



Financial Statements
June 30, 2020

Norwalk-La Mirada Unified School District

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Independent Auditor's Report

To the Governing Board
Norwalk-La Mirada Unified School District
Norwalk, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Norwalk-La Mirada Unified School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15, budgetary comparison information on page 85, schedule of changes in the District's total OPEB liability and related ratios on page 86, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 87, schedule of the District's proportionate share of the net pension liability on page 88, and the schedule of District contributions on page 89, 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 Norwalk-La Mirada Unified School District's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 3, 2021 on our consideration of Norwalk-La Mirada Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Norwalk-La Mirada Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Norwalk-La Mirada Unified School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
February 3, 2021



NORWALK - LA MIRADA UNIFIED SCHOOL DISTRICT
Every Student. Future Ready. Our Promise!

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets and deferred outflows of resources of the District (including capital assets), as well as all liabilities and deferred inflows of resources (including long-term liabilities). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

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

The Primary unit of the government is the Norwalk-La Mirada Unified School District.

BOARD OF EDUCATION

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REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

Business - Type Activities - The District charges fees to help it cover the costs of certain services it provides. The District's child care program is included here.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities and voluntary payroll withholdings. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$(38,180,612) for the fiscal year ended June 30, 2020. Of this amount, \$(275,390,827) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's activities.

Table 1

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 189,133,909	\$ 218,125,911	\$ 676,396	\$ 618,895	\$ 189,810,305	\$ 218,744,806
Capital assets	379,312,466	349,598,003	-	-	379,312,466	349,598,003
Total assets	568,446,375	567,723,914	676,396	618,895	569,122,771	568,342,809
Deferred outflows of resources	65,060,371	73,633,045	163,603	195,527	65,223,974	73,828,572
Liabilities						
Current liabilities	33,486,852	27,901,176	16,690	36,715	33,503,542	27,937,891
Long-term liabilities other than OPEB and Pensions	338,217,082	346,381,684	-	-	338,217,082	346,381,684
Other postemployment benefits (OPEB) liability	30,067,305	27,076,979	80,063	85,596	30,147,368	27,162,575
Aggregate net pension liability	252,352,145	251,974,502	715,133	672,933	253,067,278	252,647,435
Total liabilities	654,123,384	653,334,341	811,886	795,244	654,935,270	654,129,585
Deferred inflows of resources	17,563,974	13,359,130	28,113	19,178	17,592,087	13,378,308
Net Position						
Net investment in capital assets	192,891,552	180,381,856	-	-	192,891,552	180,381,856
Restricted	44,318,663	49,302,369	-	-	44,318,663	49,302,369
Unrestricted	(275,390,827)	(255,020,737)	-	-	(275,390,827)	(255,020,737)
Total net position	\$ (38,180,612)	\$ (25,336,512)	\$ -	\$ -	\$ (38,180,612)	\$ (25,336,512)

The \$(275,390,827) in unrestricted net position represents the accumulated results of all past years' operations. This unrestricted net position now includes the long-term liabilities from pension benefits as required under GASB 67/68, impacting the overall net position. The unrestricted net position (deficit) - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$20,370,090, or 8.0 percent, from the previous year (\$(275,390,827) compared to \$(255,020,737)).

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on pages 17 and 18. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	\$ 1,276,559	\$ 1,697,284	\$ 705,017	\$ 958,031	\$ 1,981,576	\$ 2,655,315
Operating grants and contributions	54,107,310	55,073,645	1,428	1,076	54,108,738	55,074,721
General revenues						
Federal and State aid not restricted	153,685,250	156,537,915	-	-	153,685,250	156,537,915
Property taxes	56,435,328	54,130,938	-	-	56,435,328	54,130,938
Other general revenues	19,212,321	22,947,981	11,048	13,943	19,223,369	22,961,924
Total revenues	284,716,768	290,387,763	717,493	973,050	285,434,261	291,360,813
Expenses						
Instruction-related	196,033,170	196,497,442	-	-	196,033,170	196,497,442
Pupil services	34,514,067	35,672,123	-	-	34,514,067	35,672,123
Administration	13,939,242	13,762,685	-	-	13,939,242	13,762,685
Plant services	24,928,162	27,401,577	-	-	24,928,162	27,401,577
All other services	28,007,031	25,210,468	856,689	855,529	28,863,720	26,065,997
Total expenses	297,421,672	298,544,295	856,689	855,529	298,278,361	299,399,824
Transfers	(139,196)	122,736	139,196	(122,736)	-	-
Change in net position	<u>\$ (12,844,100)</u>	<u>\$ (8,033,796)</u>	<u>\$ -</u>	<u>\$ (5,215)</u>	<u>\$ (12,844,100)</u>	<u>\$ (8,039,011)</u>

Governmental Activities

As reported in the *Statement of Activities* on pages 17 and 18, the cost of all of our governmental activities this year was \$297,421,672, a decrease of \$1,122,623 or 0.4 percent over the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes is only a small portion equating to 19.0 percent of overall expenditures and the vast majority of expenditures were paid by those who benefited from the programs (\$1,276,559) or by other governments and organizations who subsidized certain programs with grants and contributions (\$54,107,310). We paid for the remaining "public benefit" portion of our governmental activities with \$172,897,571 from Federal and State unrestricted funds and from other revenue sources, such as interest and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction-related	\$ 196,033,170	\$ 196,497,442	\$ (155,030,884)	\$ (157,162,129)
Pupil services	34,514,067	35,672,123	(22,639,032)	(22,065,328)
Administration	13,939,242	13,762,685	(12,638,653)	(11,754,350)
Plant services	24,928,162	27,401,577	(24,380,089)	(26,033,724)
All other services	28,007,031	25,210,468	(27,349,145)	(24,757,835)
Total	\$ 297,421,672	\$ 298,544,295	\$ (242,037,803)	\$ (241,773,366)

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$130,588,169, which is a decrease of \$34,476,564, or 20.9 percent from last year. An itemized chart is provided below labeled as Table 4.

Table 4

Governmental Fund	Balances and Activity			
	June 30, 2019	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2020
General	\$ 41,055,692	\$ 230,484,849	\$ 226,964,219	\$ 44,576,322
Building	83,505,537	1,321,466	35,014,354	49,812,649
Bond Interest and Redemption	24,851,553	20,177,684	21,306,326	23,722,911
Adult Education	1,899,551	5,285,214	7,035,249	149,516
Child Development	86,316	13,093,822	13,091,980	88,158
Cafeteria	5,225,112	10,100,978	12,039,665	3,286,425
Deferred Maintenance	-	799,647	799,647	-
Capital Facilities	545	133,789	128,684	5,650
Special Reserve Fund for Capital Outlay Projects	8,440,427	2,964,895	2,458,784	8,946,538
Total	\$ 165,064,733	\$ 284,362,344	\$ 318,838,908	\$ 130,588,169

The primary reasons for these decreases are:

- The Building Fund decreased \$33.69 million from \$83.51 million to \$49.81 million, as a result of continued construction and modernization improvements of District facilities with general obligation bond funds. The 2020-2021 school year projects consisted of the completion of Morrison Elementary School and Los Alisos Middle School multi-purpose rooms, and John Glenn High School athletic field project; and the La Mirada High School gymnasium and lockerooms and Norwalk High School athletic field projects are currently in construction.
- The Adult Education Fund and Cafeteria Fund had fund balance decreases of \$1.75 million and \$1.94 million respectively, for one-time site upgrades at the Excelsior site and kitchen equipment and improvements. The Cafeteria Fund also saw a substantial increase in meal service due to the pandemic.
- The General Fund is inclusive of the Special Reserve Fund for Postemployment Benefits (Fund 20) in accordance with GASB 54 Fund Balance Regulations and increased from \$41.1 million to \$44.58 million or -\$3.52 million for both unrestricted and restricted sources.
 - The unrestricted General Fund increased \$4.07 million primarily due to school closures caused by the pandemic, resulting in nearly \$3.0 million in operating savings. LCFF increases provided for a one-percent salary increase and higher health benefits contributions to employees.
 - The restricted General Fund decreased \$0.55 million from using one-time grants received from the state, such as, the Coronavirus Relief Fund (\$0.17 million), Special Education Mental Health (\$0.16 million) and Low-Performing Students Block Grant (\$0.19 million).

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on May 4, 2020. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on Page 85, and a summary of the major budgetary changes are provided below.)

- Original 2019-2020 budget assumptions projected a decrease in the estimated fund balance of -\$3.19 million, and final revisions in May projected an improvement of \$2.30 million for an estimated -\$0.88 million change in the fund balance. Final budgetary revenue and expenditure changes, inclusive of transfers in/out were \$0.52 million and \$2.82 million lower respectively, than the original Adopted Budget. Noteworthy budget revisions made over the course of the year are outlined below:

Revenue Changes:

- Local Control Funding Formula, also known as LCFF, decreased from the original budget to final projections with a total budgetary change of -0.72 percent or \$1.34 million; due to changes in enrollment and the unduplicated pupil counts/ratios which are critical components for receiving supplement and concentration funding.
- Budgeted Federal revenues decreased 10.05 percent or \$1.20 million due to school closures caused by the pandemic and resulted in deferred revenue or carryover funds in the major Title programs.
- State revenues were revised from \$27.07 million to \$28.69 million, an increase of \$1.62 million primarily due one-time state funding received for special education preschool of \$1.3 million and other new one-time grants to meet specific student learning needs.

