capital assets	-	(25,252)
Interest on investments	17,339	13,885
Net cash provided (used) by investing activities	17,339	(11,367)
Net increase in cash	17,339	(70,060)
Cash, July 1, 2018	814,201	648,839
Cash, June 30, 2019	$ 831,540	$ 578,779
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ -	$ (15,146)
Adjustments to reconcile operating income(loss) to net cash provided (used) by operating activities:		
Depreciation	-	27,288
Changes in assets and liabilities:		
Increase in accounts receivable	-	(44,999)
Decrease in stores inventories	-	650
Decrease in accounts payable	-	(26,486)
Net cash provided (used) by operating activities	$ -	$ (58,693)

NONCASH, NONCAPITAL FINANCING ACTIVITIES
During the year, the District received $98,779 of food commodities from the U.S. Department of Agriculture.

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2019

	Agency Funds		
	Payroll Clearance Fund	Student Body Funds	Total
Assets			
Cash	$ 771,809	$ 1,224,918	$ 1,996,727
Inventories	-	19,979	19,979
Total Assets	$ 771,809	$ 1,244,897	$ 2,016,706
Liabilities			
Accounts payable	$ -	$ 1,088	$ 1,088
Due to student groups	-	1,243,809	1,243,809
Due to regulatory agencies	771,809	-	771,809
Total Liabilities	$ 771,809	$ 1,244,897	$ 2,016,706

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Las Virgenes Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

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

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.

The District has identified no organizations that are required to be reported as component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fund Financial Statements (continued)
Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds
The District maintains the following major governmental funds:

General Fund: This is the chief operating fund for the District. 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.

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

Capital Facilities Fund: This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* sections 17620-17626 and *Government Code* Section 65995 et seq.).

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code* sections 15125-15262).

Non-Major Governmental Funds
The District maintains the following non-major governmental funds:

Special Revenue Funds: Special revenue funds are established 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.

Deferred Maintenance Fund: This fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Proprietary Funds
Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds in the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code* Section 17566).

Enterprise Funds: Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods are services. The District maintains one enterprise fund:

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

Fiduciary Funds
Fiduciary funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District maintains the following fiduciary funds:

Agency Funds: These funds are used to account for assets of others for which the District acts as an agent. The "due to regulatory agencies" account within the payroll clearing fund is used to record dedicated funds for payroll and related expenses. The District also maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not.

2. Measurement Focus, Basis of Accounting
The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District's proprietary funds and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The agency fund has no measurement focus and utilizes the accrual bases of accounting for reporting its assets and liabilities.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. 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. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

D. Encumbrances

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

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

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

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

5. Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

6. Compensated Absences
The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. 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 CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

8. 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 District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition 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. Investments are reported at fair value.

9. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets -** This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted -** This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position -** This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Minimum Fund Balance Policy

The District has adopted a minimum fund balance policy, which states that the Board intends to maintain a minimum fund balance of 3% of the District's general fund annual operating expenditures. If a fund balance drops below 3%, it shall be recovered at a rate of .5% minimally, each year.

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.

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

I. New GASB Pronouncements
During the 2018-19 fiscal year, the following GASB Pronouncements became effective:

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

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

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

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

J. Future Accounting Pronouncements
Other GASB pronouncements, which will be effective in future periods, are as follows:

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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

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

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

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

4. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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

This Statement also addresses arrangements – often characterized as leases – that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.

Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

NOTE 2 – CASH

Cash at June 30, 2019, is reported at fair value and consisted of the following:

	Governmental Activities			Business Type Activities:	
	Governmental Funds	Internal Service Fund	Total Governmental	Enterprise Fund	Fiduciary Funds
Pooled Funds:					
Cash in county treasury	$ 74,146,296	$ 831,540	$ 74,977,836	$ 519,192	$ 771,809
Deposits:					
Cash on hand and in banks	301,510	-	301,510	55,711	1,224,918
Cash in revolving fund	26,600	-	26,600	3,876	-
Total Deposits	328,110	-	328,110	59,587	1,224,918
Total Cash	$ 74,474,406	$ 831,540	$ 75,305,946	$ 578,779	$ 1,996,727

Pooled Funds
In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2019, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits
Custodial credit risk 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. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2019, $1,614,941 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

NOTE 2 – CASH (continued)

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 date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

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

NOTE 3 – ACCOUNTS RECEIVABLE

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

	Governmental Funds					Internal Service Fund	Enterprise Fund
	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Totals	Self-Insurance Fund	Food Services
Federal Government:							
Categorical aid programs	$ 2,358,922	$ -	$ -	$ -	$ 2,358,922	$ -	$ 64,667
State Government:							
Lottery	536,430	-	-	-	536,430	-	-
Categorical aid programs	1,382,607	-	-	-	1,382,607	-	841
Other state resources	180,516	-	-	-	180,516	-	-
Local:							
Interest	181,198	59,806	44,438	2,783	288,225	5,131	3,659
Other local resources	910,699	-	-	-	910,699	-	-
Total	$ 5,550,372	$ 59,806	$ 44,438	$ 2,783	$ 5,657,399	$ 5,131	$ 69,167

NOTE 4 – INTERFUND TRANSACTIONS

Transfers To/From Other Funds

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

General Fund transfer to Deferred Maintenance Fund for deferred maintenance match	$ 915,000

NOTE 5 – FUND BALANCES

At June 30, 2019, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Fund	Total
Nonspendable:						
Revolving cash	$ 26,600	$ -	$ -	$ -	$ -	$ 26,600
Stores inventories	171,022	-	-	-	-	171,022
Prepaid expenditures	46,394	-	-	-	-	46,394
Total Nonspendable	244,016	-	-	-	-	244,016
Restricted:						
Categorical programs	2,592,703	-	-	-	-	2,592,703
Capital projects	-	9,874,304	8,527,403	-	-	18,401,707
Deferred maintenance projects	-	-	-	-	160,000	160,000
Debt service	-	-	-	19,944,331	-	19,944,331
Total Restricted	2,592,703	9,874,304	8,527,403	19,944,331	160,000	41,098,741
Committed:						
Early retirement incentive	131,739	-	-	-	-	131,739
Classified vacation accrual	800,000	-	-	-	-	800,000
Parcel tax reserve	131,739	-	-	-	-	131,739
PERS/STRS retirement increase	4,215,265	-	-	-	-	4,215,265
Deferred maintenance program	-	-	-	-	513,771	513,771
Total Committed	5,278,743	-	-	-	513,771	5,792,514
Assigned:						
School site carryover	80,686	-	-	-	-	80,686
Financial software upgrade	398,000	-	-	-	-	398,000
Total Assigned	478,686	-	-	-	-	478,686
Unassigned:						
Reserve for economic uncertainties	3,721,277	-	-	-	-	3,721,277
Remaining unassigned balances	17,363,746	-	-	-	-	17,363,746
Total Unassigned	21,085,023	-	-	-	-	21,085,023
Total	$ 29,679,171	$ 9,874,304	$ 8,527,403	$ 19,944,331	$ 673,771	$ 68,698,980

