

**HACIENDA LA PUENTE UNIFIED
SCHOOL DISTRICT
LOS ANGELES COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2020**

**NIGRO
& NIGRO^{PC}**

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2020

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HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2020

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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
Hacienda La Puente Unified School District
City of Industry, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hacienda La Puente Unified School District, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 *2019-20 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, each major fund, and the aggregate remaining fund information of Hacienda La Puente Unified School District, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

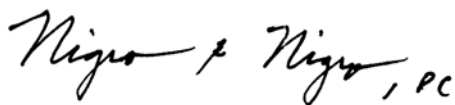
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total 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 71 to 75 and the schedule of expenditures of federal awards on page 76 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 70 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 December 23, 2020, 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "Nigro & Nigro, PC".

Murrieta, California
December 23, 2020

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2020

This discussion and analysis of Hacienda La Puente Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position in governmental activities increased by \$15.0 million.
- Governmental expenses were about \$280.1 million. Revenues were about \$295.2 million.
- The District spent approximately \$25.6 million in new capital assets during the year. These expenditures were incurred primarily from the Building Fund.
- Grades K-12 average daily attendance (ADA) decreased by 266, or 1.5%.
- Governmental funds increased by \$5.4 million, or 2.1%.
- Reserves for the General Fund increased by \$1.2 million, or 16.7%. Revenues were \$245.1 million and expenditures were \$232.7 million.

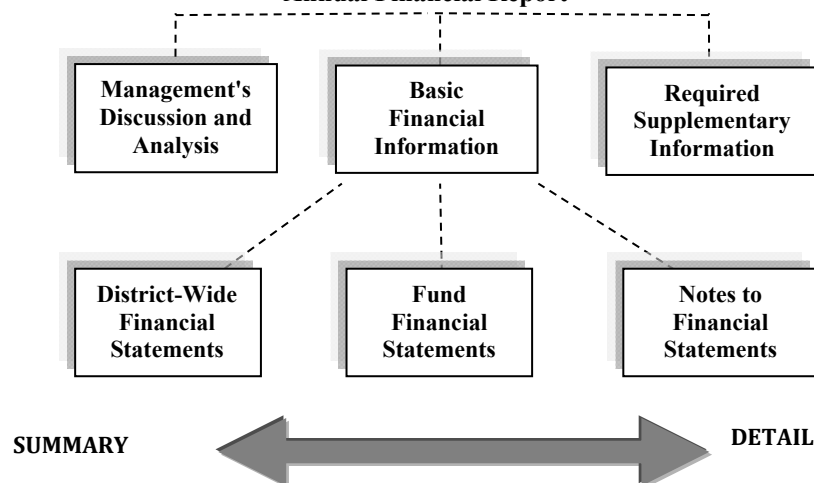
OVERVIEW OF THE FINANCIAL STATEMENTS

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 (self-insurance funds) are provided in the *proprietary funds* statements.
 - *Fiduciary funds* statement provides 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.

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 Hacienda La Puente Unified School District's Annual Financial Report



HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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 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* – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the District-wide statements but provides more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for workers' compensation claims, vision insurance, and health and welfare costs.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as 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 higher on June 30, 2020, than it was the year before – increasing 9.1% to \$180.0 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2020	2019*	
Current assets	\$ 354,727,768	\$ 341,881,360	\$ 12,846,408
Capital assets	316,016,791	302,373,205	13,643,586
Total assets	670,744,559	644,254,565	26,489,994
Total deferred outflows	68,760,113	65,686,607	3,073,506
Current liabilities	32,663,943	33,165,823	(501,880)
Long-term liabilities	236,545,739	235,794,559	751,180
Net pension liability	255,933,080	241,146,662	14,786,418
Total liabilities	525,142,762	510,107,044	15,035,718
Total deferred inflows	34,355,189	34,868,513	(513,324)
Net investment in capital assets	202,120,150	202,607,867	(487,717)
Restricted	213,537,696	188,659,049	24,878,647
Unrestricted	(235,651,125)	(226,301,301)	(9,349,824)
Total net position	\$ 180,006,721	\$ 164,965,615	\$ 15,041,106

*As Restated

Changes in net position, governmental activities. The District's total revenues increased 1.3% to \$295.2 million (See Table A-2). The increase is due primarily to increased operating grants and contributions.

The total cost of all programs and services increased 5.2% to \$280.1 million. The District's expenses are predominantly related to educating and caring for students, 78.4%. The purely administrative activities of the District accounted for just 3.8% of total costs. A significant contributor to the increase in costs was increased salaries and benefits costs from negotiated salary increases as well as increases to pension and health and welfare costs.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2020	2019	
Revenues			
Program Revenues:			
Charges for services	\$ 2,743,286	\$ 3,547,749	\$ (804,463)
Operating grants and contributions	67,154,222	63,747,567	3,406,655
General Revenues:			
Property taxes	53,650,821	49,403,411	4,247,410
Federal and state aid not restricted	163,139,065	169,159,435	(6,020,370)
Other general revenues	8,464,486	5,618,816	2,845,670
Total Revenues	295,151,880	291,476,978	3,674,902
Expenses			
Instruction-related	188,894,698	180,257,990	8,636,708
Pupil services	30,617,695	27,501,182	3,116,513
Administration	10,651,110	8,712,566	1,938,544
Plant services	29,155,489	28,674,535	480,954
All other activities	20,791,782	21,059,359	(267,577)
Total Expenses	280,110,774	266,205,632	13,905,142
Increase (decrease) in net position	15,041,106	25,271,346	\$ (10,230,240)
Total net position	\$ 180,006,721	\$ 164,965,615	

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 \$262.5 million, which is above last year's ending fund balance of \$257.2 million. The primary cause of the increased fund balance is proceeds from a new lighting lease in the Special Reserve Fund for Capital Outlay Projects.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2019*	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2020
General Fund	\$ 78,708,279	\$ 245,088,768	\$ 232,703,857	\$ (7,500,287)	\$ 83,592,903
Adult Education Fund	36,800,135	24,331,716	21,773,374	-	39,358,477
Child Development Fund	1,469,780	10,257,134	10,145,297	-	1,581,617
Cafeteria Fund	3,277,600	10,383,454	12,091,384	100,287	1,669,957
Deferred Maintenance Fund	5,070,840	3,081,906	1,118,284	-	7,034,462
Building Fund	71,863,420	1,114,662	14,525,297	-	58,452,785
Special Reserve Fund (Capital Outlay)	11,723,431	154,534	6,848,360	18,099,800	23,129,405
Bond Interest and Redemption Fund	16,475,673	12,581,610	17,359,436	-	11,697,847
Tax Override Fund	13,778	235	-	-	14,013
Debt Service Fund	31,748,785	531,931	3,696,771	7,400,000	35,983,945
	\$ 257,151,721	\$ 307,525,950	\$ 320,262,060	\$ 18,099,800	\$ 262,515,411

*As Restated

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

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 \$9.7 million due to revised estimates from the state.
- Salaries and benefits – increased \$6.3 million due to updating staffing estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$13.8 million, the actual results for the year show that revenues exceeded expenditures by roughly \$12.4 million. Actual revenues were \$0.5 million more than anticipated, and expenditures were \$25.8 million less than budgeted.

That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2020, that will be carried over into the 2020-21 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019-20 the District had invested \$25.6 million in new capital assets, related to ongoing modernization programs. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$11.9 million.

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

	Governmental Activities		Variance Increase (Decrease)
	2020	2019	
Land	\$ 6,162,576	\$ 6,162,576	\$ -
Improvement of sites	18,151,727	18,847,624	(695,897)
Buildings	248,424,779	249,316,195	(891,416)
Equipment	12,398,957	13,145,995	(747,038)
Construction in progress	30,878,752	14,900,815	15,977,937
Total	<u>\$ 316,016,791</u>	<u>\$ 302,373,205</u>	<u>\$ 13,643,586</u>

Long-Term Debt

At year-end the District had \$236.5 million in general obligation bonds, certificates of participation, lighting project leases, and employment benefits – an increase of 0.3% 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).

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

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

	Governmental Activities		Variance Increase (Decrease)
	2020	2019	
General obligation bonds	\$ 138,978,298	\$ 150,562,776	\$ (11,584,478)
Certificates of participation	17,847,597	20,981,116	(3,133,519)
Lighting project lease	23,531	69,560	(46,029)
Lighting project lease, Phase IV	15,500,000	-	15,500,000
Capital leases	-	15,306	(15,306)
Workers' compensation claims	13,203,000	13,203,000	-
Other postemployment benefits	46,458,574	46,771,891	(313,317)
Compensated absences	4,534,739	4,190,910	343,829
Total	\$ 236,545,739	\$ 235,794,559	\$ 751,180

Net pension liability increased during the year by \$14.8 million.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State Legislature passed a final budget package on June 26, 2020. The final budget package assumed that \$2 billion in federal funds would be forthcoming and took the Governor's approach in the May Revision to make other spending reductions contingent on other federal money. In addition, relative to the June 15 initial package, the final package made several changes, including increasing school deferrals by \$3.5 billion (assuming no federal money is forthcoming), increasing revenue assumptions by more than \$1 billion, and eliminating the plan to reinstate General Fund payment deferrals. The Governor signed the 2020-21 Budget Act and related budget legislation on June 29, 2020.

Proposition 98

Proposition 98 Establishes Minimum Funding Level for Schools and Community Colleges

This minimum funding requirement is commonly called the minimum guarantee. The state calculates the minimum guarantee by comparing three main formulas or "tests". Each test takes into account certain inputs, such as state General Fund revenue, per capita personal income, and K-12 student attendance. The state can choose to fund at the minimum guarantee or any level above it. It also can suspend the guarantee with a two-thirds vote of each house of the Legislature, allowing the state to provide less funding than the formulas require that year. The state meets the guarantee through a combination of state General Fund and local property tax revenue.