- o Local revenue revisions were \$0.18 million, increasing the original budget figures from \$1.97 million to \$2.15 million. Local donations and new grants from local County agencies were received and incorporated.
- o Budgeted income for transfers-in was increased in total by \$0.22 million to cover the additional retiree health benefits pay-as-you go portion of \$0.13 million and \$0.08 million for funds held in trust.

Expenditure Changes:

- o Certificated and Classified Salaries and Employee Benefits were \$1.31 million lower collectively than the Adopted Budget. Savings in substitute and extra-pay costs were realized due to school closures caused by the pandemic, and health benefits increased to cover district contributions for premiums.
- o Books, supplies, services and operating budgets were also impacted by the pandemic and were lowered by \$1.59 million, or 6.26 percent from the original budget of \$25.45 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had \$379,312,466 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$29,714,463, or 8.5 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2020	2019
Land and construction in progress	\$ 63,557,333	\$ 81,642,048
Buildings and improvements	306,070,707	257,427,386
Equipment	9,684,426	10,528,569
Total	\$ 379,312,466	\$ 349,598,003

Capital assets represent one of the largest investments for the District due to number of sites and recent improvements made with general obligation bonds. Modernization and construction projects continue to progress, and a more detailed explanation is outlined in Note 5.

Significant increases to capital assets included the La Mirada High School gymnasium and Norwalk High School stadium project which consists of new athletic fields, concession stands, synthetic tracks, lighting, landscaping, and various other land & building improvements currently underway. Additionally, Morrison Elementary and Los Coyotes Middle School multi-purpose room projects were also completed.

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

At the end of this year, the District had \$338,217,082 in long-term liabilities other than OPEB and pension versus \$346,381,684 last year, a decrease of 2.4 percent. Those liabilities consisted of:

Table 6

	Governmental Activities	
	2020	2019
Long-Term Liabilities		
General obligation bonds	\$ 308,605,002	\$ 315,875,498
Premium on issuance	12,349,694	13,026,139
Certificates of participation (Qualified Academy Zone Bonds)	2,770,165	2,770,165
Capital leases	84,000	105,000
Compensated absences	3,029,431	3,102,431
Claims liability	11,246,525	11,325,142
SELF workers' compensation assessment	132,265	177,309
Total	<u>\$ 338,217,082</u>	<u>\$ 346,381,684</u>

The District's general obligation bond rating is Aa3 assigned by Moody's Investors Service. The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the district's boundaries. The District's long-term liabilities decrease was primarily from payments on maturing general obligation bonds.

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

OPEB and Pension Liabilities

At year-end, the District had an OPEB liability of \$30,067,305 in the governmental activities and \$80,063 in the business-type activities versus \$27,076,979 and \$85,596 in the previous year. This represents change of \$2,990,326, or 11.0 percent, and \$(5,533), or 6.5 percent, for the governmental activities and business-type activities, respectively.

At year-end, the District had a pension liability of \$252,352,145 in the governmental activities and \$715,133 in the business-type activities versus \$251,974,502 and \$672,933 in the previous year. This represents change of \$377,643, or 0.1 percent, and \$42,200, or 6.3 percent, for the governmental activities and business-type activities, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The District's projected budgeted income for the total General Fund is \$208.69 million. Unrestricted totals are \$142.22 million or 68.2 percent of all General Fund revenues, and restricted revenues are budgeted at \$66.47 million. The key assumptions in our revenue forecast are:

- LCFF income is projected at \$165.79 million (inclusive of EPA funding and property taxes), representing 79.4 percent of all revenue sources, which represents a significant decrease from prior year estimated actuals. The decrease is a result of the Governor's Budget which suspended the COLA and included a 10 percent reduction, resulting in an estimated reduction of over \$18 million in LCFF.
 - LCFF revenue sources are budgeted at \$10,190/ADA, a decrease of \$827 per ADA from 2019-2020 estimated funding levels. Projected Second Period Apportionment (P2 ADA) is calculated at 16,620 excluding non-public school and County Operated Programs. Enrollment projections indicate a decline in student population, in addition to changes to the "unduplicated pupil counts" that directly effects LCFF funding. Under the funding provision for LCFF, the District is eligible to claim the higher totals between current and prior year ADA; consequently, budget projections for 2020-2021 are based using 2019-2020 generated ADA.
 - Property tax revenues have been increasing in recent years due to stronger assessed valuations and the shift of community redevelopment property tax funds from cities to districts. Revenues are estimated \$28.79 million, or 13.79 percent of total budgeted revenues.
 - Education Protection Account funding was also established to collect and disburse the temporary taxes generated under Proposition 30, which was extended under Proposition 55. EPA revenues are estimated at \$20.57 million; and similar to property taxes, any changes in EPA funding is offset by a change in LCFF.
- Federal income is budgeted at \$11.96 million, an increase of \$1.19 million from the previous budget reporting period. The funding increase is a result of carryover funds and deferred revenues budgeted from prior year.
- Income from State funding sources is budgeted at \$28.47 million, a decrease of \$0.22 million or 0.76 percent from the District's final budget amounts. The decrease was primarily due to the loss one-time unrestricted Special Education preschool funds, Special Ed AB602 funding and other one-time state grants which was offset by \$1.36 million in budgeted carryover funds.
- Local revenues are projected to be \$1.54 million, or \$0.61 million lower than prior year estimates from the loss of one-time site donations, and carryover funds.
- Other Financing Sources (transfers-in) include Board of Education approved transfers to support and fund specific identified activities, such as child-care and OPEB, and are budgeted at \$0.93 million.

The District's total General Fund expenditures are budgeted at \$222.50 million. Unrestricted expenditures are budgeted at \$155.42 million and restricted expenditures are budgeted at \$67.08 million. Salaries and benefits represent 88.1 percent of all expenditures and the remaining 11.9 percent is allocated to books, materials, supplies, capital equipment, other operating expenditures, and other uses. Expenditures are based on the following forecasts:

- Salaries for certificated and classified personnel total \$134.57 million. Staffing ratios approved in policy and employee contracts are included in the proposed budget and reflect the unrestricted salaries of 633 classroom teachers, 46 certificated site administrators, 32 counselors, 19 other certificated staff, 45 certificated and classified management staff, 7 confidential employees and 516 classified site and district staff. Provided below are teacher staffing ratios, while classified staffing is designed by school-site levels.

	Staffing Ratio	Enrollment Projections
Grades kindergarten through third	24.2:1	4,550
Grades four through five	31:1	2,432
Grades six through eight	30:1	3,691
Grades nine through twelve	28.8:1	4,950

- Salary projections include the following:
 - o Negotiations for the 2019-2020 were settled with both bargaining associations and the cost of the 1.00 percent cost-of-living increases are budgeted; however, 2020-2021 negotiations remain unsettled and are ongoing.
 - For informational purposes only, the estimated cost of a 1.0 percent salary improvement for all employees is \$1.6 million.
 - o Step, scale, and longevity increases estimated at \$1.0 million, which has been adjusted for attrition.
- Employee benefits are budgeted at \$61.48 million and include statutory benefits for all positions as follows: (STRS 16.15 percent, PERS 20.70 percent, OASDI 6.2 percent, Medicare 1.45 percent, SUI 0.05 percent, Workers' Comp 1.91 percent, Alternative Retirement 5.00 percent, and OPEB 0.059 percent.).
 - o STRS and PERS rates have been increasing from previous years which were 16.15 and 20.70 percent, respectively. Future increases are scheduled to be phased-in over the next six years to eliminate the outstanding liabilities and estimated to impact the District's multi-year projections by over \$2.71 million through 2022-2023.
 - o The District also negotiates changes to the contribution for each active employee eligible for health and welfare benefits. The rate of \$10,350 remains unchanged from the previous year and the District also contributes an additional \$1.0 million annually to mitigate future medical premium increases. The District contribution to cover retiree's pay-as-you go portion, is estimated at \$0.92 million.