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2018	Additions	Retirements	Balance, June 30, 2019
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 14,853,507	$ -	$ -	$ 14,853,507
Construction in progress	337,791	4,047,479	-	4,385,270
Total capital assets not being depreciated	15,191,298	4,047,479	-	19,238,777
Capital assets being depreciated:				
Land Improvements	16,403,675	482,978	-	16,886,653
Infrastructure	90,000	-	-	90,000
Buildings and Improvements	282,086,257	362,471	-	282,448,728
Equipment	12,928,455	1,137,120	-	14,065,575
Total capital assets being depreciated	311,508,387	1,982,569	-	313,490,956
Accumulated depreciation for:				
Land Improvements	(12,573,640)	(533,579)	-	(13,107,219)
Infrastructure	(90,000)	-	-	(90,000)
Buildings and Improvements	(94,063,496)	(8,032,818)	-	(102,096,314)
Equipment	(11,497,612)	(692,618)	-	(12,190,230)
Total accumulated depreciation	(118,224,748)	(9,259,015)	-	(127,483,763)
Total capital assets being depreciated, net	193,283,639	(7,276,446)	-	186,007,193
Governmental activities capital assets, net	$ 208,474,937	$ (3,228,967)	$ -	$ 205,245,970
Business-Type Activities				
Capital assets being depreciated:				
Equipment	$ 623,116	$ 25,252	$ (98,268)	$ 550,100
Accumulated depreciation for:				
Equipment	(497,242)	(27,288)	98,268	(426,262)
Business-Type activities capital assets, net	$ 125,874	$ (2,036)	$ -	$ 123,838

Depreciation expense is allocated to the following functions on the statement of activities:

Governmental Activities:	
Instruction	$ 8,703,474
All other general administration	509,245
Plant services	46,296
Total governmental activities depreciation expense	$ 9,259,015
Business-Type Activities:	
Food services	$ 27,288
Total depreciation expense	$ 9,286,303

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2019, were as follows:

	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	$ 126,246,478	$ 10,435,000	$ 8,253,746	$ 128,427,732	$ 8,651,658
Accreted interest component	52,655,689	5,775,232	5,331,255	53,099,666	5,923,342
Unamortized issuance premium	7,245,473	616,051	541,392	7,320,132	541,392
Total - General Obligation Bonds	186,147,640	16,826,283	14,126,393	188,847,530	15,116,392
Certificates of Participation	10,825,617	-	420,424	10,405,193	435,917
Compensated Absences	915,676	105,170	-	1,020,846	-
Supplemental Early Retirement	258,950	-	131,729	127,221	80,950
Other Postemployment Benefits	25,156,372	3,490,862	872,808	27,774,426	-
Totals	$ 223,304,255	$ 20,422,315	$ 15,551,354	$ 228,175,216	$ 15,633,259

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of participation payments are made by the General and Capital Facilities Funds. Accumulated vacation, the supplemental early retirement, and other employment benefits will be paid for by the fund for which the employee worked.

A. General Obligation Bonds

1997 Election
The District authorized bonds at a regularly scheduled election of the registered voters of the District held on November 4, 1997, at which more than two-thirds of the voters authorized the issuance and sale of $30.0 million of general obligation bonds to finance the construction and modernization of school facilities.

2006 Election
The District authorized bonds at a regularly scheduled election of the registered voters of the District held on June 6, 2006, at which more than 55% of the voters authorized the issuance and sale of $128.0 million of general obligation bonds to finance the construction and modernization of school facilities.

A portion of the bonds is designated “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”). Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Bonds on or about each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the Recovery Act. The District is obligated to deposit any cash subsidy payments it receives into the debt service fund for the Bonds. Another portion of the bonds is designated as "Qualified School Construction Bonds" for purposes of the Recovery Act.

With respect to the bonds, the District expects to receive, on or about each bond payment date for the bonds, a cash subsidy payment from the United States Treasury equal to the lesser of a) the interest payable on such bond payment date or b) the amount of interest that would have been payable on such bond payment date on such bonds if such interest were determined at a federal tax credit rate applicable to the bonds, which Tax Credit Rate is published by the Treasury and determined under Section 54A(b)(3) of the Code.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

A. General Obligation Bonds (continued)

2006 Election (continued)
Prior to each such bond payment date for the bonds, the District will submit or cause to be submitted to the Treasury a subsidy reimbursement request in accordance with applicable Federal regulations.

On August 29, 2018 the District issued Series D General Obligation Bonds of the Election of 2006, in the amount of $10,435,000.

Prior-Year Defeasance of Debt
In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2019, $39 million of bonds outstanding are considered defeased.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2019, deferred amounts on refunding were $1,579,578.

2013 Refunding
On January 10, 2013, the District issued $9,630,000 of General Obligation Refunding Bonds. The Bonds consist of serial bonds bearing fixed rates ranging from 0.588 to 2.365 percent with annual maturities from November 2013 through November 2019. The net proceeds of $9,438,029 (after issuance costs and underwriter's discount of $191,971) were used to refund a portion of the Series 2004 Refunding General Obligation Bonds.

2014 Refunding
On October 29, 2014, the District issued $27,255,000 of General Obligation Refunding Bonds. The Bonds consist of serial bonds bearing fixed rates ranging from 3.0 to 5.0 percent with annual maturities from August 2015 through August 2031. The net proceeds of $31,542,630 (after issuance costs and underwriter's discount of $309,987) were used to refund a portion of the Series 2006A General Obligation Bonds.