Minimum Funding Requirement Down Significantly in 2019-20 and 2020-21

Estimates of the minimum guarantee under the June 2020 budget plan have dropped significantly compared with June 2019 estimates. For 2019-20, the minimum requirement is down \$3.4 billion (4.2 percent). For 2020-21, the minimum requirement is down \$6.8 billion (8.7 percent) from the revised 2019-20 level and \$10.2 billion (12.5 percent) from the 2019-20 level estimated in June 2019. These drops mainly reflect reductions in state General Fund revenue. Test 1 remains operative in both years, with the drop in the General Fund portion of the guarantee equal to nearly 40 percent of the drop in revenues. The local property tax portion of the guarantee, by contrast, grows slowly from 2019-20 to 2020-21.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

Budget Plan Implements Significant Payment Deferrals

In both 2019-20 and 2020-21, the budget plan reduces school and community college funding to the lower minimum requirement. It implements these reductions primarily by deferring \$12.5 billion in payments. (When the state defers payments from one fiscal year to the next, the state can reduce spending while allowing school districts to maintain programs by borrowing or using cash reserves.) Of the \$12.5 billion, \$11 billion applies to K-12 schools and \$1.5 billion applies to community colleges. Although the budget plan authorized the Department of Finance to rescind up to \$6.6 billion of the deferrals if the state received additional federal funding by October 15, 2020, Congress did not approve any additional funds prior to this deadline.

Makes a Few Other Spending Adjustments

In addition to the deferrals, the budget plan makes a few other adjustments to school and community college funding. Most notably, it does not provide the 2.31 percent statutory cost-of-living adjustment for school and community college programs in 2020-21. The budget plan also uses \$833 million in one-time funds to cover costs for the K-12 Local Control Funding Formula (LCFF) and community college apportionments in 2019-20 and 2020-21. These one-time funds consist of \$426 million in unspent prior-year funds and a \$407 million settle-up payment. In addition, the budget plan withdraws the entire \$377 million the state deposited into the Proposition 98 Reserve in the fall of 2019. (Formulas in the State Constitution govern Proposition 98 Reserve deposits and withdrawals.) Finally, the budget plan obtains \$240 million in savings (\$110 million in 2019-20 and \$130 million in 2020-21) from eliminating unallocated State Preschool slots.

Creates Supplemental Obligation to Increase Funding Beginning in 2021-22

This obligation has two parts. First, it requires the state to make temporary payments on top of the Proposition 98 guarantee beginning in 2021-22. Each payment will equal 1.5 percent of annual General Fund revenue. The state can allocate these payments for any school or community college purpose. Payments will continue until the state has paid \$12.4 billion—the amount of funding schools and community colleges could have received under Proposition 98 if state revenues had continued to grow. (Technically, the obligation equals the total difference between the Test 1 and Test 2 funding levels in 2019-20 and 2020-21.) Second, the obligation requires the state to increase the minimum share of General Fund revenue allocated to schools and community colleges from 38 percent to 40 percent on an ongoing basis. This increase is set to phase in over the 2022-23 and 2023-24 fiscal years.

K-12 Education

Proposition 98 Funding Decreases 12 Percent

The budget package includes \$62.5 billion in Proposition 98 funding for K-12 education in 2020-21—\$8.7 billion (12.2 percent) less than the 2019-20 Budget Act level.

Defers \$11 Billion in K-12 Payments, Allows Exemptions in Limited Circumstances

The state distributes funding for LCFF and special education following a monthly payment schedule established in law. The budget plan modifies this schedule in 2019-20 to defer \$1.9 billion in payments to the following fiscal year. In 2020-21, the budget plan maintains these deferrals and adopts \$9.1 billion in additional deferrals. Under the modified schedule, portions of the payments otherwise scheduled for the months of February through June will be paid over the July through November period. The total amount deferred equates to about 16 percent of all state and local funding schools receive for LCFF and special education, or 24 percent of the General Fund allocated for these programs. If a district or charter school can demonstrate it would be unable to meet its financial obligations because of the deferrals, and has exhausted all other sources of internal and external borrowing, it can apply for an exemption. The law allows the Department of Finance, State Controller, and State Treasurer to authorize up to \$300 million in deferral exemptions per month. If these exemption requests exceed the funding available, the earliest applications will be approved first.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education (continued)

Addresses Historically Low-Funded Special Education Regions

Most state special education funding is provided to Special Education Local Plan Areas (SELPAs) based on total student attendance within the area. (Most SELPAs are regional collaborations of neighboring districts, county offices of education [COEs], and charter schools, though some consist of only a single large district.) Each SELPA receives a unique per-student rate linked to certain historical factors. In 2019-20, these per-student rates varied from \$557 to more than \$900. The budget provides \$545 million to bring low-funded SELPAs to a new rate of \$625 per student. This rate is roughly equivalent to the 93rd percentile of current rates.

Allocates \$6.4 Billion in One-Time Federal Funding

The budget package allocates \$6.4 billion in one-time federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding for K-12 education. The majority of funding (\$4.8 billion) is provided for learning loss mitigation. The budget also includes \$1.5 billion that can be used for a variety of activities and is distributed based on counts of low-income and disadvantaged children. The remaining funds are used to provide higher reimbursement rates for some school meals, create a competitive grant program for implementing the community schools model, and cover state costs of allocating and overseeing how CARES Act funds are spent.

Funds Learning Loss Mitigation Activities

The budget package provides \$5.3 billion in one-time funding for activities mitigating learning loss due to coronavirus disease 2019 (COVID-19) school closures. This amount consists of \$4.4 billion from the federal Coronavirus Relief Fund, \$540 million Proposition 98 General Fund, and \$355 million from the federal Governor's Emergency Education Relief Fund. Allocations from the Coronavirus Relief Fund can be used to cover eligible costs incurred between March 1, 2020 and December 30, 2020, while the remainder of the funding covers costs incurred between March 13, 2020 and September 30, 2022. Allowable activities include expanding learning supports, increasing instructional time, offering additional academic services (such as diagnostic assessments and devices and connectivity for distance learning), and addressing other barriers to learning (such as mental health services, professional development for teachers and parents, and student meals). Of this funding, \$2.9 billion is to be allocated based on LCFF supplemental and concentration grants, \$1.5 billion based on the number of students with disabilities, and \$980 million based on total LCFF allocation.

Funds Schools Based on 2019-20 Attendance Levels, Allows Growth Under Certain Conditions

For funding purposes, the state ordinarily credits school districts with their average daily attendance in the current or prior year, whichever is higher. Charter schools and COEs are funded according to their attendance in the current year only. In 2020-21, however, the state will not collect average daily attendance data. Instead, districts, charter schools, and COEs will be funded according to their 2019-20 attendance levels unless they had previously budgeted for attendance growth. Any attendance growth for a district or charter school is limited to the lower of its (1) previously projected increase in enrollment or attendance, as documented in its budget, or (2) actual increase in enrollment from October 2019 to October 2020. (For this calculation, enrollment numbers are converted to an equivalent amount of average daily attendance by adjusting them for the statewide average absence rate.) The trailer legislation also allows a few other attendance-related adjustments. Most notably, if a charter school closes during the 2020-21 school year, the attendance it previously generated will be credited to its sponsoring school district.

Modifies Instructional Requirements to Allow for Distance Learning

The budget package suspends requirements for annual instructional minutes for 2020-21 to provide additional flexibility to schools and allows minimum instructional day requirements be met through a combination of in-person instruction and distance learning. The budget package also sets expectations for distance learning.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education (continued)

Modifies Instructional Requirements to Allow for Distance Learning (continued)

Among other specified activities, distance learning must be substantially equivalent to in-person instruction; include daily live interaction between teachers and students; and provide appropriate supports to students with disabilities, English learners, and other student subgroups.

Includes Additional Fiscal Flexibility in a Few Areas

Budget trailer legislation includes several changes to provide more spending flexibility for school districts:

- For the purposes of calculating minimum routine maintenance deposits, excludes one-time funding for state pension payments on behalf of school districts, learning loss mitigation funds, and federal Elementary and Secondary School Emergency Relief funds. Typically, school districts receiving funding from the state's School Facility Program are required to establish a restricted account for routine maintenance of school facilities and deposit 3 percent of the district's annual expenditures.
- Allows for proceeds from the sale or lease of surplus property purchased entirely with local funds to be used for one-time general fund purposes through 2023-24.
- For the purpose of spending restricted lottery revenues, permanently expands the definition of instructional materials to also include laptop computers and devices that provide internet access. Schools and community colleges receive about \$450 million in lottery revenues annually that must be spent on instructional materials.
- Allows the California Department of Education (CDE) to waive several programmatic requirements for the After School Education and Safety program.

Repurposes Prior Pension Payment to Reduce District Costs Over the Next Two Years

School district pension costs have been rising relatively quickly over the past several years. To help mitigate future cost increases, the 2019-20 budget plan included \$2.3 billion non-Proposition 98 General Fund to make a supplemental pension payment on behalf of schools and community colleges. Of this amount, \$1.6 billion was for the California State Teachers' Retirement System and \$660 million was for the California Public Employees' Retirement System. (Nearly all school employees are covered by one of these two pension systems.) At the time, the state estimated that the supplemental payment could reduce district pension costs by roughly 0.3 percent of annual pay over the next few decades. The 2020-21 budget plan repurposes this payment to reduce pension costs by a larger amount over the next two years. Specifically, districts will receive cost savings of approximately 2.2 percent of pay in 2020-21 and 2021-22, but will not experience savings over the following decades.

All of these factors were considered in preparing the Hacienda La Puente Unified School District budget for the 2020-21 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 the District's Business Office at (626) 933-3869.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT*Statement of Net Position**June 30, 2020*