- \$26.5 million of the total General Fund operating budget is allocated for books, supplies (\$7.71 million), other operating expenses and services (\$16.31 million), capital outlay (\$0.28 million), and other-outgo and uses (\$2.16 million). Other operating expenditures include items such as instructional materials, supplies, equipment, insurance fees, software licensing, maintenance and support agreements, utilities, contracted services, consultants, conference attendance requests, indirect costs, and inter-fund transfers.
- Staff presented the LCAP and use of supplemental and concentration funds to meet the needs of the targeted students (also known as the proportionality percentage) as required by statute to the Board of Education, which was approved and included in the 2020-2021 District Budget. Total funding required to meet the proportionality percentage requirement is budgeted at \$33.0 million, resulting in a minimum proportionality percentage 25.55 percent.
- The Budget also contains continued progress for the fiscal contingency plan and includes budget savings of \$1.08 million from various business services operations discretionary accounts, \$2.5 million from one-time carryover accounts and 4.7 million from reductions and realigning instructional programs and services for students

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Estuardo Santillan, Assistant Superintendent, Business Services or Manuel Cardoso, Director of Fiscal Services at Norwalk-La Mirada Unified School District, 12820 Pioneer Blvd, Norwalk, California, 90650, or e-mail at esantillan@nlmusd.k12.ca.us and mcardoso@nlmusd.k12.ca.us.

Norwalk-La Mirada Unified School District

Statement of Net Position

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Deposits and investments	\$ 156,551,162	\$ 672,190	\$ 157,223,352
Receivables	29,975,197	4,206	29,979,403
Prepaid items	2,242,653	-	2,242,653
Stores inventories	364,897	-	364,897
Capital assets not depreciated	63,557,333	-	63,557,333
Capital assets, net of accumulated depreciation	315,755,133	-	315,755,133
Total assets	568,446,375	676,396	569,122,771
Deferred Outflows of Resources			
Deferred charge on refunding	572,871	-	572,871
Deferred outflows of resources related to other postemployment benefits (OPEB)	1,442,770	4,160	1,446,930
Deferred outflows of resources related to pensions	63,044,730	159,443	63,204,173
Total deferred outflows of resources	65,060,371	163,603	65,223,974
Liabilities			
Accounts payable	29,579,225	3,855	29,583,080
Accrued interest payable	2,358,268	-	2,358,268
Unearned revenue	1,549,359	12,835	1,562,194
Long-term liabilities			
Long-term liabilities other than OPEB and pensions due within one year	21,845,500	-	21,845,500
Long-term liabilities other than OPEB and pensions due in more than one year	316,371,582	-	316,371,582
Other postemployment benefits liability	30,067,305	80,063	30,147,368
Aggregate net pension liability	252,352,145	715,133	253,067,278
Total liabilities	654,123,384	811,886	654,935,270
Deferred Inflows of Resources			
Deferred inflows of resources related to other postemployment benefits (OPEB)	913,333	2,536	915,869
Deferred inflows of resources related to pensions	16,650,641	25,577	16,676,218
Total deferred inflows of resources	17,563,974	28,113	17,592,087
Net Position			
Net investment in capital assets	192,891,552	-	192,891,552
Restricted for			
Debt service	23,998,418	-	23,998,418
Capital projects	5,650	-	5,650
Educational programs	1,060,146	-	1,060,146
Other activities	19,254,449	-	19,254,449
Unrestricted (deficit)	(275,390,827)	-	(275,390,827)
Total net position (deficit)	\$ (38,180,612)	\$ -	\$ (38,180,612)

Norwalk-La Mirada Unified School District

Statement of Activities

Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities						
Instruction	\$ 157,673,083	\$ 66,390	\$ 32,792,715	\$ (124,813,978)	\$ -	\$ (124,813,978)
Instruction-related activities						
Supervision of instruction	16,196,310	20,785	5,791,650	(10,383,875)	-	(10,383,875)
Instructional library, media, and technology	2,871,546	-	204,818	(2,666,728)	-	(2,666,728)
School site administration	19,292,231	16,732	2,109,196	(17,166,303)	-	(17,166,303)
Pupil services						
Home-to-school transportation	6,931,626	-	126,671	(6,804,955)	-	(6,804,955)
Food services	11,662,186	1,098,446	7,588,150	(2,975,590)	-	(2,975,590)
All other pupil services	15,920,255	4,974	3,056,794	(12,858,487)	-	(12,858,487)
Administration						
Data processing	3,451,137	-	-	(3,451,137)	-	(3,451,137)
All other administration	10,488,105	49,332	1,251,257	(9,187,516)	-	(9,187,516)
Plant services	24,928,162	19,900	528,173	(24,380,089)	-	(24,380,089)
Ancillary services	1,228,593	-	42,194	(1,186,399)	-	(1,186,399)
Enterprise services	483,693	-	5,343	(478,350)	-	(478,350)
Interest on long-term liabilities	14,110,381	-	-	(14,110,381)	-	(14,110,381)
Other outgo	969,540	-	610,349	(359,191)	-	(359,191)
Depreciation (unallocated) ¹	11,214,824	-	-	(11,214,824)	-	(11,214,824)
Total governmental activities	297,421,672	1,276,559	54,107,310	(242,037,803)	-	(242,037,803)
Business-Type Activities						
Enterprise services	856,689	705,017	1,428	-	(150,244)	(150,244)
Total School District	\$ 298,278,361	\$ 1,981,576	\$ 54,108,738	(242,037,803)	(150,244)	(242,188,047)

¹ This amount excludes any depreciation that is included in the direct expenses of the various programs.

Norwalk-La Mirada Unified School District

Statement of Activities

Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
General Revenues and Subventions						
Property taxes, levied for general purposes				\$ 35,291,998	\$ -	\$ 35,291,998
Property taxes, levied for debt service				19,856,365	-	19,856,365
Taxes levied for other specific purposes				1,286,965	-	1,286,965
Federal and State aid not restricted to specific purposes				153,685,250	-	153,685,250
Interest and investment earnings				1,288,307	11,048	1,299,355
Miscellaneous				17,924,014	-	17,924,014
Subtotal, general revenues				229,332,899	11,048	229,343,947
Transfers				(139,196)	139,196	-
Total general revenues and transfers				229,193,703	150,244	229,343,947
Change in Net Position				(12,844,100)	-	(12,844,100)
Net Position - Beginning				(25,336,512)	-	(25,336,512)
Net Position - Ending				\$ (38,180,612)	\$ -	\$ (38,180,612)

Norwalk-La Mirada Unified School District

Balance Sheet – Governmental Funds

June 30, 2020

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 32,154,657	\$ 57,902,064	\$ 23,722,911	\$ 10,545,152	\$ 124,324,784
Receivables	26,549,591	197,705	-	3,116,199	29,863,495
Due from other funds	615,826	-	-	-	615,826
Prepaid expenditures	132,017	-	-	-	132,017
Stores inventories	56,881	-	-	308,016	364,897
Total assets	\$ 59,508,972	\$ 58,099,769	\$ 23,722,911	\$ 13,969,367	\$ 155,301,019
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 13,383,947	\$ 8,287,120	\$ -	\$ 876,598	\$ 22,547,665
Due to other funds	-	-	-	615,826	615,826
Unearned revenue	1,548,703	-	-	656	1,549,359
Total liabilities	14,932,650	8,287,120	-	1,493,080	24,712,850
Fund Balances					
Nonspendable	313,898	-	-	308,016	621,914
Restricted	1,060,146	49,812,649	23,722,911	5,855,508	80,451,214
Assigned	6,166,656	-	-	6,312,763	12,479,419
Unassigned	37,035,622	-	-	-	37,035,622
Total fund balances	44,576,322	49,812,649	23,722,911	12,476,287	130,588,169
Total liabilities and fund balances	\$ 59,508,972	\$ 58,099,769	\$ 23,722,911	\$ 13,969,367	\$ 155,301,019

Norwalk-La Mirada Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

Total Fund Balance - Governmental Funds		\$ 130,588,169
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 528,204,636	
Accumulated depreciation is	<u>(148,892,170)</u>	
Net capital assets		379,312,466
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(2,358,268)
An Internal Service Fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.		16,038,366
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Deferred charge on refunding	572,871	
Net other postemployment benefits liability	1,442,770	
Net pension liability	<u>63,044,730</u>	
Total deferred outflows of resources		65,060,371
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Net other postemployment benefits liability	(913,333)	
Net pension liability	<u>(16,650,641)</u>	
Total deferred inflows of resources		(17,563,974)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(252,352,145)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(30,067,305)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	(221,602,575)	
Premium on issuance	(12,349,694)	
Certificates of participation (QZAB program)	(2,770,165)	
Capital leases	(84,000)	
Compensated absences (vacations)	(3,029,431)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(87,002,427)</u>	
Total long-term liabilities		(326,838,292)
Total net position - governmental activities		<u>\$ (38,180,612)</u>