2016 General Obligation Refunding Bonds
On December 6, 2016, the District issued $39,610,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.75% and 4.0% with annual maturities from August 1, 2020 through August 1, 2034. The net proceeds of $41,651,500 (after premiums of $2,391,917 and issuance costs of $350,417) were used to advance refund, on a crossover basis, a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series B-1 and pay the costs of issuance.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

A. General Obligation Bonds (continued)

The outstanding bonded debt at June 30, 2019, was as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019
Measure R (1997)								
Series A	2/24/1998	11/1/2022	3.65%-5.15%	$ 29,999,130	$ 3,449,048	$ -	766,692	$ 2,682,356
Series B	8/11/1999	11/1/2023	4.85%-5.68%	9,374,387	3,935,957	-	671,380	3,264,577
Series C	3/21/2001	11/1/2025	4.05%-5.44%	18,492,813	2,218,755	-	239,057	1,979,698
Series D	10/17/2002	9/1/2027	2.00%-5.20%	32,627,309	19,079,056	-	1,344,830	17,734,226
Sub-total Measure R				90,493,639	28,682,816	-	3,021,959	25,660,857
Measure G (2006)								
2006 A	11/30/2006	8/1/2031	3.50%-5.0%	44,566,153	-	-	-	-
2006 B	12/22/2009	8/1/2034	3.000%-7.262%	42,996,222	3,208,887	-	346,787	2,862,100
2006 C	5/19/2011	8/1/2033	5.006%-6.750%	29,998,274	22,468,274	-	1,880,000	20,588,274
2006 D	8/29/2018	8/1/2035	3.0%-5.0%	10,435,000	-	10,435,000	-	10,435,000
Sub-total Measure G				127,995,649	25,677,161	10,435,000	2,226,787	33,885,374
Refunding Bonds								
2004 Ref.	8/4/2004	11/1/2021	1.50%-5.18%	14,471,501	886,501	-	-	886,501
2013 Ref.	1/10/2013	11/1/2019	0.588%-2.365%	9,630,000	4,575,000	-	2,190,000	2,385,000
2014 Ref.	10/29/2014	8/1/2031	3.00%-5.00%	27,255,000	26,815,000	-	815,000	26,000,000
2016 Ref	12/6/2016	8/1/2034	2.750%-4.00%	39,610,000	39,610,000	-	-	39,610,000
Sub-total Refunding Bonds				90,966,501	71,886,501	-	3,005,000	68,881,501
					$ 126,246,478	$ 10,435,000	$ 8,253,746	$ 128,427,732
			Accreted Interest Component					
				1997 A	$ 6,231,494	$ 451,270	$ 1,428,307	$ 5,254,457
				1997 B	7,460,730	608,313	1,328,621	6,740,422
				1997 C	4,563,314	433,518	500,943	4,495,889
				1997 D	22,577,340	2,105,236	1,475,170	23,207,406
				2004 Ref.	3,261,224	492,884	-	3,754,108
				2006 B	5,040,840	962,247	598,214	5,404,873
				2006 C	3,520,748	721,764	-	4,242,512
					$ 52,655,689	$ 5,775,232	$ 5,331,255	$ 53,099,666

The annual requirements to amortize general obligation bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2019-20	$ 8,651,658	$ 12,510,826	$ 21,162,484
2020-21	7,093,133	15,428,858	22,521,991
2021-22	7,306,944	15,997,597	23,304,541
2022-23	7,128,388	14,046,592	21,174,980
2023-24	7,312,400	14,670,618	21,983,018
2024-29	32,356,404	63,427,370	95,783,774
2029-34	40,408,805	16,860,535	57,269,340
2034-36	18,170,000	601,750	18,771,750
Total	$ 128,427,732	$ 153,544,146	$ 281,971,878

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Certificates of Participation

On July 3, 2003, the District issued the 2003 Certificates of Participation in the amount of $20,000,000. During the 2007-2008 fiscal year, the District issued the 2008 Refunding Certificates of Participation to refinance the 2003 Certificates of Participation. The 2008 Refunding Certificates of Participation were later refunded in 2017 as described below.

2017 Certificates of Participation Refunding Lease/Purchase Agreement

On January 19, 2017, the District entered into a $11,685,780 of Certificates of Participation Refunding lease/purchase agreement. The certificates bear a fixed interest rate of 3.18% with semi-annual maturities from May 1, 2017 through November 1, 2036. The net proceeds of $11,500,779 (after issuance costs of $185,001) were used to refinance the District's outstanding 2008 Refunding Certificates of Participation and pay the costs of issuance.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded certificates. As a result, the refunded certificates are considered to be defeased, and the related liability for the certificates has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2019 of $586,985 remain to be amortized. As of June 30, 2019, the principal balance outstanding on the defeased debt has been fully paid.

The refunding decreased the District's total debt service payments by $1,817,667. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of $1,090,504.

Fiscal Year	Principal	Interest	Total
2019-20	$ 435,917	$ 327,420	$ 763,337
2020-21	451,301	313,435	764,736
2021-22	465,680	298,970	764,650
2022-23	479,690	284,049	763,739
2023-24	493,207	268,688	761,895
2024-29	2,726,644	1,095,012	3,821,656
2029-34	3,179,241	629,971	3,809,212
2034-37	2,173,513	116,652	2,290,165
Total	$ 10,405,193	$ 3,334,197	$ 13,739,390

C. Supplemental Early Retirement Plans

2011 SERP

The District offered a supplemental early retirement plan during the 2010-11 year, whereby certain eligible employees are provided an annuity through Mid-America Administrative and Retirement Solution to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System (CalSTRS). Under the plan, eligible employees are those certificated non-management employees who are STRS eligible and have provided a minimum of ten years of service in the District. Twenty-nine employees retired and elected to receive this annuity.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

C. Supplemental Early Retirement Plans (continued)

2015 SERP
The District offered a voluntary early retirement incentive, which was available to all certificated LVEA unit members who have served 15 years as employees of the District, are at least age 60 at the age of retirement, and eligible to retire under STRS or PERS, with an effective retirement date on or before June 30, 2016. The District agrees to provide those who qualify with an annual payment of $4,600 and the District will also contribute the required minimum monthly contribution for retirees for health insurance. As of June 30, 2019, 35 employees retired and elected to participate in the plan.