	Total Governmental Activities
ASSETS	
Deposits and investments	\$ 318,570,976
Accounts receivable	33,779,089
Inventories	2,222,148
Prepaid expenses	155,555
Non-depreciable assets	37,041,328
Depreciable assets	451,963,124
Less accumulated depreciation	<u>(172,987,661)</u>
Total Assets	<u>670,744,559</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pensions	66,930,936
Deferred outflows from OPEB	<u>1,829,177</u>
Total deferred outflows of resources	<u>68,760,113</u>
LIABILITIES	
Accounts payable	28,074,299
Unearned revenues	4,589,644
Long-term liabilities other than pensions:	
Due within one year	13,189,666
Due after one year	223,356,073
Net pension liability	<u>255,933,080</u>
Total Liabilities	<u>525,142,762</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pensions	33,014,641
Deferred outflows from OPEB	<u>1,340,548</u>
Total deferred outflows of resources	<u>34,355,189</u>
NET POSITION	
Net investment in capital assets	202,120,150
Restricted for:	
Capital projects	23,129,405
Debt service	47,695,805
Categorical programs	93,647,283
Self-insurance programs	49,065,203
Unrestricted	<u>(235,651,125)</u>
Total Net Position	<u><u>\$ 180,006,721</u></u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities				
Instructional services:				
Instruction	\$ 149,313,776	\$ 653,291	\$ 35,914,193	\$ (112,746,292)
Instruction-related services:				
Supervision of instruction	19,420,087	281,922	9,848,453	(9,289,712)
Instructional library, media and technology	961,264	-	(5,961)	(967,225)
School site administration	19,199,571	56,613	1,390,728	(17,752,230)
Pupil services:				
Home-to-school transportation	3,072,030	-	-	(3,072,030)
Food services	12,205,945	702,403	9,615,454	(1,888,088)
All other pupil services	15,339,720	24,733	4,154,704	(11,160,283)
General administration services:				
Data processing services	5,096,660	-	-	(5,096,660)
All other general administration	5,554,450	68,397	2,438,923	(3,047,130)
Plant services	29,155,489	10,602	1,775,473	(27,369,414)
Ancillary services	1,427,517	-	990	(1,426,527)
Community services	120,891	-	-	(120,891)
Enterprise activities	97,872	-	-	(97,872)
Interest on long-term debt	6,241,635	-	-	(6,241,635)
Other outgo	993,031	945,325	2,021,265	1,973,559
Depreciation (unallocated)	11,910,836	-	-	(11,910,836)
Total governmental activities	\$ 280,110,774	\$ 2,743,286	\$ 67,154,222	\$ (210,213,266)
General Revenues:				
Property taxes				53,650,821
Federal and state aid not restricted to specific purposes				163,139,065
Interest and investment earnings				3,801,126
Interagency revenues				1,315,652
Miscellaneous				3,347,708
Total general revenues				225,254,372
Change in net position				15,041,106
Net position - July 1, 2019, as originally stated				165,402,752
Adjustment for restatement (Note 12)				(437,137)
Net position - July 1, 2019, as restated				164,965,615
Net position - June 30, 2020				\$ 180,006,721

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Balance Sheet – Governmental Funds

June 30, 2020

	General Fund	Adult Education Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Deposits and investments	\$ 79,641,326	\$ 38,484,125	\$ 59,784,644	\$ 35,893,974	\$ 42,569,522	\$ 256,373,591
Accounts receivable	26,843,795	2,504,252	179,892	89,971	3,995,238	33,613,148
Inventories	2,106,930	-	-	-	115,218	2,222,148
Prepaid expenditures	86,759	35,206	6,899	-	-	128,864
Total Assets	<u>\$ 108,678,810</u>	<u>\$ 41,023,583</u>	<u>\$ 59,971,435</u>	<u>\$ 35,983,945</u>	<u>\$ 46,679,978</u>	<u>\$ 292,337,751</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 20,550,891	\$ 1,665,106	\$ 1,518,650	\$ -	\$ 1,537,677	\$ 25,272,324
Unearned revenues	4,535,016	-	-	-	15,000	4,550,016
Total Liabilities	<u>25,085,907</u>	<u>1,665,106</u>	<u>1,518,650</u>	<u>-</u>	<u>1,552,677</u>	<u>29,822,340</u>
Fund Balances						
Nonspendable	2,243,689	35,206	6,899	-	115,218	2,401,012
Restricted	51,448,938	39,225,447	58,445,886	35,983,945	37,663,739	222,767,955
Committed	1,275,000	97,824	-	-	7,348,344	8,721,168
Assigned	20,047,240	-	-	-	-	20,047,240
Unassigned	8,578,036	-	-	-	-	8,578,036
Total Fund Balances	<u>83,592,903</u>	<u>39,358,477</u>	<u>58,452,785</u>	<u>35,983,945</u>	<u>45,127,301</u>	<u>262,515,411</u>
Total Liabilities and Fund Balances	<u>\$ 108,678,810</u>	<u>\$ 41,023,583</u>	<u>\$ 59,971,435</u>	<u>\$ 35,983,945</u>	<u>\$ 46,679,978</u>	<u>\$ 292,337,751</u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2020

Total fund balances - governmental funds	\$ 262,515,411
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Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

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:	489,004,452	
Accumulated depreciation:	<u>(172,987,661)</u>	316,016,791

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:

(2,719,789)

In governmental funds, other postemployment benefits (OPEB) costs are recognized as expenditures in the period they are paid. In the government-wide statements, OPEB costs are recognized in the period that they are incurred. The total OPEB liability at the end of the period was:

(46,458,574)

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	68,760,113	
Deferred inflows of resources	<u>(34,355,189)</u>	34,404,924

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 government-wide statements consist of:

General obligation bonds	138,978,298	
Certificates of participation	17,847,597	
Lighting project lease, Phase IV	15,500,000	
Capital leases	23,531	
Compensated absences	<u>4,534,739</u>	(176,884,165)

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.

(255,933,080)

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 operate for the benefit of governmental activities, assets and liabilities of the internal service fund are reported with governmental activities in the statement of net position. Net position for internal service funds is:

49,065,203

Total net position - governmental activities	<u><u>\$ 180,006,721</u></u>
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HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2020

	General Fund	Adult Education Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	\$ 190,077,518	\$ -	\$ -	\$ -	\$ 3,000,000	\$ 193,077,518
Federal sources	10,765,015	2,082,647	-	-	14,782,859	27,630,521
Other state sources	38,480,729	19,705,392	7,720	-	5,219,945	63,413,786
Other local sources	5,765,506	2,543,677	1,106,942	531,931	13,456,069	23,404,125
Total Revenues	245,088,768	24,331,716	1,114,662	531,931	36,458,873	307,525,950
EXPENDITURES						
Current:						
Instruction	136,296,540	13,628,244	-	-	6,454,622	156,379,406
Instruction-related services:						
Supervision of instruction	14,732,634	3,111,367	-	-	2,075,399	19,919,400
Instructional library, media and technology	784,378	-	-	-	1,124	785,502
School site administration	18,277,583	1,133,723	-	-	-	19,411,306
Pupil support services:						
Home-to-school transportation	2,788,008	-	-	-	-	2,788,008
Food services	209,814	-	-	-	11,476,459	11,686,273
All other pupil services	14,914,084	731,238	-	-	465,702	16,111,024
Ancillary services	1,465,431	-	-	-	-	1,465,431
Community services	118,761	-	-	-	-	118,761
Enterprise activities	2,601	-	-	-	-	2,601
General administration services:						
Data processing services	4,715,294	-	-	-	-	4,715,294
Other general administration	12,441,314	-	-	-	(17,347)	12,423,967
Plant services	24,922,214	1,194,926	1,032	-	1,149,489	27,267,661
Transfers of indirect costs	(1,842,537)	674,619	-	-	1,167,918	-
Capital outlay	2,059,707	1,299,257	14,524,265	-	7,429,959	25,313,188
Intergovernmental transfers	818,031	-	-	-	-	818,031
Debt service:						
Principal	-	-	-	2,766,335	10,990,000	13,756,335
Interest	-	-	-	930,436	6,369,436	7,299,872
Total Expenditures	232,703,857	21,773,374	14,525,297	3,696,771	47,562,761	320,262,060
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,384,911	2,558,342	(13,410,635)	(3,164,840)	(11,103,888)	(12,736,110)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	-	-	-	7,400,000	100,287	7,500,287
Interfund transfers out	(7,500,287)	-	-	-	-	(7,500,287)
Proceeds from lease	-	-	-	-	15,500,000	15,500,000
All other financing sources	-	-	-	-	2,599,800	2,599,800
Total Other Financing Sources and Uses	(7,500,287)	-	-	7,400,000	18,200,087	18,099,800
Net Change in Fund Balances	4,884,624	2,558,342	(13,410,635)	4,235,160	7,096,199	5,363,690
Fund Balances, July 1, 2019, as originally stated	78,708,279	36,800,135	71,863,420	31,748,785	38,468,239	257,588,858
Adjustment for Restatement	-	-	-	-	(437,137)	(437,137)
Fund Balances, July 1, 2019, as restated	78,708,279	36,800,135	71,863,420	31,748,785	38,031,102	257,151,721
Fund Balances, June 30, 2020	\$ 83,592,903	\$ 39,358,477	\$ 58,452,785	\$ 35,983,945	\$ 45,127,301	\$ 262,515,411

HACIENDA LA PUENTE 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, 2020

Total net change in fund balances - governmental funds \$ 5,363,690

Amounts reported for governmental *activities* in the statement of activities are different because:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	25,554,422	
Depreciation expense	<u>(11,910,836)</u>	
Net:		13,643,586

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 a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 13,756,335

In governmental funds, if debt is issued at a premium, the premium is recognized as an other financing source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is: 1,022,997

In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statement of activities, proceeds from debt are reported as an increase to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (15,500,000)

In governmental funds, postemployment benefits costs (OPEB) are recognized as expenditures in the period they are paid. In the government-wide statements, OPEB costs are recognized in the period that they are incurred. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (1,636,957)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (9,249,310)

In governmental funds, interest on long-term debt is recognized in the period 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: 35,240

In the statement of activities, certain operating expenses - such as 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). This year, compensated absences earned exceeded the amounts paid by: (343,829)

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 benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net change in internal service funds was: 7,949,354

Change in net position of governmental activities \$ 15,041,106

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT*Statement of Net Position – Proprietary Funds**June 30, 2020*

	Governmental Activities Internal Service Funds
ASSETS	
Current assets:	
Cash	\$ 62,197,385
Accounts receivable	165,941
Prepaid expenses	<u>26,691</u>
 Total assets	 <u>62,390,017</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	82,186
Unearned revenue	<u>39,628</u>
 Total current liabilities	 <u>121,814</u>
 Non-current liabilities:	
Estimated liability for open and IBNR claims	<u>13,203,000</u>
 Total liabilities	 <u>13,324,814</u>
 NET POSITION	
Restricted	<u><u>\$ 49,065,203</u></u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT**Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds**
For the Fiscal Year Ended June 30, 2020

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES	
Self insurance premiums	\$ 27,626,403
Other revenues	7,880,478
Total operating revenues	35,506,881
OPERATING EXPENSES	
Payments for personnel costs	401,870
Payments for claims and other operating expenses	28,001,404
Total operating expenses	28,403,274
Operating income (loss)	7,103,607
NON-OPERATING REVENUES	
Interest income	845,747
Change in net position	7,949,354
Net position, July 1, 2019	41,115,849
Net position, June 30, 2020	\$ 49,065,203

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT*Statement of Cash Flows – Proprietary Funds**For the Fiscal Year Ended June 30, 2020*

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 27,626,403
Cash received from other activities	7,871,126
Cash paid for salaries and benefits	(401,431)
Cash paid for operating costs	<u>(27,975,399)</u>
Net cash provided (used) by operating activities	7,120,699
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>959,375</u>
Net increase (decrease) in cash	8,080,074
Cash, July 1, 2019	<u>54,117,311</u>
Cash, June 30, 2020	<u><u>\$ 62,197,385</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 7,103,607
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase in prepaid expenses	(26,691)
Increase in accounts payable and accrued liabilities (IBNR)	53,135
Increase in unearned revenue	<u>(9,352)</u>
Net cash provided (used) by operating activities	<u><u>\$ 7,120,699</u></u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT*Statement of Fiduciary Net Position**June 30, 2020*

	Agency Funds			Totals
	Payroll Clearing Fund	I.R.S. Workshop	Student Body Funds	
ASSETS				
Cash	\$ 238,209	\$ 1,735,578	\$ 721,460	\$ 2,695,247
Total assets	<u>\$ 238,209</u>	<u>\$ 1,735,578</u>	<u>\$ 721,460</u>	<u>\$ 2,695,247</u>
LIABILITIES				
Due to regulatory agencies	\$ 238,209	\$ 1,735,578	\$ -	\$ 1,973,787
Due to student groups	<u>-</u>	<u>-</u>	<u>721,460</u>	<u>721,460</u>
Total liabilities	<u>\$ 238,209</u>	<u>\$ 1,735,578</u>	<u>\$ 721,460</u>	<u>\$ 2,695,247</u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hacienda La Puente 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 the 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.