Norwalk-La Mirada Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

	General Fund	Building Fund	Bond Interest and Redemption Fund
Revenues			
Local Control Funding Formula	\$ 184,386,032	\$ -	\$ -
Federal sources	11,224,494	-	-
Other State sources	32,368,754	-	147,082
Other local sources	2,455,569	1,321,466	20,030,602
	<u>230,434,849</u>	<u>1,321,466</u>	<u>20,177,684</u>
Total revenues	<u>230,434,849</u>	<u>1,321,466</u>	<u>20,177,684</u>
Expenditures			
Current			
Instruction	137,482,409	-	-
Instruction-related activities			
Supervision of instruction	13,701,938	-	-
Instructional library, media, and technology	2,607,791	-	-
School site administration	14,425,596	-	-
Pupil services			
Home-to-school transportation	6,465,180	-	-
Food services	68,796	-	-
All other pupil services	14,464,691	-	-
Administration			
Data processing	3,258,436	-	-
All other administration	9,360,250	-	-
Plant services	21,786,486	453,978	-
Ancillary services	1,180,377	-	-
Other outgo	969,540	-	-
Enterprise services	-	-	-
Facility acquisition and construction	63,727	34,560,376	-
Debt service			
Principal	-	-	16,290,000
Interest and other	-	-	5,016,326
	<u>225,835,217</u>	<u>35,014,354</u>	<u>21,306,326</u>
Total expenditures	<u>225,835,217</u>	<u>35,014,354</u>	<u>21,306,326</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,599,632</u>	<u>(33,692,888)</u>	<u>(1,128,642)</u>
Other Financing Sources (Uses)			
Transfers in	50,000	-	-
Transfers out	(1,129,002)	-	-
	<u>(1,079,002)</u>	<u>-</u>	<u>-</u>
Net Financing Sources (Uses)	<u>(1,079,002)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	3,520,630	(33,692,888)	(1,128,642)
Fund Balance - Beginning	41,055,692	83,505,537	24,851,553
Fund Balance - Ending	<u>\$ 44,576,322</u>	<u>\$ 49,812,649</u>	<u>\$ 23,722,911</u>

Norwalk-La Mirada Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

	Non-Major Governmental Funds	Total Governmental Funds
Revenues		
Local Control Funding Formula	\$ -	\$ 184,386,032
Federal sources	18,676,650	29,901,144
Other State sources	7,521,218	40,037,054
Other local sources	5,240,671	29,048,308
	<u>31,438,539</u>	<u>283,372,538</u>
Total revenues		
Expenditures		
Current		
Instruction	10,190,461	147,672,870
Instruction-related activities		
Supervision of instruction	1,558,500	15,260,438
Instructional library, media, and technology	5,303	2,613,094
School site administration	3,549,132	17,974,728
Pupil services		
Home-to-school transportation	-	6,465,180
Food services	11,325,505	11,394,301
All other pupil services	422,406	14,887,097
Administration		
Data processing	-	3,258,436
All other administration	582,151	9,942,401
Plant services	1,652,536	23,893,000
Ancillary services	-	1,180,377
Other outgo	-	969,540
Enterprise services	368,534	368,534
Facility acquisition and construction	5,878,481	40,502,584
Debt service		
Principal	21,000	16,311,000
Interest and other	-	5,016,326
	<u>35,554,009</u>	<u>317,709,906</u>
Total expenditures		
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,115,470)</u>	<u>(34,337,368)</u>
Other Financing Sources (Uses)		
Transfers in	939,806	989,806
Transfers out	-	(1,129,002)
	<u>939,806</u>	<u>(139,196)</u>
Net Financing Sources (Uses)		
Net Change in Fund Balances	(3,175,664)	(34,476,564)
Fund Balance - Beginning	<u>15,651,951</u>	<u>165,064,733</u>
Fund Balance - Ending	<u>\$ 12,476,287</u>	<u>\$ 130,588,169</u>

Norwalk-La Mirada Unified School District

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

Total Net Change in Fund Balances - Governmental Funds	\$ (34,476,564)
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Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

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

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

Capital outlays	\$ 40,929,287	
Depreciation expense	<u>(11,214,824)</u>	
Net expense adjustment		29,714,463

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) 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, vacation earned was less than the amount used by \$73,000.

73,000

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

(13,847,361)

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

(2,262,544)

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

General obligation bonds		16,290,000
Capital leases		21,000

Norwalk-La Mirada Unified School District

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

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of premium on issuance	\$ 676,445
Amortization of deferred charge on refunding	(35,582)

Interest on long-term liabilities in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds and the certificates of participation increased by \$715,414, and second, \$9,019,504 of accumulated interest was accreted on the District's capital appreciation general obligation bonds.

(9,734,918)

An Internal Service Fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

737,961

Change in net position of governmental activities

\$ (12,844,100)

Norwalk-La Mirada Unified School District
Statement of Net Position – Proprietary Funds
June 30, 2020

	Business-Type Activities Enterprise Fund Child Care Enterprise	Governmental Activities Internal Service Fund
Assets		
Current assets		
Deposits and investments	\$ 672,190	\$ 32,226,378
Receivables	4,206	111,702
Prepaid expenses	-	2,110,636
Total current assets	<u>676,396</u>	<u>34,448,716</u>
Deferred Outflows of Resources		
Deferred outflows of resources related to other postemployment benefits (OPEB)	4,160	-
Deferred outflows of resources related to pensions	<u>159,443</u>	<u>-</u>
Total deferred outflows of resources	<u>163,603</u>	<u>-</u>
Liabilities		
Current liabilities		
Accounts payable	3,855	7,031,560
Unearned revenue	12,835	-
Current portion of SELF assessment	-	45,044
Current portion of claims liability	<u>-</u>	<u>2,509,291</u>
Total current liabilities	<u>16,690</u>	<u>9,585,895</u>
Noncurrent liabilities		
Long-term liabilities other than OPEB and pensions due in more than one year	-	8,824,455
Total OPEB liability	80,063	-
Aggregate net pension liability	<u>715,133</u>	<u>-</u>
Total noncurrent liabilities	<u>795,196</u>	<u>8,824,455</u>
Total liabilities	<u>811,886</u>	<u>18,410,350</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to OPEB	2,536	-
Deferred inflows of resources related to pensions	<u>25,577</u>	<u>-</u>
Total deferred outflows of resources	<u>28,113</u>	<u>-</u>
Net Position		
Restricted	<u>\$ -</u>	<u>\$ 16,038,366</u>

Norwalk-La Mirada Unified School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2020

	Business-Type Activities Enterprise Fund Child Care Enterprise	Governmental Activities Internal Service Fund
Operating Revenues		
Local and intermediate sources	\$ 705,017	\$ 33,901,623
Operating Expenses		
Payroll costs	766,323	235,789
Professional and contract services	18,718	33,397,858
Supplies and materials	71,648	4,334
Total operating expenses	856,689	33,637,981
Operating Income (Loss)	(151,672)	263,642
Nonoperating Revenues (Expenses)		
Grants	1,428	-
Interest income	11,048	474,319
Total nonoperating revenues (expenses)	12,476	474,319
Income (loss) before transfers	(139,196)	737,961
Transfers in	189,196	-
Transfers out	(50,000)	-
Change in Net Position	-	737,961
Total Net Position - Beginning	-	15,300,405
Total Net Position - Ending	\$ -	\$ 16,038,366

Norwalk-La Mirada Unified School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2020

	Business-Type Activities Enterprise Fund <u>Child Care Enterprise</u>	Governmental Activities <u>Internal Service Fund</u>
Operating Activities		
Cash receipts from customers	\$ 713,146	\$ -
Cash received from assessments made to other funds	-	33,876,446
Cash payments to employees for services	(688,797)	(235,789)
Cash payments to suppliers of goods or services	(89,475)	(33,350,605)
Other operating cash payments	(18,718)	(2,074)
Net Cash Provided by (Used for) Operating Activities	<u>(83,844)</u>	<u>287,978</u>
Noncapital Financing Activities		
Transfers in	189,196	-
Transfers out	(50,000)	-
Non-operating grants received	1,428	-
Net Cash Provided by Noncapital Financing Activities	<u>140,624</u>	<u>-</u>
Investing Activities		
Interest on investments	13,165	544,739
Net Change in Cash and Cash Equivalents	69,945	832,717
Cash and Cash Equivalents, Beginning	602,245	31,393,661
Cash and Cash Equivalents, Ending	<u>\$ 672,190</u>	<u>\$ 32,226,378</u>
Reconciliation of Operating Income (loss) to Net Cash Provided by (Used for) Operating Activities		
Operating income (loss)	\$ (151,672)	\$ 263,642
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Receivables	10,327	(25,177)
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	537	-
Deferred outflows of resources related to pensions	31,387	-
Prepaid expenses	-	(99,663)
Accounts payable	(17,827)	272,837
Unearned revenue	(2,198)	-
Deferred inflows of resources related to other postemployment benefits (OPEB) liability	(744)	-
Deferred inflows of resources related to pensions	9,679	-
Claims liability and self workers' compensation assessment	-	(123,661)
Net other postemployment benefits (OPEB) liability	(5,533)	-
Net pension liability	42,200	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ (83,844)</u>	<u>\$ 287,978</u>

Norwalk-La Mirada Unified School District

Statement of Net Position – Fiduciary Funds

June 30, 2020

	Scholarship Trust	Agency Funds	Total Fiduciary Funds
Assets			
Deposits and investments	\$ 240,786	\$ 2,322,329	\$ 2,563,115
Receivables	718	-	718
Total assets	\$ 241,504	\$ 2,322,329	\$ 2,563,833
Liabilities			
Due to student groups	\$ -	\$ 867,264	\$ 867,264
Due to employees	-	1,455,065	1,455,065
Total liabilities	-	2,322,329	2,322,329
Net Position			
Restricted	\$ 241,504	\$ -	\$ 241,504

Norwalk-La Mirada Unified School District
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2020

	Scholarship Trust
	<u> </u>
Additions	
Private donations	\$ 18,829
Interest	<u> 6,930</u>
Total additions	<u> 25,759</u>
Deductions	
Other expenditures	<u> (78,711)</u>
Change in Net Position	104,470
Net Position - Beginning	<u> 137,034</u>
Net Position - Ending	<u><u> \$ 241,504</u></u>

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

The Norwalk-La Mirada Unified School District (the District) was unified on July 1, 1965 under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District is located in Los Angeles County, and occupies the cities of Norwalk and La Mirada, in addition to smaller portions of the cities of Santa Fe Springs, Whittier, and unincorporated areas of Los Angeles County. The District operates 17 elementary schools, six middle schools, three high schools, a continuation high school, and two adult education schools.