The outstanding liability for all SERPs at June 30, 2019, amounted to $127,221. The supplemental early retirement plan has the following required payments:

Fiscal Year	Total Payment
2019-20	$ 80,950
2020-21	23,135
2021-22	23,136
Total	$ 127,221

D. Other Postemployment Benefits (OPEB) Liability
For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 27,197,040	$ 1,266,465	$ 805,596	$ 2,078,891
MPP Program	577,386	-	-	(59,195)
Total	$ 27,774,426	$ 1,266,465	$ 805,596	$ 2,019,696

The details of each plan are as follows:

District Plan

Plan Description
Las Virgenes Unified School District provides post-employment benefits other than pensions (OPEB) to employees who meet certain criteria. The District plan is a single-employer defined benefit plan administered by the District. The District offers post-employment healthcare benefits to eligible retirees and their covered eligible dependents and pays a small portion of the cost. All active employees who retire directly from the District and meet the eligibility criteria may participate. The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. While the District contracts its health benefits through the CalPERS health plan, retirees have access to a District funded subsidy towards their insurance premium, currently equal to $133.00 per month. However, this is not a union-contracted benefit and it is not being offered to retirees at the discretion of the District.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

D. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Benefits Provided
The postretirement health plans and the District's obligation vary by employee group as described below.

Retirees have access through the CalPERS health benefit program to the same medical plans as active employees, with the exception that once a retiree becomes eligible for Medicare (that is, reaches age 65), he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer.

Employees become eligible to retire and receive a contribution from the district towards their healthcare benefits upon attainment of age 50 and 5 years of covered PERS service (age 52 and 5 years for PEPRA employees), or age 55 and 5 years of covered STRS service. Benefits are accessible for the lifetime of the retiree and spouse or surviving spouse (and dependent children up to the age of 26). The District uses a statutory schedule to determine its monthly contribution on behalf of all eligible retirees and surviving spouses ($128.00 for 2017 and $133.00 for 2018, indexed by the Medical CPI thereafter), in addition to an administrative fee, which is currently 0.33% of total premium.

Integrated medical/prescription drug coverage is provided through CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA). Employees can choose from a variety of HMO and PPO options providing comprehensive medical and prescription drug coverage.

For purposes of its contract with PEMHCA, the District uses a statutory schedule to determine its monthly contribution on behalf of each active employee. The statutory amount is $128.00 for 2017 and $133.00 for 2018, and will be indexed by the Medical CPI each year thereafter. The District also pays an administrative fee, currently 0.33% of total premium, on behalf of all retirees.

Employees Covered by Benefit Terms
At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	272
Active employees	1,076
Total	1,348

Total OPEB Liability
The District's total OPEB liability of $27,197,040 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

D. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Actuarial Assumptions and Other Inputs
The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2017
Inflation	2.25 percent
Salary increases	3.00 percent
Healthcare cost trend rates	8.00 percent decreasing to 5.00 percent for 2020-21 and after
Retirees' share of benefit-related costs	Retirees pay the balance of the premium after statutory minimum benefit contributed by the District.

Discount Rate
The discount rate of 3.5% was based on Bond Buyer 20-Bond General Obligation Index.

Mortality Rates
Mortality rates were based on a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study through July 1, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	$ 24,519,790
Changes for the year:	
Service cost	1,045,798
Interest	981,192
Difference between expected and actual experience	(54,296)
Change of assumptions	1,463,872
Benefit payments	(759,316)
Net changes	2,677,250
Balance at June 30, 2019	$ 27,197,040

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

D. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
$ 31,514,219	$ 27,197,040	$ 23,714,743

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease (7.0 percent decreasing to 4.0 percent)	Healthcare Cost Trend Rates Current Rates (8.0 percent decreasing to 5.0 percent)	1% Increase (9.0 percent decreasing to 6.0 percent)
$ 26,635,290	$ 27,197,040	$ 27,858,564

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2019, the District recognized OPEB expense of $2,078,891. In addition, at June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,718	$ 46,539
Changes of assumptions	1,254,747	759,057
Total	$ 1,266,465	$ 805,596

The deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent fiscal year. The deferred outflows of resources related to the differences between expected and actual experience in the measurement of the total OPEB 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 6.79 years.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

D. Other Postemployment Benefits (OPEB) Liability (continued)

<u>Medicare Premium Payment (MPP) Program</u>

Plan Description
The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program. 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/actuarial-financial-and-investor-information.

Benefits Provided
The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the 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 MPP Program is closed to new entrants as members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2018, 5,984 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. 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.

Total OPEB Liability
At June 30, 2019, the District reported a liability of $577,386 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2018, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018. 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 and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	Percentage Share of MPP Program		
	Fiscal Year Ending June 30, 2019	**Fiscal Year Ending June 30, 2018**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net OPEB Liability	0.150845%	0.151312%	-0.000467%

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

D. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

For the year ended June 30, 2019, the District reported OPEB expense of $(59,195).

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

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

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate
The discount rate used to measure the total OPEB liability was 3.50 percent. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017, was applied to all periods of projected benefit payments to measure the total OPEB liability.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

D. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Discount Rate (continued)
CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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

1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
$ 638,617	$ 577,386	$ 522,097

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

1% Decrease (2.7% Part A and 3.1% Part B)	Medicare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
$ 526,517	$ 577,386	$ 632,093

NOTE 8 – PENSION PLANS

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

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 88,160,629	$ 22,657,754	$ 5,219,477	$ 11,928,462
CalPERS	38,476,047	10,191,874	539,817	7,041,867
Total	$ 126,636,676	$ 32,849,628	$ 5,759,294	$ 18,970,329

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/actuarial-financial-and-investor-information.

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.

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

Benefits Provided (continued)
The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.28%	16.25%
Required State Contribution Rate	9.828%	9.828%

Contributions
Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period.

The contribution rates for each program for the year ended June 30, 2019, are presented above and the District's total contributions were $8,688,380.