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, and thus are included in the financial statements using the blended presentation method as if they were part of the District’s operations because the Board of Trustees of the component units is essentially the same as the Board of Trustees of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Hacienda La Puente USD Facilities Financing Authority (the “Authority”) financial activity is presented in the financial statements. Certificates of participation and other debt issued by the Authority are included as long-term liabilities in the District-wide financial statements. Individually prepared financial statements are not prepared for the Authority.

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) and its component unit. 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.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

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 (and blended component units). 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 funds are aggregated and reported as nonmajor funds.

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.

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs.

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.

Debt Service Fund: This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

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.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs.

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).

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

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

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 21, 25, 30, 35, or 49.

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

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

Tax Override Fund: This Fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies.

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 fund:

Internal Service Funds: These funds are used to account for services rendered on a cost-reimbursement basis within the District. The District operates workers' compensation and property and liability insurance programs that are accounted for in the Internal Service Fund. In addition, the District's health and welfare benefit programs are accounted for in the Internal Service Fund.

Workers Compensation Fund: This fund is used to account for resources committed to pay the costs of the District's self-insured workers compensation program.

Medical/Dental Fund: This fund is used to account for resources committed to pay the costs of the District's health and welfare benefits and claims for its employees.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

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: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not. The District also maintains agency funds for the payroll clearing fund, and a fund for the Innovative Rehabilitation Services (IRS) to account for the collection of revenues and expenditures for participating clients.

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 District-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.

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 District-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 basis of accounting for reporting its assets and liabilities.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and Prepaid Items

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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

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.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Compensated Absences

The liability for compensated absences reported in the District-wide statements consists of unpaid, accumulated annual 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.

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.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Fund Balances (continued)

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.

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 not adopted a formal minimum fund balance policy, as recommended by GASB Statement No. 54; however, the District follows the guidelines recommended in the Criteria and Standards of Assembly Bill (AB) 1200, which recommend a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of total General Fund expenditures and other financing uses.

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.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 reporting period. Actual results could differ from those estimates.

I. New GASB Pronouncement

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

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

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

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

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

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in *each* pronouncement as originally issued.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements

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, 2019.

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 June 15, 2021.

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, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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.

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.

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

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

5. (continued)

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, 2021. Earlier application is encouraged.

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

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

The requirements of this Statement are effective as follows:

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

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

6. (continued)

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

Earlier application is encouraged and is permitted by topic.

7. In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depending on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

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

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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

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

This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, *Leases*, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA.

This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement).

This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts.

This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination.

An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Governmental funds	\$ 256,373,591
Proprietary funds	62,197,385
Governmental Activities	<u>318,570,976</u>
Fiduciary funds	2,695,247
Total deposits and investments	<u><u>\$ 321,266,223</u></u>

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

Cash on hand and in banks	\$ 2,457,163
Cash in revolving fund	50,000
Cash with fiscal agent	168,877
Investments	318,590,183
Total deposits and investments	<u><u>\$ 321,266,223</u></u>

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, 2020, 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 Depositary 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.

Custodial Credit Risk – Deposits

As of June 30, 2020, \$2,176,194 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.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments – Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2020 consist of the following:

	Reported Amount	Maturity		Fair Value Measurement	Rating
		Less Than One Year	One Year Through Five Years		
Investments:					
Bank of America Portfolio - cash	\$ 9,483,352	\$ 9,483,352	\$ -	Level 1	N/A
BNY Mellon - cash and short term investments	3,814,702	3,814,702	-	Level 1	N/A
County Pool	305,292,129	305,292,129	-	uncategorized	N/A
Total Investments	<u>\$ 318,590,183</u>	<u>\$ 318,590,183</u>	<u>\$ -</u>		

Investments – Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2019, all investments represented mutual funds and governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments – Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer.

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.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

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, 2020, consisted of the following:

	General Fund	Adult Education Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Funds
Federal Government:							
Categorical aid programs	\$ 4,983,788	\$ 893,349	\$ -	\$ -	\$ 3,589,615	\$ 9,466,752	\$ -
State Government:							
LCFF	18,638,380	-	-	-	-	18,638,380	-
Lottery	902,586	-	-	-	-	902,586	-
Special education	1,429,213	-	-	-	-	1,429,213	-
Adult Ed Block Grant	-	1,440,634	-	-	-	1,440,634	-
Other state	441,161	-	-	-	357,481	798,642	-
Local:							
Other local	203,503	72,445	-	-	622	276,570	-
Interest	245,164	97,824	179,892	89,971	47,520	660,371	165,941
Total	<u>\$ 26,843,795</u>	<u>\$ 2,504,252</u>	<u>\$ 179,892</u>	<u>\$ 89,971</u>	<u>\$ 3,995,238</u>	<u>\$ 33,613,148</u>	<u>\$ 165,941</u>

NOTE 4 – INTERFUND ACTIVITIES

Transfers To/From Other Funds

Transfers to/from other funds during the year ended June 30, 2020, consisted of the following:

General Fund transfer to Cafeteria Fund for bad debt incurred for meal charges	\$ 100,287
General Fund transfer to Debt Service Fund for future debt payments	<u>7,400,000</u>
Total	<u>\$ 7,500,287</u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 5 – FUND BALANCES

At June 30, 2020, fund balances of the District's governmental funds were classified as follows:

	General Fund	Adult Education Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Nonspendable:						
Revolving cash	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Stores inventories	2,106,930	-	-	-	115,218	2,222,148
Prepaid expenditures	86,759	35,206	6,899	-	-	128,864
Total Nonspendable	2,243,689	35,206	6,899	-	115,218	2,401,012
Restricted:						
Categorical programs	51,448,938	-	-	-	-	51,448,938
Adult education program	-	39,225,447	-	-	-	39,225,447
Child development program	-	-	-	-	1,267,735	1,267,735
Child nutrition program	-	-	-	-	1,554,739	1,554,739
Capital projects	-	-	58,445,886	-	23,129,405	81,575,291
Debt service	-	-	-	35,983,945	11,711,860	47,695,805
Total Restricted	51,448,938	39,225,447	58,445,886	35,983,945	37,663,739	222,767,955
Committed:						
Adult education program	-	97,824	-	-	-	97,824
Child development program	-	-	-	-	313,882	313,882
Deferred maintenance program	-	-	-	-	7,034,462	7,034,462
Donations	500,000	-	-	-	-	500,000
Unused vacation balances	775,000	-	-	-	-	775,000
Total Committed	1,275,000	97,824	-	-	7,348,344	8,721,168
Assigned:						
Manage cashflow	20,047,240	-	-	-	-	20,047,240
Total Assigned	20,047,240	-	-	-	-	20,047,240
Unassigned:						
Remaining unassigned balances	8,578,036	-	-	-	-	8,578,036
Total Unassigned	8,578,036	-	-	-	-	8,578,036
Total	\$ 83,592,903	\$ 39,358,477	\$ 58,452,785	\$ 35,983,945	\$ 45,127,301	\$ 262,515,411

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2019	Additions	Retirements	Balance, June 30, 2020
Capital assets not being depreciated:				
Land	\$ 6,162,576	\$ -	\$ -	\$ 6,162,576
Construction in progress	14,900,815	20,284,625	4,306,688	30,878,752
Total capital assets not being depreciated	21,063,391	20,284,625	4,306,688	37,041,328
Capital assets being depreciated:				
Improvement of sites	31,380,027	681,054	-	32,061,081
Buildings	377,840,910	8,542,116	-	386,383,026
Equipment	33,165,702	353,315	-	33,519,017
Total capital assets being depreciated	442,386,639	9,576,485	-	451,963,124
Accumulated depreciation for:				
Improvement of sites	(12,532,403)	(1,376,951)	-	(13,909,354)
Buildings	(128,524,715)	(9,433,532)	-	(137,958,247)
Equipment	(20,019,707)	(1,100,353)	-	(21,120,060)
Total accumulated depreciation	(161,076,825)	(11,910,836)	-	(172,987,661)
Total capital assets being depreciated, net	281,309,814	(2,334,351)	-	278,975,463
Governmental activities capital assets, net	\$ 302,373,205	\$ 17,950,274	\$ 4,306,688	\$ 316,016,791

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2020, were as follows:

	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	\$ 141,335,000	\$ -	\$ 10,990,000	\$ 130,345,000	\$ 8,075,000
Unamortized premium	9,227,776	-	594,478	8,633,298	594,478
Total - Bonds	150,562,776	-	11,584,478	138,978,298	8,669,478
Certificates of Participation:					
Principal payments	18,410,000	-	2,705,000	15,705,000	2,840,000
Unamortized premium, net	2,571,116	-	428,519	2,142,597	428,519
Total - COP's	20,981,116	-	3,133,519	17,847,597	3,268,519
Lighting Project Lease	69,560	-	46,029	23,531	23,531
Lighting Project Lease, Phase IV	-	15,500,000	-	15,500,000	1,228,138
Capital Leases	15,306	-	15,306	-	-
Workers' Compensation Claims	13,203,000	-	-	13,203,000	-
Other Postemployment Benefits	46,771,891	4,254,969	4,568,286	46,458,574	-
Compensated Absences	4,190,910	343,829	-	4,534,739	-
Totals	\$ 235,794,559	\$ 20,098,798	\$ 19,347,618	\$ 236,545,739	\$ 13,189,666

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of participation payments and lease payments are made by the Debt Service Fund. Employment benefits will be paid for by the fund for which the employee worked.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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

A. General Obligation Bonds

Election of 2016 (Measure BB)

On November 8, 2016, the voters of the District approved a measure by more than a 55% affirmative vote authorizing the District to issue up to \$148 million of general obligation bonds. The Bonds will be issued to upgrade/repair all neighborhood school classrooms and retain/attract quality teachers by renovating all science, technology, engineering, art/math labs/classrooms, and athletic facilities; ensuring drinking water safety; repairing, constructing, equipping/acquiring educational facilities to prepare students for college and 21st century vocational jobs/careers. At June 30, 2020, \$78 million of authorized bonds remain unissued.