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

Other Related Entities

Public Property Financing Corporation of California (the Corporation) is a California non-profit, public benefit corporation duly organized on April 15, 1991, and existing under the laws of the State. The Corporation was formed for the specific and primary purposes of benefitting California governmental agencies, including, but not limited to, school district, by participating with such governmental agencies in projects to maintain, improve, and assist the activities of such governmental agencies by acquiring, purchasing, selling, leasing, or otherwise transferring real and personal property in connection with such projects, and assisting the governmental agencies in financing, acquiring and constructing of such projects, as well as other purposes as specified in the Corporation's articles of incorporation. The District has been granted authorization from the State Superintendent of Public Instruction to issue securities in an aggregate principal amount not to exceed \$3,069,000 in accordance with the qualified zone academy bonds tax credit program found in Section 1397E of the Internal Revenue Code of 1986 and State regulations. The District and the Corporation, in order to facilitate the financing of projects qualified under the QZAB Program, entered into a lease arrangement, by which the District will lease to the Corporation those certain parcels of real property located in within the District and pursuant to a sublease the Corporation will sublease the property to the District. The Corporation is not considered a component unit of the District.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Fund for Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund function effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$5,836,818, a decrease in revenues and other financing sources of \$783,976, and a decrease in expenditures and other financing uses of \$693,760, as of June 30, 2020.

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

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

Non-Major Governmental Funds

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

- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).
- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Proprietary Funds Proprietary Funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

- **Enterprise Fund** The Enterprise Funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the fee-based child care program of the District.
- **Internal Service Fund** The Internal Service Funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insurance program that is accounted for in an internal service fund. The Internal Service Fund consists of three sub-funds as follows:
 - **Health and Welfare Fund** The Health and Welfare Fund is used to account for resources committed to the District's medical insurance program.
 - **Workers' Compensation Fund** The Workers' Compensation Fund is used to account for resources committed to the District's self-insurance program for workers' compensation.
 - **Property and Liability Fund** The Property and Liability Fund is used to account for resources committed to the District's self-insurance program for property and liability insurance.

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

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District operates a trust fund for the Paul and Estelle Fincik Scholarship Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for associated student body (ASB) activities and for voluntary payroll withholdings of the District's employees.

Basis of Accounting - Measurement Focus

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

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

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

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the Statement of Net Position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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

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

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

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

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the capital assets of governmental funds.

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums, and Discounts

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

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

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

Fund Balances - Governmental Funds

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Enabling legislation relates to laws passed that create a revenue source to be used for specific purposes. The government-wide financial statements report \$44,318,663 restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds related to the self-insurance program and child care fees. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type activities.

Estimates

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

Property Tax

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

Change in Accounting Principles

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

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

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

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

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

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

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Governmental funds	\$ 156,551,162
Proprietary funds	672,190
Fiduciary funds	<u>2,563,115</u>
Total deposits and investments	<u><u>\$ 159,786,467</u></u>

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

Cash on hand and in banks	\$ 867,264
Cash in revolving	400,000
Investments	<u>158,519,203</u>
Total deposits and investments	<u><u>\$ 159,786,467</u></u>

Policies and Practices

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

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

General Authorizations

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

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

Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	N/A	None	None
Farmers Home Administration certificates	N/A	None	None
General Services Administration certificates	N/A	None	None
U.S. Maritime Administration financing	N/A	None	None
Small Business Administration certificates	N/A	None	None
Guaranteed Pool certificates	N/A	None	None
Government National Mortgage Association (GNMA) securities and bonds	N/A	None	None
U.S. Department of Housing and Urban Development obligations	N/A	None	None
U.S. Export-Import Bank obligations	N/A	None	None
Washington Metropolitan Area Transit Authority bonds	N/A	None	None
Federal Housing Administration debentures	N/A	None	None
Federal Home Loan Mortgage Corporation obligations	N/A	None	None
Farm Credit Banks bonds and notes	N/A	None	None
Federal Financing Bank	N/A	None	None
Federal Home Loan Banks obligations	N/A	None	None
Federal National Mortgage Association securities and obligations	N/A	None	None
Student Loan Marketing Association securities	N/A	None	None
Financing Corporation obligations	N/A	None	None
Resolution Funding Corporation obligations	N/A	None	None
Secured certificates of deposit, saving accounts, and deposit accounts	N/A	None	None
Unsecured certificates of deposit, time deposits, and bankers acceptance	30 days	None	None
Fully insured deposits	N/A	None	None
Commercial paper	270 days	None	None
Money market funds	N/A	None	None
Los Angeles County Investment Pool	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Repurchase Agreements	30 days	None	None
Repurchase Agreements	270 days	None	None
State obligations	N/A	None	None
Investment Agreements	N/A	None	None
Pre-Refunded Municipal Bonds	N/A	None	None

Interest Rate Risk

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

Specific Identification

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

Investment Type	Reported Amount	Maturity Date/ Average Maturity in Days
Los Angeles County Investment Pool	\$ 155,885,428	590
First American Treasury Obligation Money Market Mutual Funds	1,626	43
Santander UK plc	2,632,149	12/29/2020
Total	<u>\$ 158,519,203</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2020. The First American Treasury Obligations Money Market Mutual Fund has been rated Aaa-mf by Moody's rating services. The investment in Santander UK plc has been rated P-1 by Moody's rating services.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public

deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's cash in banks were either insured or collateralized by securities held by the pledging financial institution's trust department, but not in the name of the District.

Note 3 - Fair Value Measurements

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

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

Uncategorized - Investments in the Los Angeles County 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. The County Treasury Investment Pool has a daily redemption frequency period and a one-day redemption notice period.

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Reported Amount	Fair Value Measurements Using Level 2 Inputs	Uncategorized
Los Angeles County Investment Pool	\$ 155,885,428	\$ -	\$ 155,885,428
First American Treasury Obligation			
Money Market Mutual Funds	1,626	1,626	-
Santander UK plc	2,632,149	2,632,149	-
Total	<u>\$ 158,519,203</u>	<u>\$ 2,633,775</u>	<u>\$ 155,885,428</u>

Note 4 - Receivables

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	\$ 4,989,368	\$ -	\$ 2,261,552	\$ -	\$ 7,250,920
State Government					
LCFF apportionment	18,719,360	-	-	-	18,719,360
Categorical aid	155,434	-	708,164	-	863,598
Lottery	847,757	-	-	-	847,757
Special education	1,162,169	-	-	-	1,162,169
Local Government					
Interest	130,898	197,705	21,792	79,322	429,717
Other local sources	544,605	-	124,691	32,380	701,676
Total	\$ 26,549,591	\$ 197,705	\$ 3,116,199	\$ 111,702	\$ 29,975,197
	Enterprise Funds	Fiduciary Funds			
Federal Government					
Categorical aid	\$ -	\$ -			
State Government					
LCFF apportionment	-	-			
Categorical aid	-	-			
Lottery	-	-			
Special education	-	-			
Local Government					
Interest	1,966	625			
Other local sources	2,240	93			
Total	\$ 4,206	\$ 718			

Note 5 - Capital Assets

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 9,278,310	\$ -	\$ -	\$ 9,278,310
Construction in progress	72,363,738	33,681,903	(51,766,618)	54,279,023
Total capital assets not being depreciated	81,642,048	33,681,903	(51,766,618)	63,557,333
Capital assets being depreciated				
Land improvements	14,025,819	9,266,544	-	23,292,363
Buildings and improvements	362,542,754	48,455,227	-	410,997,981
Furniture and equipment	29,141,117	1,292,231	(76,389)	30,356,959
Total capital assets being depreciated	405,709,690	59,014,002	(76,389)	464,647,303
Total capital assets	487,351,738	92,695,905	(51,843,007)	528,204,636
Accumulated depreciation				
Land improvements	(6,514,654)	(728,414)	-	(7,243,068)
Buildings and improvements	(112,626,533)	(8,350,036)	-	(120,976,569)
Furniture and equipment	(18,612,548)	(2,136,374)	76,389	(20,672,533)
Total accumulated depreciation	(137,753,735)	(11,214,824)	76,389	(148,892,170)
Governmental activities capital assets, net	\$ 349,598,003	\$ 81,481,081	\$ (51,766,618)	\$ 379,312,466
Business-Type Activities				
Furniture and equipment	\$ 12,795	\$ -	\$ -	\$ 12,795
Less accumulated depreciation	(12,795)	-	-	(12,795)
Business-type activities capital assets, net	\$ -	\$ -	\$ -	\$ -

Depreciation expense was excluded as a direct expense to governmental functions.