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

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 88,160,629
State's proportionate share of the net pension liability associated with the District	20,411,669
Total	$ 108,572,298

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018	Change Increase/ (Decrease)
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net Pension Liability	0.095924%	0.095070%	0.000854%

For the year ended June 30, 2019, the District recognized pension expense of $11,928,462. In addition, the District recognized pension expense and revenue of $1,721,224 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 8,688,380	$ -
Net change in proportionate share of net pension liability	-	544,154
Difference between projected and actual earnings on pension plan investments	-	3,394,741
Changes of assumptions*	13,695,991	-
Differences between expected and actual experience in the measurement of the total pension liability	273,383	1,280,582
Total	$ 22,657,754	$ 5,219,477

* A description of the changes in assumptions are described in further detail on the Schedule of Proportionate Share of the Net Pension Liability in the Required Supplementary Information section of this report.

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, 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 7 years.

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 3,064,797
2021	1,791,889
2022	(524,669)
2023	1,760,235
2024	2,360,354
Thereafter	297,291
Total	$ 8,749,897

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance–PCA) as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Methods and Assumptions (continued)
For each future valuation, CalSTRS' consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	(1.00)%

Discount Rate
The discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 129,145,005
Current discount rate (7.10%)	88,160,629
1% increase (8.10%)	54,180,604

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 pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions of $2,246,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $8,047,347. On behalf payments have not been included in the budgeted amounts reported in the General Fund-Budgetary Comparison Schedule.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/employers/actuarial-services/gasb.

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

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Schools 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%	6.50%
Required Employer Contribution Rate	18.062%	18.062%

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Contributions
Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were $3,521,272.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $38,476,047. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2019	**Fiscal Year Ending June 30, 2018**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net Pension Liability	0.144304%	0.142900%	0.001404%

For the year ended June 30, 2019, the District recognized pension expense of $7,041,867. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,512,272	$ -
Net change in proportionate share of net pension liability	-	539,817
Difference between projected and actual earnings on pension plan investments	315,590	-
Changes of assumptions*	3,841,664	-
Differences between expected and actual experience in the measurement of the total pension liability	2,522,348	-
Total	$ 10,191,874	$ 539,817

* A description of the changes in assumptions are described in further detail on the Schedule of Proportionate Share of the Net Pension Liability in the Required Supplementary Information section of this report.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, 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 years.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 3,859,311
2021	2,727,106
2022	(286,159)
2023	(160,473)
2024	-
Thereafter	-
Total	$ 6,139,785

Actuarial Methods and Assumptions
Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)
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 single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administration expenses.

The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(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%)	$ 56,019,285
Current discount rate (7.15%)	38,476,047
1% increase (8.15%)	23,921,420

On-Behalf Payments
The State of California normally makes no contributions to CalPERS on behalf of the District. However, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated contributions of $904,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $1,304,510. On behalf payments have not been included in the budgeted amounts reported in the General Fund-Budgetary Comparison Schedule.

NOTE 8 – PENSION PLANS (continued)

C. 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.

D. Payables to the Pension Plans

At June 30, 2019, the District reported payables of $875,589 and $241,865 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2019.

NOTE 9 – JOINT POWERS AGREEMENTS

The Las Virgenes Unified School District participates in two joint powers agreement (JPA) entities: Alliance of Schools for Cooperative Insurance Programs (ASCIP) and Schools Linked for Insurance Management (SLIM). The JPAs arrange for and provide property and liability insurance, workers' compensation insurance and health benefits insurance for their member school districts. The Las Virgenes Unified School District pays a premium commensurate with the level of coverage requested.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the Las Virgenes Unified School District beyond the District's representation on the governing boards.

The following condensed financial information is presented for informational purposes only:

	ASCIP June 30, 2018 (audited)	SLIM June 30, 2019 (unaudited)
Assets	$ 454,668,010	$ 10,886,411
Deferred Outflows	1,762,160	-
Liabilities	(251,584,695)	(6,414,967)
Deferred Inflows	(442,840)	-
Net Position	$ 204,402,635	$ 4,471,444
Revenues	$ 259,307,983	$ 11,758,257
Expenses	251,547,168	11,799,426
Operating Income	7,760,815	(41,169)
Non-Operating Income	2,679,762	236,580
Change in Net Position	$ 10,440,577	$ 195,411

NOTE 9 – JOINT POWERS AGREEMENTS (continued)

Each JPA is independently accountable for its fiscal matters and maintains its own accounting records. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. The relationships between the Las Virgenes Unified School District and the JPAs are such that no JPA is a component unit of the Las Virgenes Unified School District for financial reporting purposes.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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

B. Construction Commitments
As of June 30, 2019, the District had commitments with respect to unfinished capital projects of approximately $4.4 million.

C. Litigation
The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2019.

NOTE 11 – RISK MANAGEMENT

Description
The District's risk management activities are recorded in the General Fund. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in various public entity risk pools (JPAs) for the workers' compensation programs and health and welfare benefits. Refer to Note 8 for additional information regarding the JPAs.

During fiscal year ending June 30, 2019, the District participated in Self-Insured Schools of California (SISC III) public entity risk pools for dental insurance coverage. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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Required Supplementary Information

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LAS VIRGENES UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual*	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF sources	$ 95,319,778	$ 95,607,730	$ 95,622,871	$ 15,141
Federal sources	3,394,687	3,373,995	3,411,613	37,618
Other state sources	11,244,601	13,108,956	13,663,006	554,050
Other local sources	10,040,963	10,939,040	11,514,633	575,593
Total Revenues	120,000,029	123,029,721	124,212,123	1,182,402
Expenditures				
Current:				
Certificated salaries	53,236,309	55,482,487	55,005,280	477,207
Classified salaries	20,040,734	20,609,590	20,434,791	174,799
Employee benefits	26,391,666	26,909,589	26,448,001	461,588
Books and supplies	4,921,464	4,788,456	4,788,455	1
Services and other operating expenditures	14,942,111	14,625,312	14,571,450	53,862
Capital outlay	289,286	1,026,575	963,380	63,195
Intergovernmental	885,106	627,157	513,606	113,551
Debt service	173,255	173,255	350,000	(176,745)
Total Expenditures	120,879,931	124,242,421	123,074,963	1,167,458
Excess (Deficiency) of Revenues Over (Under) Expenditures	(879,902)	(1,212,700)	1,137,160	2,349,860
Other Financing Sources and Uses				
Interfund transfers in	-	218,931	-	(218,931)
Other sources	-	16,400	21,248	4,848
Interfund transfers out	(915,000)	(915,000)	(915,000)	-
Total Other Financing Sources and Uses	(915,000)	(679,669)	(893,752)	(214,083)
Excess (Deficiency) of Revenues and Other Expenditures and Other Financing Uses	(1,794,902)	(1,892,369)	243,408	2,135,777
Fund Balance, July 1, 2018	29,435,763	29,435,763	29,435,763	-
Fund Balance, June 30, 2019	$ 27,640,861	$ 27,543,394	$ 29,679,171	$ 2,135,777