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 were not included in the District's financial statements. At June 30, 2020, none of the defeased debt remains outstanding.

A summary of outstanding bonds is shown below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020
2005 Refunding	6/16/2005	8/1/2024	3.5%-5.0%	31,725,000	\$ 22,600,000	\$ -	\$ 3,050,000	\$ 19,550,000
2007 Refunding	10/4/2007	8/1/2027	4.347%	55,485,000	53,580,000	-	2,480,000	51,100,000
2016A	7/11/2017	8/1/2047	2.0%-5.0%	70,000,000	65,155,000	-	5,460,000	59,695,000
					<u>\$ 141,335,000</u>	<u>\$ -</u>	<u>\$ 10,990,000</u>	<u>\$ 130,345,000</u>

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Total
2020-2021	\$ 8,075,000	\$ 5,961,700	\$ 14,036,700
2021-2022	7,060,000	5,602,325	12,662,325
2022-2023	8,160,000	5,223,250	13,383,250
2023-2024	9,185,000	4,792,150	13,977,150
2024-2025	10,290,000	4,308,700	14,598,700
2025-2030	34,415,000	14,315,625	48,730,625
2030-2035	7,660,000	10,871,925	18,531,925
2035-2040	11,830,000	8,877,944	20,707,944
2040-2045	18,485,000	5,219,894	23,704,894
2045-2048	15,185,000	939,100	16,124,100
Total	<u>\$ 130,345,000</u>	<u>\$ 66,112,613</u>	<u>\$ 196,457,613</u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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

B. Certificates of Participation

On April 21, 2015, the Hacienda La Puente Unified School District Financing Authority issued certificates of participation in the amount of \$28,160,000. The certificates were issued to provide funds to enhance District infrastructure, fund a reserve account, and pay the costs of issuing the certificates. The interest rate of the certificates ranges from 2.0% and 5.0% and mature on June 1, 2025. At June 30, 2020, the principal balance outstanding was \$15,705,000.

Annual interest and redemption requirements for the Certificates of Participation outstanding at June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Total
2020-2021	\$ 2,840,000	\$ 785,250	\$ 3,625,250
2021-2022	2,985,000	643,250	3,628,250
2022-2023	3,135,000	494,000	3,629,000
2023-2024	3,290,000	337,250	3,627,250
2024-2025	3,455,000	172,750	3,627,750
Total	<u>\$ 15,705,000</u>	<u>\$ 2,432,500</u>	<u>\$ 18,137,500</u>

C. Lighting Project Leases

On June 18, 2014, the District approved a lighting project lease, authorizing approval of the execution and delivery of an equipment/lease purchase agreement, for \$5,705,025. The agreement is for the acquisition, purchase, financing and leasing of certain equipment for the public benefit. On August 29, 2019, the District approved an additional lighting lease for \$15,500,000.

Future payments due under the agreements are as follows:

Lighting Project Lease

Fiscal Year	Principal	Interest	Payment
2020-21	<u>\$ 23,531</u>	<u>\$ 226</u>	<u>\$ 23,757</u>

Lighting Project Lease, Phase IV

Fiscal Year	Principal	Interest	Payment
2020-21	\$ 1,228,138	\$ 684,639	\$ 1,912,777
2021-22	1,499,066	413,712	1,912,778
2021-23	1,544,016	368,762	1,912,778
2023-24	1,590,313	322,464	1,912,777
2024-25	1,637,999	274,778	1,912,777
2025-30	8,000,468	607,031	8,607,499
	<u>\$ 15,500,000</u>	<u>\$ 2,671,386</u>	<u>\$ 18,171,386</u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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

D. Other Postemployment Benefits (OPEB) Liability

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

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 45,335,148	\$ 1,829,177	\$ 1,340,548	\$ 4,711,194
MPP Program	1,123,426	-	-	10,890
Total	<u>\$ 46,458,574</u>	<u>\$ 1,829,177</u>	<u>\$ 1,340,548</u>	<u>\$ 4,722,084</u>

The details of each plan are as follows:

District Plan

Plan Description

The District's single employer defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The postretirement health plans and the District's obligation are the same for certificated and classified (CSEA & SEIU) eligible retirees and their spouses. The District will pay for retiree health coverage (medical) including dependent coverage for five year fully paid, but not beyond age 65; or 50% paid until age 65. The annual maximum coverage provided by the District for 2018-19 was \$11,900. The required service for eligible retirees is 15 years with a minimum age of 55. CSEA members hired prior to January 1, 2003 may retire as early as age 50 with 10 years of service.

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	79
Active employees	<u>2,185</u>
Total	<u><u>2,264</u></u>

Total OPEB Liability

The District's total OPEB liability of \$45,335,148 for the Plan was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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, 2019 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, 2019
Inflation	2.75 percent
Salary increases	2.75 percent
Healthcare cost trend rates	5.90 percent for 2020; 5.80 percent for 2021; 5.70 percent for 2022; and decreasing 0.10 percent per year to an ultimate rate of 5.00 percent for 2029 and later years

Discount Rate

The discount rate of 2.45 percent reflects the following: the long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return; a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions above are not met.

Mortality Rates

Pre-retirement mortality rates for certificated employees were based on Mortality Rates for active employees from the CalSTRS Experience Analysis (2010-2015). Pre-retirement mortality rates for classified employees were based on Preretirement Mortality Rates from CalPERS Experience Study (1997-2015).

Postretirement mortality rates for certificated employees/retirees were based on Mortality Rates for retired members and beneficiaries from CalSTRS Experience Analysis (2010-2015). Postretirement mortality rates for classified employees/retirees were based on Post-retirement Mortality Rates for Healthy Recipients from CalPERS Experience Study (1997-2015).

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	\$ 45,659,355
Changes for the year:	
Service cost	2,883,182
Interest	1,360,897
Changes of assumptions	(1,483,159)
Benefit payments	(3,085,127)
Net changes	(324,207)
Balance at June 30, 2020	\$ 45,335,148

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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:

Discount Rate	OPEB Liability
1% decrease	\$ 48,393,630
Current discount rate	\$ 45,335,148
1% increase	\$ 42,333,633

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:

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	\$ 41,794,350
Current trend rate	\$ 45,335,148
1% increase	\$ 49,492,509

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$4,711,194. In addition, at June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,829,177	\$ 1,340,548
Total	\$ 1,829,177	\$ 1,340,548

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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

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

District Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

The deferred outflows of resources related to changes of assumptions will be amortized over five years and will be recognized in OPEB expense as follows:

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	\$ 609,726	\$ 142,611
2022	609,726	142,611
2023	609,725	142,611
2024	-	142,611
2025	-	142,611
Thereafter	-	627,493
	<u>\$ 1,829,177</u>	<u>\$ 1,340,548</u>

Medicare Premium Payment (MPP) Program

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, 2018 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, 2019, 5,744 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.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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

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

Medicare Premium Payment (MPP) Program (continued)

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, 2020, the District reported a liability of \$1,123,426 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, 2019, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total OPEB liability to June 30, 2019. 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:

	<u>Percentage Share of MPP Program</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2020</u>	<u>Fiscal Year Ending June 30, 2019</u>	
Measurement Date	<u>June 30, 2019</u>	<u>June 30, 2018</u>	
Proportion of the Net OPEB Liability	0.301675%	0.290655%	0.011020%

For the year ended June 30, 2020, the District reported OPEB expense of \$10,890.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 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, 2019
Valuation Date	June 30, 2018
Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Healthcare Cost Trend Rates	3.70% for Medicare Part A, and 4.10% for Medicare Part B

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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

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

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs (continued)

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 380, or an average of 0.23% of the potentially eligible population (165,422).

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

Discount Rate

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

The discount rate used to measure the total OPEB liability was 3.50%. The MPP Program is funded on a pay-as-you-go basis as previously noted, 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 3.50%, which is the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37% from 3.87% as of June 30, 2018.

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

The following presents the District's proportionate share of the net OPEB liability, 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:

Discount Rate	MPP OPEB Liability
1% decrease	\$ 1,225,914
Current discount rate	\$ 1,123,426
1% increase	\$ 1,029,192

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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

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

Medicare Premium Payment (MPP) Program (continued)

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:

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	\$ 1,023,698
Current trend rate	\$ 1,123,426
1% increase	\$ 1,237,715

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, 2020, 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	\$ 176,285,137	\$ 47,833,197	\$ 22,297,630	\$ 22,261,900
CalPERS	79,647,943	19,097,739	10,717,011	13,093,215
Total	<u>\$ 255,933,080</u>	<u>\$ 66,930,936</u>	<u>\$ 33,014,641</u>	<u>\$ 35,355,115</u>

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, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/actuarial-financial-and-investor-information>.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 8 – PENSION PLANS (continued)

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

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

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
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	17.10%	17.10%
Required State Contribution Rate	10.328%	10.328%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution is allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program.

The contribution rates for each program for the year ended June 30, 2020, are presented above, and the District's total contributions were \$16,170,976.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

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

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

District's proportionate share of net pension liability	\$	176,285,137
State's proportionate share of the net pension liability associated with the District		<u>96,175,311</u>
Total	\$	<u>272,460,448</u>

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net Pension Liability	0.195187%	0.184830%	0.010357%

For the year ended June 30, 2020, the District recognized pension expense of \$22,261,900. In addition, the District recognized pension expense and revenue of \$2,631,322 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 16,170,976	\$ -
Net change in proportionate share of net pension liability	8,514,988	10,133,573
Difference between projected and actual earnings on pension plan investments	405,989	7,196,547
Changes of assumptions	22,296,217	-
Differences between expected and actual experience	445,027	4,967,510
Total	<u>\$ 47,833,197</u>	<u>\$ 22,297,630</u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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 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 (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 7 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 of Resources	Deferred Inflows of Resources
2021	\$ 6,863,188	\$ 4,090,487
2022	6,863,188	8,804,254
2023	6,863,188	4,154,898
2024	7,275,033	2,269,078
2025	1,290,598	1,752,445
Thereafter	2,507,025	1,226,468
Total	<u>\$ 31,662,221</u>	<u>\$ 22,297,630</u>

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, 2018 and rolling forward the total pension liability to June 30, 2019. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price of Inflation	2.75%
Wage Growth	3.50%

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

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

The long-term investment 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) 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.