Note 6 - Interfund Transactions**Interfund Receivables/Payables (Due to/Due from)**

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

<u>Due To</u>	<u>Due From</u>	
	<u>Non-Major Governmental Funds</u>	<u>Total</u>
General Fund	<u>\$ 615,826</u>	<u>\$ 615,826</u>

A balance of \$273,244 due to the General Fund from Adult Education Non-Major Governmental Fund resulted from temporary cash borrowing to be repaid.

A balance of \$342,582 due to the General Fund from Child Development Non-Major Governmental Fund resulted from temporary cash borrowing to be repaid.

Operating Transfers

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

Transfer To	Transfer From		
	General Fund	Enterprise Fund	Total
General Fund	\$ -	\$ 50,000	\$ 50,000
Non-Major Governmental Funds	939,806	-	939,806
Enterprise Fund	189,196	-	189,196
Total	\$ 1,129,002	\$ 50,000	\$ 1,179,002

The General Fund transferred to the Child Development Non-Major Governmental Fund an operating contribution. \$ 90,763

The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for deferred maintenance projects. 799,043

The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for future capital equipment purchases. 50,000

The General Fund transferred to the Child Care Enterprise Fund an operating contribution. 189,196

The Child Care Enterprise Fund transferred to the General Fund excess earnings from the fee-based program. 50,000

Total \$ 1,179,002

Note 7 - Accounts Payable

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Enterprise Fund
Salaries and benefits	\$ 3,442,558	\$ 534	\$ 197,366	\$ 360	\$ 3,640,818	\$ 3,423
LCFF apportionment	7,864,519	-	-	-	7,864,519	-
Supplies	295,507	-	81,960	-	377,467	-
Services	1,346,147	35,266	133,331	6,945,558	8,460,302	432
Capital outlay	-	8,251,320	463,363	-	8,714,683	-
Other vendor payables	435,216	-	578	85,642	521,436	-
Total	<u>\$ 13,383,947</u>	<u>\$ 8,287,120</u>	<u>\$ 876,598</u>	<u>\$ 7,031,560</u>	<u>\$ 29,579,225</u>	<u>\$ 3,855</u>

Note 8 - Unearned Revenue

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Federal financial assistance	\$ 70,826	\$ -	\$ 70,826	\$ -
State categorical aid	1,166,859	-	1,166,859	-
Other local	311,018	656	311,674	12,835
Total	<u>\$ 1,548,703</u>	<u>\$ 656</u>	<u>\$ 1,549,359</u>	<u>\$ 12,835</u>

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

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 315,875,498	\$ 9,019,504	\$ (16,290,000)	\$ 308,605,002	\$ 16,500,000
Premium on issuance	13,026,139	-	(676,445)	12,349,694	-
Certificates of participation (Qualified Academy Zone Bonds)	2,770,165	-	-	2,770,165	2,770,165
Capital leases	105,000	-	(21,000)	84,000	21,000
Compensated absences	3,102,431	-	(73,000)	3,029,431	-
Claims liability	11,325,142	2,430,674	(2,509,291)	11,246,525	2,509,291
SELF workers' compensation assessment	177,309	-	(45,044)	132,265	45,044
Total	<u>\$ 346,381,684</u>	<u>\$ 11,450,178</u>	<u>\$ (19,614,780)</u>	<u>\$ 338,217,082</u>	<u>\$ 21,845,500</u>

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues. The Certificates of Participation (Qualified Academy Zone Bonds) will be paid by the Special Reserve Fund for Capital Outlay of Projects. The Child Development Fund makes the payments for the capital leases. The compensated absences will be paid by the General Fund, Adult Education Fund, Child Development Fund, Cafeteria Fund, Building Fund, Special Reserve Fund for Capital Outlay of Projects, Internal Service Fund, and Child Care Enterprise Fund. Claims liability for workers' compensation and the SELF assessment are paid out of the Internal Service Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
04/20/05	08/01/29	3.00-5.31%	\$ 44,995,644	\$ 81,263,180	\$ 3,955,517	\$ (935,000)	\$ 84,283,697
11/27/07	08/01/32	3.50-5.22%	29,200,602	23,436,366	1,203,791	-	24,640,157
07/14/09	02/01/34	6.16-7.36%	9,410,103	19,061,480	1,393,537	-	20,455,017
07/14/09	08/01/21	1.28-4.68%	13,580,000	3,790,000	-	(1,660,000)	2,130,000
10/08/09	08/01/38	5.50-6.47%	21,392,349	38,069,472	2,466,659	-	40,536,131
01/30/13	08/01/19	2.00-4.00%	11,630,000	3,205,000	-	(3,205,000)	-
05/20/14	08/01/19	0.45-2.53%	15,115,000	4,020,000	-	(4,020,000)	-
11/19/15	08/01/45	2.00-5.00%	24,000,000	4,990,000	-	-	4,990,000
11/19/15	08/01/25	2.00-5.00%	7,855,000	7,345,000	-	(440,000)	6,905,000
08/03/17	08/01/47	3.00-5.00%	59,000,000	59,000,000	-	(6,030,000)	52,970,000
08/03/17	08/01/21	3.00-4.00%	1,460,000	1,445,000	-	-	1,445,000
06/07/18	08/01/47	3.00-5.00%	10,250,000	10,250,000	-	-	10,250,000
06/27/19	08/01/48	3.00-5.00%	60,000,000	60,000,000	-	-	60,000,000
				<u>\$ 315,875,498</u>	<u>\$ 9,019,504</u>	<u>\$ (16,290,000)</u>	<u>\$ 308,605,002</u>

2002 General Obligation Bonds, Series 2005B

On April 20, 2005, the District issued \$44,995,644 of 2002 General Obligation Bonds, Series 2005B. The Series 2005B bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$70,089,356, and an aggregate principal debt service balance of \$115,085,000. The bonds have a final maturity to occur on August 1, 2029, with interest rates ranging from 3.00 to 5.31 percent. Proceeds from the sale of the bonds were used to renovate, construct and modernize classrooms and school facilities and to pay all necessary legal, financial, engineering and contingent costs in connection with the issuance of the bonds. At June 30, 2020, the principal balance outstanding of the 2002 General Obligation Bonds, Series 2005B was \$84,283,697. Unamortized premium received on issuance of the bonds amounted to \$246,592 as of June 30, 2020.

2002 General Obligation Bonds, Series 2007C

On November 27, 2007, the District issued \$29,200,602 of 2002 General Obligation Bonds, Series 2007C. The Series 2007C bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$29,734,398, and an aggregate principal debt service balance of \$58,935,000. The bonds have a final maturity to occur on August 1, 2032, with interest rates ranging from 3.50 to 5.22 percent. Proceeds from the sale of the bonds were used to prepay a portion of the District's outstanding obligation related to the 2006 Certificates of Participations (School Facility Bridge Funding) and to pay all necessary legal, financial and contingent costs in connection with the issuance of the bonds. At June 30, 2020, the principal balance outstanding of the 2002 General Obligation Bonds, Series 2007C was \$24,640,157. Unamortized premium received on issuance of the bonds amounted to \$325,089 as of June 30, 2020.

2002 General Obligation Bonds, Series 2009D

On July 14, 2009, the District issued \$9,410,103 General Obligation Bonds, Series 2009D. The Series 2009D bonds were issued as capital appreciation bonds, with the value of the capital appreciation bonds accreting to \$43,775,000. The bonds have a final maturity to occur on February 1, 2034, with interest rates ranging from 6.16 to 7.36 percent. Proceeds from the sale of the bonds were used to renovate, construct, and modernize classrooms and school facilities; to prepay a portion of the District's 2006 Certificates of Participation; and pay certain costs of issuance associated with the bonds. At June 30, 2020, the principal balance outstanding of the 2002 General Obligation Bonds, Series 2009D was \$20,455,017. Unamortized premium received on issuance of the bonds amounted to \$245,950 as of June 30, 2020.