*The actual column above does not include the revenues or expenditures related to the STRS and PERS on-behalf contributions, as they were not considered during the budget development process.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability

For the Fiscal Year Ended June 30, 2019

Last Ten Fiscal Years*

	2018	2017	2016	2015	2014
CalSTRS					
District's proportion of the net pension liability	0.0959%	0.0951%	0.0940%	0.1000%	0.0970%
District's proportionate share of the net pension liability	$ 88,160,629	$ 87,920,393	$ 76,028,140	$ 67,324,000	$ 56,683,890
State's proportionate share of the net pension liability associated with the District	20,411,669	20,532,807	43,287,836	35,606,879	34,228,524
Totals	$ 108,572,298	$ 108,453,200	$ 119,315,976	$ 102,930,879	$ 90,912,414
District's covered-employee payroll	$ 51,302,571	$ 50,598,712	$ 38,085,918	$ 40,708,052	$ 43,816,667
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	171.84%	173.76%	199.62%	165.38%	129.37%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%
CalPERS					
District's proportion of the net pension liability	0.1443%	0.1429%	0.1503%	0.1505%	0.1469%
District's proportionate share of the net pension liability	$ 38,476,047	$ 34,114,106	$ 29,684,343	$ 22,183,849	$ 16,676,727
District's covered-employee payroll	$ 19,093,664	$ 18,223,618	$ 16,558,335	$ 14,983,774	$ 15,414,613
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	201.51%	187.20%	179.27%	148.05%	108.19%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

Notes to Schedule:

Changes in Benefit Terms

A summary of the plan provisions that were used for a specific plan can be found in each plan's annual valuation report.

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Schedule of Pension Contributions

For the Fiscal Year Ended June 30, 2019

Last Ten Fiscal Years*

	2019	2018	2017	2016	2015
CalSTRS					
Contractually required contribution	$ 8,688,380	$ 7,402,961	$ 6,365,318	$ 4,086,619	$ 3,614,875
Contributions in relation to the contractually required contribution	8,688,380	7,402,961	6,365,318	4,086,619	3,614,875
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 53,368,428	$ 51,302,568	$ 50,598,712	$ 38,085,918	$ 40,708,052
Contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS					
Contractually required contribution	$ 3,512,272	$ 2,965,437	$ 2,530,896	$ 1,961,666	$ 1,763,740
Contributions in relation to the contractually required contribution	3,512,272	2,965,437	2,530,896	1,961,666	1,763,740
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 19,445,642	$ 19,093,664	$ 18,223,618	$ 16,558,335	$ 14,983,774
Contributions as a percentage of covered-employee payroll	18.062%	15.531%	13.888%	11.847%	11.771%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

Last 10 Fiscal Years*

	2019	2018
Total OPEB liability		
Service cost	$ 1,045,798	$ 1,084,204
Interest	981,192	901,764
Differences between expected and actual experience	(54,296)	16,406
Changes of assumptions or other inputs	1,463,872	(1,062,679)
Benefit payments	(759,316)	(753,003)
Net change in total OPEB liability	2,677,250	186,692
Total OPEB liability - beginning	24,519,790	24,333,098
Total OPEB liability - ending	$ 27,197,040	$ 24,519,790
Covered-employee payroll	$ 73,899,097	$ 71,746,696
Total OPEB liability as a percentage of covered-employee payroll	36.80%	34.18%

Notes to Schedule:
Change in discount rate from 3.9% as of June 30, 2018 to 3.5% as of June 30, 2019.

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

LAS VIRGENES UNIFIED SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2019

	2018	2017
District's proportion of net OPEB liability	0.1508%	0.1513%
District's proportionate share of net OPEB liability	$ 577,386	$ 636,582
Covered-employee payroll	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	0.40%	0.01%

Notes to Schedule:

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.

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

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 adoptions 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 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.

Change in benefit terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Change of assumptions **-** In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

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

Schedule of Changes in the District's Total OPEB Liability and Related Ratios
This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total 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 benefit terms since the previous valuation.

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life. The District rate used for the current valuation was changed from 3.9% to 3.5%.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

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Supplementary Information

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The Las Virgenes Unified School District was established in 1962. The District boundaries include the cities of Agoura Hills, Calabasas, Hidden Hills, Westlake Village, and unincorporated areas in Los Angeles and Ventura counties. There were no changes to the District's boundaries during the year. The District operates eight elementary schools, one alternative K-8 school, three middle schools, two comprehensive high schools, and one alternative high school.

GOVERNING BOARD

Member	Office	Term Expires
Linda Menges	President	2020
Mathy Wasserman	Vice President	2020
Lesli Stein	Clerk	2022
Angela Cutbill	Member	2022
Dallas Lawrence	Member	2022

DISTRICT ADMINISTRATORS

Dan Stepenosky, Ed.D.,
Superintendent

Clara Finneran, Ed.D.,
Assistant Superintendent, Education

Karen Kimmel,
Assistant Superintendent, Business

Rose Dunn, Ed.D.,
Assistant Superintendent, Personnel

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2019

	Second Period Report Certificate No. (16BEE471)	Annual Report Certificate No. (3D54B4D3)
Regular ADA:		
Transitional Kindergarten through Third	2,849.92	2,853.98
Fourth through Sixth	2,302.07	2,301.14
Seventh through Eighth	1,723.78	1,720.91
Ninth through Twelfth	3,776.37	3,761.97
Total Regular ADA	10,652.14	10,638.00
Special Education, Nonpublic, Nonsectarian Schools:		
Fourth through Sixth	0.93	1.11
Seventh through Eighth	5.64	5.59
Ninth through Twelfth	18.45	18.37
Total Special Education, Nonpublic, Nonsectarian Schools	25.02	25.07
Total ADA	10,677.16	10,663.07