For each future valuation, CalSTRS' independent 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%	4.8%
Fixed Income	12%	1.3%
Real Estate	13%	3.6%
Private Equity	13%	6.3%
Risk Mitigating Strategies	9%	1.8%
Inflation Sensitive	4%	3.3%
Cash/Liquidity	2%	(0.4%)

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments and administrative expenses occur midyear. Based on those 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 the 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%)	\$ 262,503,161
Current discount rate (7.10%)	176,285,137
1% increase (8.10%)	104,793,976

On-Behalf Contributions

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.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 8 – PENSION PLANS (continued)

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

On-Behalf Contributions (continued)

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 \$13,415,523.

B. California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool and the Safety Risk 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 plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation reports, Schools Accounting Valuation Report and Safety Risk Pool Valuation Report. These reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb>.

Benefits Provided

Schools

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

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

	Schools Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0 – 2.5%	2.0 – 2.5%
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	19.721%	19.721%

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 8 – PENSION PLANS (continued)

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

Benefits Provided (continued)

Safety

The Plan 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 credited service, equal to one year of full-time employment. Classic members and PEPRA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members 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 death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	Safety Risk Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	3% at 50	2.7% at 57
Benefit Formula	5 years of service	5 years of service
Benefit Vesting Schedule	Monthly for life	Monthly for life
Benefit Payments	50	57
Retirement Age	3.0%	2.0%-2.7%
Monthly Benefits as a Percentage of Eligible Compensation	10.10%	9.50%-15.25%
Required Employee Contribution Rate	Varies	Varies
Required Employer Contribution Rate		

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, 2020 are presented above, and the total District contributions were \$7,876,076.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$79,647,943. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Schools Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net Pension Liability	0.270317%	0.267315%	0.003002%
	Percentage Share of Safety Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Total Pension Liability	0.017114%	0.016763%	0.000351%
Proportion of the Fiduciary Net Position	0.018289%	0.017744%	0.000545%

For the year ended June 30, 2020, the District recognized pension expense of \$13,093,215. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,876,076	\$ -
Net change in proportionate share of net pension liability	661,481	8,989,392
Difference between projected and actual earnings on pension plan investments	973,660	1,719,074
Changes of assumptions	3,794,048	8,545
Differences between expected and actual experience	5,792,474	-
Total	<u>\$ 19,097,739</u>	<u>\$ 10,717,011</u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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 4.1 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 of Resources	Deferred Inflows of Resources
2021	\$ 6,971,811	\$ 4,569,678
2022	2,667,424	5,455,232
2023	1,102,787	688,551
2024	463,507	3,227
2025	16,134	323
Thereafter	-	-
Total	<u>\$ 11,221,663</u>	<u>\$ 10,717,011</u>

Actuarial Methods and Assumptions

Total pension liability for the Schools and Safety Risk Pools were determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuations as of June 30, 2018 used the following methods and assumptions, applied to all prior periods included in the measurements:

Valuation Date	June 30, 2018
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.50%
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. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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 and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The target asset allocation and best estimates of 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 discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan's investments was applied to all periods of projected benefit payments to determine the 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%)	\$ 113,558,812
Current discount rate (7.15%)	79,647,943
1% increase (8.15%)	49,931,901

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.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 8 – PENSION PLANS (continued)

D. Payables to the Pension Plans

At June 30, 2020, the District reported payables of \$493,457 and \$670,129 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2020.

NOTE 9 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, Hacienda La Puente Unified School District was self-insured for property losses. The District is a member of Southern California ReLiEF for any claims over the member retained limit of \$25,000. Southern California ReLiEF (JPA) will pay any claims up to \$250,000 and claims exceeding \$250,000 are handled by Schools Association for Excess Risk (SAFER) (JPA) up to \$249,750,000. The District is self-insured for liability losses. The District is a member of Southern California ReLiEF (JPA) for any claims over the member retained limit of \$10,000. Southern California ReLiEF (JPA) pays any liability claims up to \$1,000,000. Claims over \$1,000,000 are handled by SAFER (JPA) up to \$20,000,000.

Workers' Compensation

For fiscal year 2019, the District was self-funded for workers compensation, with excess coverage for claims over \$500,000 provided by the Schools Alliance for Workers' Compensation Excess (SAWCX) public entity risk pool.

Employee Medical Benefits

The District is self-funded for medical, dental, and vision benefits.

Claims Liability

The District records an estimated liability for workers' compensation claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Unpaid Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The following represent the changes in approximate aggregate liabilities for the District from July 1, 2018 to June 30, 2020:

	Workers' Compensation
Liability Balance, July 1, 2018	\$ 12,699,000
Claims and changes in estimates	29,029,316
Claims payments	(28,525,316)
Liability Balance, June 30, 2019	13,203,000
Claims and changes in estimates	28,001,404
Claims payments	(28,001,404)
Liability Balance, June 30, 2020	\$ 13,203,000
Assets available to pay claims at June 30, 2020	\$ 62,390,017

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 10 – JOINT VENTURES

The Hacienda La Puente Unified School District participates in the Riverside County Employer/Employee Partnership (REEP) for Benefits (JPA) public entity risk pools for health benefits. The Hacienda La Puente Unified School District pays monthly premiums for each of its group health insurance plans.

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

The member districts are independently accountable for their fiscal matters. 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 relationship between the Hacienda La Puente Unified School District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

Audited financial information for REEP is shown below:

	REEP JPA June 30, 2019
Total Assets	\$ 33,198,709
Total Liabilities	8,006,484
Net Position	<u>\$ 25,192,225</u>
Total Revenues	\$ 198,637,317
Total Expenses	192,429,481
Net Increase (decrease) in Net Position	<u>\$ 6,207,836</u>

NOTE 11 – 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, 2020, the District had commitments with respect to unfinished capital projects of approximately \$16.5 million to be paid from local funds.

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.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)

D. Accounts Payable Contingencies

Funding was received for a District operated program in prior years but is still under routine review by the CDE. A General Fund account payable was accrued for the full amount of this funding, \$13.9 million, as a contingency in the event of possible reversal of any amount received. The District reversed a portion of this accrual in 2019-20, leaving a balance of \$7,273,592 at year end. The District intends to reverse this amount during the 2020-21 fiscal year if contingencies do not materialize.

E. Impact of COVID-19

On March 13, 2020, a presidential emergency was declared due to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic. The declaration made federal disaster assistance available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act to the State of California to supplement the local recovery efforts by the K-12 education community. On that same date, Governor Newsom issued Executive Order N-26-20, guaranteeing continued State funding, holding LEAs harmless from several regulations, and providing guidelines for LEAs to operate under a “distance learning” environment.

In response, the District announced the closing of all schools in mid-March. With nearly all districts in California shut down to stem the spread of COVID-19, officials statewide hastily put in place plans to deliver “grab and go” meals with minimal contact between cafeteria staff, volunteers and families in need. In addition, the District worked to implement distance learning for all students for the remainder of the 2019-20 school year. Several planned construction projects were placed on hold until work could resume.

A companion bill to Executive Order N-26-20, Senate Bill 117 changed the method used by the District to calculate average daily attendance (ADA) for both the P-2 and Annual period apportionment to include all full school months from July 1, 2019 to February 29, 2020. As events unfold and changes are made on a daily basis, the future impacts of COVID-19 on the District’s operations are not fully known at this time.

NOTE 12 – ADJUSTMENT FOR RESTATEMENT

The beginning fund balance in the Special Reserve Fund for Capital Outlay Projects was restated by (\$437,137) to correct for a prior year Certificate of Participation cash drawdown. The restatement also affects the net position on the District-wide Statement of Activities at July 1, 2019.

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Required Supplementary Information

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HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Budgetary Comparison Schedule – General Fund

For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF Sources	\$ 191,682,548	\$ 191,645,488	\$ 190,077,518	\$ (1,567,970)
Federal Sources	11,531,325	13,776,491	10,765,015	(3,011,476)
Other State Sources	30,824,731	35,563,391	38,480,729	2,917,338
Other Local Sources	867,943	3,649,038	5,765,506	2,116,468
Total Revenues	234,906,547	244,634,408	245,088,768	454,360
Expenditures				
Current:				
Certificated Salaries	101,764,769	107,322,424	109,264,907	(1,942,483)
Classified Salaries	36,348,902	37,306,702	34,762,914	2,543,788
Employee Benefits	62,632,850	62,432,723	62,379,036	53,687
Books and Supplies	14,739,323	21,365,248	6,269,959	15,095,289
Services and Other Operating Expenditures	25,198,041	24,218,361	19,473,540	4,744,821
Capital Outlay	5,261,500	6,996,719	1,560,660	5,436,059
Intergovernmental Transfers	(1,323,371)	(1,176,000)	(1,007,159)	(168,841)
Total Expenditures	244,622,014	258,466,177	232,703,857	25,762,320
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,715,467)	(13,831,769)	12,384,911	26,216,680
Other Financing Sources and Uses				
Interfund Transfers Out	(2,100,000)	(2,100,000)	(7,500,287)	(5,400,287)
Total Other Financing Sources and Uses	(2,100,000)	(2,100,000)	(7,500,287)	(5,400,287)
Net Change in Fund Balance	(11,815,467)	(15,931,769)	4,884,624	20,816,393
Fund Balances, July 1, 2019	78,708,279	78,708,279	78,708,279	-
Fund Balances, June 30, 2020	\$ 66,892,812	\$ 62,776,510	\$ 83,592,903	\$ 20,816,393