2009 General Obligation Refunding Bonds

On July 14, 2009, the District issued \$13,580,000 of 2009 General Obligation Refunding Bonds. The bonds have a final maturity to occur on August 1, 2021, with interest rates ranging from 1.28 to 4.68 percent. The net proceeds from the issuance were used to advance refund a portion of the District's outstanding 2002 General Obligation Bonds, Series 2007C and 2005 Refunding General Obligation Bonds and to pay the costs of issuance associated with the refunding bonds. At June 30, 2020, the principal balance outstanding on the 2009 General Obligation Refunding Bonds was \$2,130,000. Unamortized premium received on issuance of the bonds amounted to \$25,256 as of June 30, 2020.

2002 General Obligation Bonds, Series 2009E

On October 8, 2009, the District issued \$21,392,349 General Obligation Bonds, Series 2009E. The Series 2009E bonds were issued as both capital appreciation bonds and convertible capital appreciation bonds, with the value of the bonds accreting to \$102,175,000. The bonds have a final maturity to occur on August 1, 2038, with interest rates ranging from 5.50 to 6.47 percent. Proceeds from the sale of bonds were used to renovate, construct and modernize classrooms and school facilities; prepay a portion of the District's 2006 Certificates of Participation; and pay certain costs of issuance associated with the bonds. At June 30, 2020, the principal balance outstanding on the 2002 General Obligation Bonds, Series 2009E was \$40,536,131. Unamortized premium received on issuance of the bonds amounted to \$772,406 as of June 30, 2020.

2013 General Obligation Refunding Bonds, Series A

On January 30, 2013, the District issued \$11,630,000 of 2013 General Obligation Refunding Bonds, Series A. The bonds have a final maturity to occur on August 1, 2019, with interest rates ranging from 2.00 to 4.00 percent. The net proceeds from the issuance were used to advance refund a portion of the District's outstanding 2005 General Obligation Refunding Bonds and to pay the costs of issuance associated with the refunding bonds. As of June 30, 2020, the 2013 General Obligation Refunding Bonds, Series A was fully defeased.

2014 General Obligation Refunding Bonds

On May 20, 2014, the District issued \$15,115,000 of 2014 General Obligation Refunding Bonds. The bonds have a final maturity to occur on August 1, 2019, with interest rates ranging from 0.45 to 2.53 percent. The net proceeds from the issuance were used to advance refund a portion of the District's outstanding 2005 General Obligation Refunding Bonds and to pay the costs of issuance associated with the refunding bonds. As of June 30, 2020, the 2014 General Obligation Refunding Bonds was fully defeased.

2014 General Obligation Bonds, Series A

On November 19, 2015, the District issued \$24,000,000 of 2014 General Obligation Bonds, Series A. The Bonds have a final maturity to occur on August 1, 2045, with interest rates ranging from 2.00 to 5.00 percent. The net proceeds from sale of bonds were used to finance the repair, upgrading, acquisition, construction, and equipping of District sites and facilities and to pay the costs of issuing the bonds. At June 30, 2020, the principal balance outstanding on the 2014 General Obligation Bonds, Series A was \$4,990,000. Unamortized premium received on issuance of the bonds amounted to \$871,176 as of June 30, 2020.

2015 General Obligation Refunding Bonds

On November 19, 2015, the District issued \$7,855,000 of 2015 General Obligation Refunding Bonds. The Bonds have a final maturity to occur on August 1, 2025, with interest rates ranging from 2.00 to 5.00 percent. The net proceeds from the issuance were used to advance refund a portion of the District's outstanding General Obligation Bonds, Election of 2002, Series 2007C and to pay the costs of issuing the refunding bonds. At June 30, 2020, the principal balance outstanding on the 2015 General Obligation Refunding Bonds was \$6,905,000. Unamortized premium received on issuance of the bonds amounted to \$754,339 as of June 30, 2020.

2014 General Obligation Bonds, Series B

On August 3, 2017, the District issued \$59,000,000 of 2014 General Obligation Bonds, Series B. The Bonds have a final maturity to occur on August 1, 2047, with interest rates ranging from 3.00 to 5.00 percent. The net proceeds from sale of bonds will be used to finance the repair, upgrading, acquisition, construction, and equipping of District sites and facilities and to pay the costs of issuing the bonds. At June 30, 2020, the principal balance outstanding on the 2014 General Obligation Bonds, Series B was \$52,970,000. Unamortized premium received on issuance of the bonds amounted to \$4,033,697 as of June 30, 2020.

2017 General Obligation Refunding Bonds

On August 3, 2017, the District issued \$1,460,000 of 2017 General Obligation Refunding Bonds. The Bonds have a final maturity to occur on August 1, 2021, with interest rates ranging from 3.00 to 4.00 percent. The net proceeds from the issuance were used to advance refund a portion of the District's outstanding 2009 General Obligation Refunding Bonds and to pay the costs of issuing the refunding bonds. At June 30, 2020, the principal balance outstanding on the 2017 General Obligation Refunding Bonds was \$1,445,000. Unamortized premium received on issuance of the bonds amounted to \$35,824 as of June 30, 2020.

2014 General Obligation Bonds, Series C

On June 7, 2018, the District issued \$10,250,000 of 2014 General Obligation Bonds, Series C. The Bonds have a final maturity to occur on August 1, 2047, with interest rates ranging from 3.00 to 5.00 percent. The net proceeds from sale of bonds will be used to finance the repair, upgrading, acquisition, construction, and equipping of District sites and facilities and to pay the costs of issuing the bonds. At June 30, 2020, the principal balance outstanding on the 2014 General Obligation Bonds, Series C was \$10,250,000. Unamortized premium received on issuance of the bonds amounted to \$859,070 as of June 30, 2020.

2014 General Obligation Bonds, Series D

On June 27, 2019, the District issued \$60,000,000 of 2014 General Obligation Bonds, Series D. The Bonds have a final maturity to occur on August 1, 2048, with interest rates ranging from 3.00 to 5.00 percent. The net proceeds from sale of bonds will be used to finance the repair, upgrading, acquisition, construction, and equipping of District sites and facilities and to pay the costs of issuing the bonds. At June 30, 2020, the principal balance outstanding on the 2014 General Obligation Bonds, Series D was \$60,000,000. Unamortized premium received on issuance of the bonds amounted to \$4,180,295 as of June 30, 2020.

Debt Service Requirements to Maturity

The bonds mature through 2049 as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest to Date</u>	<u>Accreted Interest</u>	<u>Interest to Maturity</u>	<u>Total</u>
2021	\$ 16,500,000	\$ -	\$ 5,466,044	\$ 21,966,044
2022	16,398,690	426,310	5,102,719	21,927,719
2023	15,159,929	1,110,071	5,237,906	21,507,906
2024	11,552,271	1,707,729	5,507,369	18,767,369
2025	11,809,063	2,330,937	5,428,994	19,568,994
2026-2030	61,254,522	20,300,478	25,482,406	107,037,406
2031-2035	59,744,888	54,001,920	20,687,353	134,434,161
2036-2040	44,665,639	35,713,403	16,810,600	97,189,642
2041-2045	38,795,000	-	10,591,750	49,386,750
2046-2049	32,725,000	-	2,474,100	35,199,100
Total	<u>\$ 308,605,002</u>	<u>\$ 115,590,848</u>	<u>\$ 102,789,241</u>	<u>\$ 526,985,091</u>

2005 Certificates of Participation (Qualified Academy Zone Bonds Program)

On December 29, 2005, the District, pursuant to a sublease agreement with the Public Property Financing Corporation of California (the Financing Corporation), issued the \$2,770,165 2005 Certificates of Participation (Qualified Academy Zone Bonds). The District had been granted authorization from the State Superintendent of Public Instruction to issue securities in an aggregate principal amount not to exceed \$3,069,000 in accordance with the qualified zone academy bonds tax credit program found in Section 1397E of the Internal Revenue Code of 1986 and State regulations, to finance certain projects at qualified zone academies within the District. The District and the Financing Corporation, in order to facilitate the financing of projects qualified under the QZAB Program, entered into a lease arrangement, by which the District will lease to the Financing Corporation those certain parcels of real property located in within the District and pursuant to a sublease the Corporation will sublease the property to the District, with the District required to pay base rental to the Corporation (an initial lease payment of \$600,000 was made December 29, 2005). The annual base rental payment of \$95,722, to begin December 29, 2006, will be deposited with the Bank of America into an interest generating investment to produce sufficient income to repay the \$2,770,165 certificates upon maturity on December 29, 2020. At June 30, 2020, the principal balance outstanding was \$2,770,165.

Capital Lease

The District has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

Balance, July 1, 2019	\$ 105,000
Payments	<u>(21,000)</u>
Balance, July 1, 2020	<u><u>\$ 84,000</u></u>

Future payments on capital leases are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2021	\$ 21,000
2022	21,000
2023	21,000
2024	<u>21,000</u>
Total	<u><u>\$ 84,000</u></u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to \$3,029,431.

Claims Liability

Liabilities associated with workers' compensation claims are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amounts of payouts and other economic and social factors. The liability for workers' compensation claims is reported in the Internal Service Fund. The outstanding claims liability at June 30, 2020, amounted to \$11,246,525.