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2019

Grade Level	Requirement	2018-19 Actual Minutes*	Number of Days Traditional Calendar*	Status*
Kindergarten	36,000	41,890	175	Complied
Grade 1	50,400	49,540	175	Complied
Grade 2	50,400	49,540	175	Complied
Grade 3	50,400	49,540	175	Complied
Grade 4	54,000	53,240	175	Complied
Grade 5	54,000	53,240	175	Complied
Grade 6	54,000	54,355	175	Complied
Grade 7	54,000	54,355	175	Complied
Grade 8	54,000	54,355	175	Complied
Grade 9	64,800	65,249	175	Complied
Grade 10	64,800	65,249	175	Complied
Grade 11	64,800	65,249	175	Complied
Grade 12	64,800	64,439	175	Complied

* The District closed all school sites for 5 days due to emergency conditions caused by wildfires but received an approved waiver for their emergency closure request, Form J-13A, from the California Department of Education. These approved school closure days may be used to meet the instructional time and day requirements pursuant to California Education Code sections 46200, 46201, 46207, and/or 46208. District is therefore in compliance with instructional minute and day requirements.

General Fund	(Budget) 2020 [2]	2019 [3]	2018	2017
Revenues and other financing sources	$ 119,947,038	$ 124,212,123	$ 118,511,731	$ 114,755,432
Expenditures	127,667,057	123,074,963	117,874,997	110,876,285
Other uses and transfers out	980,000	893,752	850,000	635,000
Total outgo	128,647,057	123,968,715	118,724,997	111,511,285
Change in fund balance (deficit)	(8,700,019)	243,408	(213,266)	3,244,147
Ending fund balance	$ 20,979,152	$ 29,679,171	$ 29,435,763	$ 29,649,029
Available reserves [1]	$ 12,355,647	$ 21,085,023	$ 18,858,225	$ 16,046,255
Available reserves as a percentage of total outgo	9.6%	17.0%	15.9%	14.4%
Total long-term debt	$ 212,541,957	$ 228,175,216	$ 345,338,754	$ 336,755,002
Average daily attendance at P-2	10,538	10,677	10,860	11,064

The General Fund balance has increased by $243,408 over the past year. The fiscal year 2019-20 adopted budget projects a decrease of $8,700,019. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in two of the past three years, but anticipates incurring an operating deficit during the 2019-20 fiscal year. Long-term debt has decreased by $108,579,786 over the past two years.

Average daily attendance has decreased by 387 over the past two years. A decrease of 139 ADA is anticipated during fiscal year 2019-20.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] Revised Final Budget September, 2019.

[3] This column does not include the revenues or expenditures related to the STRS and PERS on-behalf contributions.

	General Fund
June 30, 2019, annual financial and budget report net position	$ 29,007,948
Adjustments and reclassifications	
Recognize revenue for state entitlement*	671,223
June 30, 2019, audited financial statement net position	$ 29,679,171

*Adjustment is to recognize the unspent portion of the Low-Performing Student Block Grant, a state entitlement against which expenses can be incurred over a three year period.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Basic	10.553	13525	$ 327,516	
School Breakfast Program - Especially Needy	10.553	13526	28,740	
National School Lunch Program	10.555	13523	11,300	
USDA Donated Foods	10.555	13523	98,779	
Total Child Nutrition Cluster				$ 466,335
Total U.S. Department of Agriculture				466,335
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		668,719
Title II, Part A, Supporting Effective Instruction Local	84.367	14341		170,198
Title III, Limited English Proficiency	84.365	14346		82,008
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		14,794
Department of Rehabilitation: Workability II, Transitions Partnership	84.126	10006		169,989
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894		51,015
Local Assistance Entitlement	84.027	13379		2,198,072
Total U.S. Department of Education				3,354,795
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
Medical Assistance Cluster:				
Medi-Cal Billing Option	93.778	10013		72,097
Total U.S. Department of Health & Human Services				72,097
Total Expenditures of Federal Awards				$ 3,893,227

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

General Fund Selected Financial Information Three-Year Summary of Revenues, Expenditures, and Changes in Fund Balance

For the Fiscal Year Ended June 30, 2019

	Actual Results for the Years* (Amounts in thousands)					
	2018-19		2017-18		2016-17	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
Revenues						
Federal revenue	$ 3,412	2.75	$ 3,750	3.16	$ 3,239	2.73
State and local revenue included in LCFF	95,623	76.98	90,864	76.67	88,676	74.82
Other state revenue	13,663	11.00	12,859	10.85	12,029	10.15
Other local revenue	11,515	9.27	11,039	9.31	10,811	9.12
Total Revenues	124,212	100.00	118,512	100.00	114,755	100.00
Expenditures						
Salaries and benefits						
Certificated salaries	55,005	44.28	53,328	45.00	52,142	45.44
Classified salaries	20,435	16.45	19,985	16.86	19,115	16.66
Employee benefits	26,448	21.29	24,075	20.31	22,267	19.40
Subtotal salaries and benefits	101,888	82.03	97,388	82.18	93,524	81.50
Books and supplies	4,788	3.86	5,393	4.55	3,554	3.10
Services and operating expenditures	14,571	11.73	13,053	11.01	11,457	9.98
Capital outlay	963	0.78	1,040	0.88	1,266	1.10
Other outgo	865	0.70	1,001	0.84	1,075	0.94
Total Expenditures	123,076	99.09	117,875	99.46	110,876	96.62
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,136	0.91	637	0.54	3,879	3.38
Other Financing Sources and Uses						
Interfund transfers out	(915)	(0.74)	(850)	(0.72)	(635)	(0.55)
Other Sources	21	0.02	-	-	-	-
Total Other Financing Sources and Uses	(894)	(0.72)	(850)	(0.72)	(635)	(0.55)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	242	0.20	(213)	(0.18)	3,244	2.83
Fund Balances, Beginning	29,436		29,649		26,405	
Fund Balances, Ending	$ 29,679		$ 29,436		$ 29,649	

*Actual results do not include the STRS and PERS on behalf contributions from the State.