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – Adult Education Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
Federal Sources	\$ 2,855,874	\$ 3,501,909	\$ 2,082,647	\$ (1,419,262)
Other State Sources	17,190,940	17,190,940	19,705,392	2,514,452
Other Local Sources	1,777,477	1,777,477	2,543,677	766,200
Total Revenues	21,824,291	22,470,326	24,331,716	1,861,390
Expenditures				
Current:				
Certificated Salaries	5,484,815	7,198,296	5,765,322	1,432,974
Classified Salaries	3,039,072	3,626,924	2,919,747	707,177
Employee Benefits	3,951,726	4,897,302	3,779,487	1,117,815
Books and Supplies	2,672,044	2,898,443	1,484,419	1,414,024
Services and Other Operating Expenditures	5,838,348	6,476,341	5,693,583	782,758
Capital Outlay	6,270,067	2,779,051	1,456,197	1,322,854
Intergovernmental Transfers	923,772	950,678	674,619	276,059
Total Expenditures	28,179,844	28,827,035	21,773,374	7,053,661
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,355,553)	(6,356,709)	2,558,342	8,915,051
Fund Balances, July 1, 2019	36,800,135	36,800,135	36,800,135	-
Fund Balances, June 30, 2020	\$ 30,444,582	\$ 30,443,426	\$ 39,358,477	\$ 8,915,051

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2020

	<i>Last Ten Fiscal Years*</i>					
	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
CalSTRS						
District's proportion of the net pension liability	<u>0.1952%</u>	<u>0.1848%</u>	<u>0.1905%</u>	<u>0.1950%</u>	<u>0.2010%</u>	<u>0.1910%</u>
District's proportionate share of the net pension liability	<u>\$ 176,285,137</u>	<u>\$ 169,872,124</u>	<u>\$ 176,161,712</u>	<u>\$ 157,717,950</u>	<u>\$ 135,321,240</u>	<u>\$ 111,614,670</u>
State's proportionate share of the net pension liability associated with the District	<u>96,175,311</u>	<u>97,259,736</u>	<u>104,215,780</u>	<u>89,799,235</u>	<u>71,569,827</u>	<u>67,398,433</u>
Totals	<u>\$ 272,460,448</u>	<u>\$ 267,131,859</u>	<u>\$ 280,377,492</u>	<u>\$ 247,517,185</u>	<u>\$ 206,891,067</u>	<u>\$ 179,013,103</u>
District's covered-employee payroll	<u>\$ 104,463,329</u>	<u>\$ 101,220,908</u>	<u>\$ 101,569,253</u>	<u>\$ 98,597,027</u>	<u>\$ 91,961,700</u>	<u>\$ 87,301,552</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>168.75%</u>	<u>167.82%</u>	<u>173.44%</u>	<u>159.96%</u>	<u>147.15%</u>	<u>127.85%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
CalPERS						
District's proportion of the net pension liability	<u>0.2703%</u>	<u>0.2673%</u>	<u>0.2770%</u>	<u>0.2804%</u>	<u>0.2914%</u>	<u>0.3113%</u>
District's proportionate share of the net pension liability	<u>\$ 79,647,943</u>	<u>\$ 71,274,538</u>	<u>\$ 62,105,509</u>	<u>\$ 55,379,173</u>	<u>\$ 42,952,648</u>	<u>\$ 35,340,130</u>
District's covered-employee payroll	<u>\$ 38,482,217</u>	<u>\$ 37,378,340</u>	<u>\$ 37,103,334</u>	<u>\$ 34,508,373</u>	<u>\$ 34,206,006</u>	<u>\$ 32,664,333</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>204.72%</u>	<u>190.68%</u>	<u>167.39%</u>	<u>160.48%</u>	<u>125.57%</u>	<u>108.19%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>

* 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.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2020

	<i>Last Ten Fiscal Years*</i>					
	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
CalSTRS						
Contractually required contribution	\$ 16,170,976	\$ 17,006,630	\$ 14,606,177	\$ 12,777,412	\$ 10,579,461	\$ 8,166,197
Contributions in relation to the contractually required contribution	<u>16,170,976</u>	<u>17,006,630</u>	<u>14,606,177</u>	<u>12,777,412</u>	<u>10,579,461</u>	<u>8,166,197</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 94,567,111</u>	<u>\$ 104,463,328</u>	<u>\$ 101,220,908</u>	<u>\$ 101,569,253</u>	<u>\$ 98,597,027</u>	<u>\$ 91,961,700</u>
Contributions as a percentage of covered-employee payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS						
Contractually required contribution	\$ 7,876,076	\$ 6,950,658	\$ 5,805,230	\$ 5,152,911	\$ 4,088,207	\$ 4,026,389
Contributions in relation to the contractually required contribution	<u>7,876,076</u>	<u>6,950,658</u>	<u>5,805,230</u>	<u>5,152,911</u>	<u>4,088,207</u>	<u>4,026,389</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 39,937,508</u>	<u>\$ 38,482,219</u>	<u>\$ 37,378,340</u>	<u>\$ 37,103,334</u>	<u>\$ 34,508,373</u>	<u>\$ 34,206,006</u>
Contributions as a percentage of covered-employee payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

* 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.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT*Schedule of Changes in the District's Total OPEB Liability and Related Ratios**For the Fiscal Year Ended June 30, 2020*

Last 10 Fiscal Years*

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 2,883,182	\$ 2,948,281	\$ 2,869,373
Interest	1,360,897	1,408,975	1,307,636
Changes of assumptions or other inputs	(1,483,159)	3,048,629	-
Benefit payments	(3,085,127)	(1,325,189)	(1,429,074)
Net change in total OPEB liability	(324,207)	6,080,696	2,747,935
Total OPEB liability - beginning	45,659,355	39,578,659	36,830,724
Total OPEB liability - ending	\$ 45,335,148	\$ 45,659,355	\$ 39,578,659
 Covered-employee payroll	 \$ 140,764,028	 \$ 148,413,000	 \$ 144,440,747
 Total OPEB liability as a percentage of covered-employee payroll	 32.21%	 30.77%	 27.40%

Notes to Schedule:

* 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.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT*Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program**For the Fiscal Year Ended June 30, 2020*

Last 10 Fiscal Years*

	2019	2018	2017
District's proportion of net OPEB liability	0.3017%	0.2907%	0.3032%
District's proportionate share of net OPEB liability	\$ 1,123,426	\$ 1,112,536	\$ 1,275,487
Covered-employee payroll	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	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.*

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

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 - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

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 discount rate at the end of the fiscal year changed from 3.13 to 2.45 percent.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

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 discount rate was changed from 3.87 percent to 3.50 percent since the previous valuation.

Supplementary Information

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HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Local Educational Agency Organization Structure

June 30, 2020

The Hacienda La Puente Unified School District was established on July 1, 1970, and is comprised of an area of approximately 20 square miles located in Los Angeles County. There were no changes in the boundaries of the District during the current year. The District serves students in the diverse communities of City of Industry, Hacienda Heights, La Puente and portions of Valinda and West Covina. The District also has the largest correctional education program in the nation, serving students at eight correctional facilities throughout Los Angeles County. Learning facilities include: four comprehensive high schools, one alternative high school, one Community Day School, one special education school, seventeen K-5 elementary schools, six K-8 schools, four middle schools, one orthopedic unit for students with disabilities and extensive child development and early primary programs and three main Adult Education facilities. The District also maintains an Administration Center, an Instructional Services Center, a Student Services Center, a Multilingual Assessment Center and a Curriculum Lab.

BOARD OF EDUCATION

Member	Office	Term Expires
Anthony Duarte	President	November, 2022
Joseph Chang, Ph.D.	Vice President	November, 2022
Gino Kwok, Esq.	Clerk	November, 2020
Martin G. Medrano	Member	November, 2020
Jeffrey De La Torre	Member	November, 2022

DISTRICT ADMINISTRATORS

Dr. Alfonso Jimenez,
Superintendent

Annie Bui,
Associate Superintendent, Business Services

Dr. Judy Fancher, Ed.D.,
Assistant Superintendent, Curriculum, Assessment and Instruction, Pre K-12

Jill Rojas,
Assistant Superintendent, Human Resources

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT*Schedule of Average Daily Attendance**For the Fiscal Year Ended June 30, 2020*

	Second Period Report	Annual Report
	Certificate No. 9B80C704	Certificate No. 6F9AD5D0
Regular ADA & Extended Year:		
Grades TK-3	5,287.73	5,287.73
Grades 4-6	3,899.70	3,899.70
Grades 7-8	2,646.90	2,646.90
Grades 9-12	5,251.58	5,251.58
Total Regular ADA	17,085.91	17,085.91
Special Education, Nonpublic, Nonsectarian Schools:		
Grades TK-3	3.10	3.10
Grades 4-6	0.90	0.90
Grades 7-8	3.48	3.48
Grades 9-12	7.74	7.74
Total Special Education, Nonpublic, Nonsectarian Schools ADA	15.22	15.22
Community Day School:		
Grades 9-12	9.47	8.17
Total Community Day School ADA	9.47	8.17
Total ADA	17,110.60	17,109.30

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT*Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2020*

Grade Level	Required	2019-20 Minutes Offered	Number of Days Traditional Calendar	Status
Kindergarten	36,000	50,400	180	Complied
Grade 1	50,400	50,400	180	Complied
Grade 2	50,400	50,400	180	Complied
Grade 3	50,400	50,400	180	Complied
Grade 4	54,000	54,000	180	Complied
Grade 5	54,000	54,000	180	Complied
Grade 6	54,000	54,000	180	Complied
Grade 7	54,000	54,486	180	Complied
Grade 8	54,000	54,486	180	Complied
Grade 9	64,800	64,896	180	Complied
Grade 10	64,800	64,896	180	Complied
Grade 11	64,800	64,896	180	Complied
Grade 12	64,800	64,896	180	Complied

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Schedule of Financial Trends and Analysis

For the Fiscal Year Ended June 30, 2020

General Fund	(Budget) 2021 ³	2020	2019	2018
Revenues and other financing sources	\$ 220,876,231	\$ 245,088,768	\$ 250,403,123	\$ 233,975,165
Expenditures	235,819,238	232,703,857	237,500,724	218,900,546
Other uses and transfers out	100,000	7,500,287	7,495,287	7,400,000
Total outgo	235,919,238	240,204,144	244,996,011	226,300,546
Change in fund balance (deficit)	(15,043,007)	4,884,624	5,407,112	7,674,619
Ending fund balance	\$ 68,549,896	\$ 83,592,903	\$ 78,708,279	\$ 73,301,167
Available reserves ¹	\$ 6,271,049	\$ 8,578,036	\$ 7,349,880	\$ 6,789,016
Available reserves as a percentage of total outgo	2.7%	3.6%	3.0%	3.0%
Total long-term debt	\$ 465,017,291	\$ 492,478,819	\$ 476,941,221	\$ 446,025,451
Average daily attendance at P-2 ²	N/A	17,111	17,377	17,693

The General Fund balance has increased by \$10,291,736 over the past two years. The fiscal year 2020-21 adopted budget projects a decrease of \$15,043,007. 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 each of the past three years, but anticipates incurring an operating deficit during the 2020-21 fiscal year. Long-term debt has increased by \$34,047,684 over the past two years.

Average daily attendance has decreased by 582 over the past two years.

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

² Excludes Adult Education ADA. Also, ADA will not be reported in 2020-21.

³ As of September, 2020.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT***Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2020***

	<u>General Fund</u>
June 30, 2020, annual financial and budget report (SACS) fund balances	\$ 81,292,838
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Clearing Prior Year LCFF payable	<u>2,300,065</u>
Net adjustments and reclassifications	<u>2,300,065</u>
June 30, 2020, audited financial statement fund balances	<u><u>\$ 83,592,903</u></u>

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT*Reconciliation of Head Start Expenditures**For the Fiscal Year Ended June 30, 2020*

	Federal Expenditures	Local In-Kind Match*
Basic Program 12.0-52100.0	\$ 4,298,823	\$ 830,000
Training & Technical Assistance (T&TA) 12.0-52102.0	30,273	-
2019-20 Federal Expenditures, per audit	<u>\$ 4,329,096</u>	<u>\$ 830,000</u>

*The District was approved for a waiver for not meeting the 20% Local In-Kind Match for the 2019-20 fiscal year.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

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 - Especially Needy	10.553	13526	\$ 1,835,215	
National School Lunch Program	10.555	13523	5,485,914	
USDA Donated Foods	10.555	N/A	775,490	
Subtotal Child Nutrition Cluster				\$ 8,096,619
Fresh Fruits and Vegetable Program	10.582	14968		102,380
Child and Adult Care Food Program Cluster:				
Child and Adult Care Food Program	10.558	13393	977,412	
Cash in Lieu of Commodities	10.558	N/A	68,734	
Subtotal Child and Adult Food Program Cluster				1,046,146
Total U.S. Department of Agriculture				9,245,145
U.S. Department of Education:				
PELL Grants	84.063	N/A		628,415
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE):				
Adult Basic Education & ESL	84.002A	14508	257,285	
Adult Secondary Education	84.002	13978	100,129	
English Literacy & Civics Education	84.002A	14109	155,479	
Subtotal Adult Education Cluster				512,893
Every Student Succeeds Act (ESSA):				
Title I Cluster				
Title I, Part A, Basic Grants	84.010	14329	4,636,419	
Title I, Part A, Program Improvement LEA Corrective Action	84.010	14957	15,558	
Subtotal Title I, Part A Cluster				4,651,977
Title I, Part C, Migrant Ed, Regular and Summer Program	84.011	14838		11,662
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341		645,446
Title III, Limited English Proficient (LEP) Student Program	84.365	10084		362,227
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681		543,019
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		199,522
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332		36,123
Career Technical Education Cluster:				
Vocational and Applied Tech Secondary II, Carl Perkins Act	84.048	13924	150,006	
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	941,339	
Subtotal Career Technical Education Cluster				1,091,345
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425	15536		806,529
Passed through the Puente Hills SELPA:				
Special Education (IDEA) Cluster:				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	3,682,121	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	33,346	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	98,600	
Mental Health Services, Part B, Sec 611	84.027A	14468	202,430	
We Can Work	84.027A	01110	63,004	
Preschool Staff Development, Part B, Section 619	84.173A	13431	1,000	
Subtotal Special Education Cluster (IDEA)				4,080,501
Early Intervention Grants	84.181	23761		84,532
Total U.S. Department of Education				13,654,191
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
Child Center Development Block Grant	93.596	13609		1,208,618
Passed through Los Angeles County Office of Education:				
Head Start	93.600	10016		4,329,096
Total U.S. Department of Health & Human Services				5,537,714
Total Expenditures of Federal Awards				\$ 28,437,050

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2020

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. 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*. The instructional time presented in this schedule includes the days that the District was closed due to the COVID-19 pandemic.

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.

Reconciliation of Head Start Expenditures

This schedule provides information on the detail of Head Start Expenditures that are reported on the Schedule of Expenditures of Federal Awards.

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, 2020.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 27,630,521
Differences between Federal Revenues and Expenditures:		
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425	806,529
Total Schedule of Expenditures of Federal Awards		\$ 28,437,050

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
Hacienda La Puente Unified School District
City of Industry, 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, each major fund, and the aggregate remaining fund information of Hacienda La Puente Unified School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Hacienda La Puente Unified School District's basic financial statements, and have issued our report thereon dated December 23, 2020.

Internal Control Over Financial Reporting

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

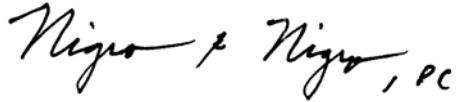
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

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.

A handwritten signature in black ink that reads "Nigro & Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California
December 23, 2020

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

Board of Trustees
Hacienda La Puente Unified School District
City of Industry, California

Report on Compliance for Each Major Federal Program

We have audited Hacienda La Puente 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 Hacienda La Puente Unified School District's major federal programs for the year ended June 30, 2020. Hacienda La Puente 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 Hacienda La Puente 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 Hacienda La Puente 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 Hacienda La Puente Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hacienda La Puente 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, 2020.

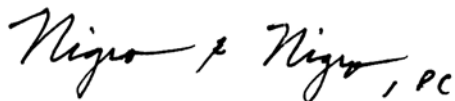
Report on Internal Control Over Compliance

Management of Hacienda La Puente 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 Hacienda La Puente 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.



Murrieta, California
December 23, 2020



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Hacienda La Puente Unified School District
City of Industry, California

Report on State Compliance

We have audited Hacienda La Puente Unified School District's compliance with the types of compliance requirements described in the *2019-20 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 Hacienda La Puente Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2020.

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 Hacienda La Puente 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 *2019-20 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 Hacienda La Puente 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 Hacienda La Puente 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	Yes
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	Yes
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	Yes
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

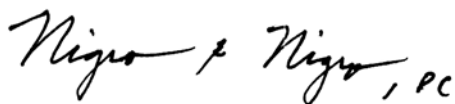
In our opinion, Hacienda La Puente Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2020.

Other Matter(s)

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to previously, which are required to be reported in accordance with the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which are described in the accompanying schedule of findings and questioned costs as Finding 2020-001. Our opinion on each state program is not modified with respect to these matters.

District's Response to Finding

Hacienda La Puente Unified School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Hacienda La Puente 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.



Murrieta, California
December 23, 2020

Findings and Questioned Costs

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HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	<u>No</u>
Identification of major programs:	
CFDA Numbers	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	<u>Child Nutrition Cluster</u>
10.558	<u>Child and Adult Care Food Program Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 853,112</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Schedule of Audit Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2020

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 2019-20.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

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 2019-20.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Schedule of Audit Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2020

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Finding 2020-001: CALPADS Unduplicated Pupil Count (40000)

Criteria: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b)(2) and 42238.02(b)(1)).
- Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition: During our testing of the students who receive Free and Reduced-Price Meals (FRPM) reported in the CALPADS 1.17 and 1.18 reports, we noted 10 students who were classified as free or reduced but did not have an application or income eligibility form on file to support the designation prior to October 31.

Context: We noted 10 exceptions out of 91 FRPM only students tested. Exceptions were noted at five sites. We extrapolated the error rate at each site to arrive at a total extrapolated exception count of 79.

Cause: The District mistakenly imported a 2018/19 direct certification file from CALPADS into the 2019/20 year. Several of the students who were eligible for direct certification status in 2018/19 were no longer eligible in 2019/20 and therefore were noted as exceptions during audit.

Effect: There is a questioned cost of \$157,550 calculated using the CDE audit penalty calculator. The unduplicated pupil counts in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes:

Program/Site:	Adjusted based on		Adjusted Total
	CALPADS	eligibility for: FRPM	
Cedarlane Academy	428	(7)	421
La Puente High	913	(39)	874
Newton Middle	350	(10)	340
Valley Alternative High	93	(13)	80
Wing Lane Elementary	275	(10)	265
Aggregate remaining sites	10,881	-	10,881
District-wide	12,940	(79)	12,861

Total enrollment of 17,826 was not adjusted based on the results of our procedures.

Recommendation: We recommend that the District implement a procedure to ensure proper document retention as well as reviewing the CALPADS information prior to the report's submission to the California Department of Education.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT

Schedule of Audit Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2020

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2020-001: CALPADS Unduplicated Pupil Count (40000) (continued)

Views of Responsible Officials: Network & Computer Services Department and Food Services Department recognize that it is an interdepartmental effort to ensure compliance for the unduplicated pupil count. Both departments will implement annual training on processing and uploading of the DC list to ensure accuracy and compliance.

HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2020

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



To the Board of Education
Hacienda La Puente Unified School District
City of Industry, California

In planning and performing our audit of the basic financial statements of Hacienda La Puente Unified School District for the fiscal year ending June 30, 2020, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 December 23, 2020, on the financial statements of Hacienda La Puente Unified School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: During our cash receipts testing at **Wilson High, Los Altos High, and Cedarlane Academy** we noted receipts that lacked sufficient supporting documentation.

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.

DISTRICT OFFICE

Observation: The collective bargaining agreement with CSEA specifies that by the end of the fiscal year, employees shall not have an earned vacation balance that exceeds more than can be earned in a fiscal year unless the employee has the written approval of the superintendent or a designee. While the maximum amount differs based on employees' years of service, the maximum amount for any CSEA employee is 24 days, or 192 hours. Management employees do not have a stated maximum, but "best practices" dictate that the same limits should apply to management employees. A significant number of classified employees, both CSEA members and non-members, are carrying accrued vacation balances significantly in excess of 24 days. The liability for those accrued vacation balances continues to grow each year as each employee's hourly rate of pay is increased for step and column changes, as well as negotiated salary increases. At June 30, 2020, the liability for accrued vacation balances exceeds \$4.5 million.

Recommendation: In order to prevent the liability from continuing to grow to excessive amounts, the District should investigate either requiring employees to take more vacation, paying off some of the excessive balances, or enforcing the cap limitation so that once employees reach the accrued vacation cap, they may not accrue additional vacation.

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

Nigro & Nigro, PC

Murrieta, California
December 23, 2020