NOTE 1 – PURPOSE OF SCHEDULES

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 participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has met its LCFF target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the Education Code.

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.

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 Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a 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 represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2019.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances (Governmental & Proprietary)		$ 5,586,768
Differences between Federal Revenues and Expenditures:		
Build America Bonds - Interest Subsidy	Not applicable	(1,708,820)
Medi-Cal Billing Option	93.778	15,279
Total Schedule of Expenditures of Federal Awards		$ 3,893,227

General Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

Other Independent Auditors' Reports

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

Board of Education
Las Virgenes Unified School District
Calabasas, California

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

Internal Control Over Financial Reporting

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

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA, EA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
OAKLAND OFFICE 333 Hegenberger Road, Suite 388, Oakland, CA 94621 • P: (844) 557-3111 • F: (844) 557-3444

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

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.

Nigro + Nigro, PC.

Murrieta, California
October 30, 2019

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

Board of Education
Las Virgenes Unified School District
Calabasas, California

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

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

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

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA, EA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
OAKLAND OFFICE 333 Hegenberger Road, Suite 388, Oakland, CA 94621 • P: (844) 557-3111 • F: (844) 557-3444

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Report on Internal Control Over Compliance

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

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

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

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.

Nigro + Nigro, PC.

Murrieta, California
October 30, 2019

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Las Virgenes Unified School District
Calabasas, California

Report on State Compliance
We have audited Las Virgenes Unified School District's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Las Virgenes Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2019.

Management's Responsibility
Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Las Virgenes Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Las Virgenes Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
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	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

Unmodified Opinion on Compliance with State Programs

In our opinion, Las Virgenes Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

Other Matter(s)

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to previously, which is required to be reported in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* and which is described in the accompanying schedule of findings and questioned costs as Finding 2019-001. Our opinion on each state program is not modified with respect to these matters.

District's Response to Finding

Las Virgenes Unified School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Las Virgenes Unified School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

Nigro + Nigro, PC.

Murrieta, California
October 30, 2019

Findings and Questioned Costs

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SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027	Individuals with Disabilities Education Act (IDEA)

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

State Awards

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

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2018-19.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2018-19.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding 2019-001: Teacher Credentials (71000)

Criteria: Any teachers assigned to provide instruction to English Learner students, must hold the appropriate credential or certificate, pursuant to Education Code Section 44001, 44830(a), 44831, and 44253.1. English Learners identified in K-12 public schools in California are required to receive services designed to meet their linguistic and academic needs based on assessments made by the LEA. Education Code Section 44253.1 further states, "for these pupils to have access to quality education, their special needs must be met by teachers who have essential skills and knowledge related to English language development, specially designed content instruction delivered in English, and content instruction delivered in the pupils' primary languages."

Condition: Our sample of teachers selected for testing included one that lacked the appropriate credentials to instruct limited English proficient pupils. This is a repeat finding from 2017-18.

Cause: The teacher had not completed the required coursework and obtained her certificate until after the end of the 2018-19 school year.

Effect: The District was out of compliance with this requirement in 2018-19.

Recommendation: We recommend that the District create a process to ensure all teachers who teach Limited English Proficient students have the proper credential on file.

Views of Responsible Officials: District has processes in place, this was one teacher who was delayed. All credentials are current for the 2019-20 school year.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2018-001: Change Orders	Public Contract Code Section 20118.4 mandates that any change of a contract may be authorized by the governing board without the formality of securing bids, so long as the cost does not exceed ten percent of the original contract price. We noted one contract revision for the Calabasas High field installation approved by the governing board which exceeded the ten percent threshold. This caused a change $121,637 from an original contract price of $709,869 or a 17.1% increase.	60000	While it is too late to comply with regulations on this specific contract since it is now completed, we recommend that the District comply with Public Contract Code on all remaining and future contracts and secure bids for contract changes exceeding ten percent of the original contract price.	Implemented.
Finding 2018-002: Teacher Credentials	Any teacher that is assigned to teach a class in which more than 20 percent of the pupils were English learners must be authorized to instruct Limited-English-Proficient (LEP) pupils pursuant to the provisions of Education Code Section 44253.3, 44253.4, or 44253.10. Our sample of teachers selected for testing included one that lacked the appropriate credentials to instruct LEP pupils.	71000	We recommend that the District create a process to ensure all teachers who teach Limited English Proficient students have the proper credential on file.	Implementation delayed until 2019-20. See Finding 2019-001.

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To the Board of Education
Las Virgenes Unified School District
Calabasas, California

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

However, during our audit we noted matters that are an opportunity 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 October 30, 2019, on the financial statements of Las Virgenes Unified School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

***Observation**:* During our review of disbursements, we noted that approvals are not consistently obtained prior to making a purchase. We noted exceptions at the following sites:

- Agoura High – 2 of 25 disbursements were not pre-approved
- Calabasas High – 2 of 25 disbursements were not pre-approved
- Lindero Canyon Middle – 9 of 14 disbursements were not pre-approved, and of theses 2 were missing the student and advisor signatures

Recommendation: As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines. Education Code Section 48933(b) requires all payments from ASB funds be authorized by a student representative, an advisor, and a district representative prior to disbursing the funds. Furthermore, adequate supporting documentation should be retained for all expenditures to provide a clear audit trail.

Observation: During our testing of cash receipts we identified deposits which were lacking complete supporting documentation. Without adequate and complete supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account. We noted exceptions at the following sites:

- Agoura High – 2 of 10 deposits
- Calabasas High – 2 of 10 deposits
- Lindero Canyon Middle – 2 of 10 deposits

Recommendation: We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA, EA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
OAKLAND OFFICE 333 Hegenberger Road, Suite 388, Oakland, CA 94621 • P: (844) 557-3111 • F: (844) 557-3444

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DISTRICT OFFICE

Observation*:* During our review of disbursements, we noted that approvals are not consistently obtained prior to making a purchase. We noted 7 pre-approval exceptions out of 52 expenditures tested. It was noted that several of these items were related to emergency fire conditions.

Recommendation: As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of funds.

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

Nigro + Nigro, PC.

Murrieta, California
October 30, 2019