SELF Workers' Compensation Assessment

The District was a member of School Excess Liability Fund (SELF), a cost sharing Joint Powers Authority (JPA) for the purpose of providing the District excess workers' compensation insurance. The SELF board of directors declared an entity assessment to the member districts. At June 30, 2020, the District's outstanding obligation to their pro-rata share of equity assessed was \$132,265.

Note 10 - Net Other Postemployment Benefit (OPEB) Liability

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

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 28,914,184	\$ 1,446,930	\$ 915,869	\$ 3,938,226
Medicare Premium Payment (MPP) Program	1,233,184	-	-	(68,504)
Total	<u>\$ 30,147,368</u>	<u>\$ 1,446,930</u>	<u>\$ 915,869</u>	<u>\$ 3,869,722</u>

The details of each plan are as follows:

District Plan**Plan Administration**

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2018, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	188
Active employees	<u>1,892</u>
Total	<u><u>2,080</u></u>

Benefits Provided

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

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Teacher Association of the Norwalk-La Mirada Area (TANLA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TANLA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2019, the District paid \$794,184 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$28,914,184 was measured as of June 30, 2019. The total OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions

The total OPEB liability as of June 30, 2019 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total OPEB liability to June 30, 2019. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	3.50 percent for 2019
Healthcare cost trend rates	4.00 percent

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2018	\$ 25,860,887
Service cost	2,244,208
Interest	930,380
Differences between expected and actual experience in the measurement of the total OPEB liability	(7,221)
Changes of assumptions	680,114
Benefit payments	(794,184)
Net change in total OPEB liability	3,053,297
Balance, June 30, 2019	\$ 28,914,184

Changes of assumptions reflect a change in the discount rate from 3.80 percent to 3.50 percent.

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 percent lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (2.50%)	\$ 31,130,415
Current discount rate (3.50%)	28,914,184
1% increase (4.50%)	26,928,466

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 percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.0%)	\$ 26,876,939
Current healthcare cost trend rate (4.0%)	28,914,184
1% increase (5.0%)	30,703,122

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$3,938,226. 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
OPEB contributions subsequent to measurement date	\$ 818,734	\$ -
Differences between expected and actual experience in the measurement of the total OPEB liability	-	441,845
Changes of assumptions	628,196	474,024
Total	<u>\$ 1,446,930</u>	<u>\$ 915,869</u>

The deferred outflows of resources related to net other postemployment benefits (OPEB) liability resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net other postemployment benefits (OPEB) liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ (30,546)
2022	(30,546)
2023	(30,546)
2024	(30,546)
2025	(30,546)
Thereafter	(134,943)
Total	<u>\$ (287,673)</u>

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

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

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

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of \$1,233,184 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.3311 percent, and 0.3401 percent, resulting in a net decrease in the proportionate share of 0.0090 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of \$(68,504).

Actuarial Methods and Assumptions

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

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

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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

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

Discount Rate

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

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	\$ 1,345,687
Current discount rate (3.50%)	1,233,184
1% increase (4.50%)	1,129,745

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.70% Part A and 3.10% Part B)	\$ 1,155,863
Current Medicare costs trend rate (3.70% Part A and 4.10% Part B)	1,233,184
1% increase (4.70% Part A and 5.10% Part B)	1,387,633

Norwalk-La Mirada Unified School District

Notes to Financial Statements

June 30, 2020

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 125,000	\$ -	\$ -	\$ -	\$ 125,000
Stores inventories	56,881	-	-	308,016	364,897
Prepaid expenditures	132,017	-	-	-	132,017
Total nonspendable	313,898	-	-	308,016	621,914
Restricted					
Legally restricted programs	1,060,146	-	-	3,216,083	4,276,229
Capital projects	-	49,812,649	23,722,911	5,650	73,541,210
Debt services	-	-	-	2,633,775	2,633,775
Total restricted	1,060,146	49,812,649	23,722,911	5,855,508	80,451,214
Assigned					
Lottery allocation reserve	329,838	-	-	-	329,838
Postemployment benefits	5,836,818	-	-	-	5,836,818
Capital projects	-	-	-	6,312,763	6,312,763
Total assigned	6,166,656	-	-	6,312,763	12,479,419
Unassigned					
Reserve for economic uncertainties	6,829,739	-	-	-	6,829,739
Remaining unassigned	30,205,883	-	-	-	30,205,883
Total unassigned	37,035,622	-	-	-	37,035,622
Total	\$ 44,576,322	\$ 49,812,649	\$ 23,722,911	\$ 12,476,287	\$ 130,588,169

Note 12 - Lease Revenue

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2021	\$ 1,051,971
2022	392,721
2023	198,852
Total	<u>\$ 1,643,544</u>

Note 13 - Risk Management**Employee Medical Benefits**

The District has contracted with the Alliance of Schools for Cooperative Insurance Programs (ASCIP) public entity risk pool to provide employee dental benefits. The District also purchases medical, vision, and life insurance from various vendors for health care coverage. The District is not self-funded for employee medical benefits but has chosen to report the costs of health and welfare payments for all employees plus retirees in the Internal Service Fund.

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. To mitigate this potential loss, the District has established an Internal Service Fund to account for and finance its uninsured risks of loss for property and liability coverage. Under this program, the Internal Service Fund provides coverage for up to a maximum of \$50,000 for each general liability claim and \$25,000 for each property damage claim. During fiscal year ending June 30, 2020, the District participated in the ASCIP public entity risk pool for property and liability insurance coverage in excess of self-insured limits. Settled claims have not exceeded the insured coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. In addition, the District purchases commercial insurance for property and liability claims in excess of coverage provided by the Internal Service Fund and for all other risks of loss.

Workers' Compensation and Property and Liability

Since 1985, the District has self-insured itself for workers' compensation coverage, retaining the risk of loss. The District has established an Internal Service Fund to account for and finance its uninsured risks of loss for workers' compensation coverage. Under this program, the Internal Service Fund provides coverage for up to a maximum of \$350,000 for each workers' compensation claim. The District purchases insurance for workers' compensation claims in excess of coverage provided by the Fund from Schools Excess Liability Fund (SELF) JPA.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims. Workers' Compensation claims are charged to the respective funds which generate the liability and the Property and Liability claims are paid by the General Fund.

Unpaid Claims Liabilities

The fund 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	Property and Liability	Total
Liability Balance, July 1, 2018	\$ 10,720,803	\$ 432,158	\$ 11,152,961
Claims and changes in estimates	3,149,820	66,943	3,216,763
Claims payments	(2,985,381)	(59,201)	(3,044,582)
Liability Balance, June 30, 2019	10,885,242	439,900	11,325,142
Claims and changes in estimates	2,433,764	(3,090)	2,430,674
Claims payments	(2,436,006)	(73,285)	(2,509,291)
Liability Balance, June 30, 2020	<u>\$ 10,883,000</u>	<u>\$ 363,525</u>	<u>\$ 11,246,525</u>
Assets available to pay claims at June 30, 2020	<u>\$ 27,057,915</u>	<u>\$ 831,663</u>	<u>\$ 27,889,578</u>

The claims are discounted at annual rate of 7.5 percent.

Note 14 - Employee Retirement Systems

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

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 169,065,724	\$ 44,314,720	\$ 13,680,202	\$ 20,843,586
CalPERS	84,001,554	18,889,453	2,996,016	14,318,431
Total	<u>\$ 253,067,278</u>	<u>\$ 63,204,173</u>	<u>\$ 16,676,218</u>	<u>\$ 35,162,017</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

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

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

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were \$17,792,833.

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

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

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 169,065,724
State's proportionate share of the net pension liability	92,236,639
Total	<u>\$ 261,302,363</u>

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.1872 percent and 0.1895 percent, resulting in a net decrease in the proportionate share of 0.023 percent.

Norwalk-La Mirada Unified School District

Notes to Financial Statements

June 30, 2020

For the year ended June 30, 2020, the District recognized pension expense of \$20,843,586. In addition, the District recognized pension expense and revenue of \$13,736,025 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	\$ 17,792,833	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,711,967	2,403,661
Differences between projected and actual earnings on pension plan investments	-	6,512,464
Differences between expected and actual experience in the measurement of the total pension liability	426,801	4,764,077
Changes of assumptions	21,383,119	-
Total	<u>\$ 44,314,720</u>	<u>\$ 13,680,202</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ (656,894)
2022	(5,170,130)
2023	(1,073,398)
2024	387,958
Total	<u>\$ (6,512,464)</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 4,920,434
2022	4,920,433
2023	4,893,777
2024	5,540,799
2025	(189,020)
Thereafter	(732,274)
Total	<u>\$ 19,354,149</u>

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 251,752,858
Current discount rate (7.10%)	169,065,724
1% increase (8.10%)	100,502,344

California Public Employees Retirement System (CalPERS)**Plan Description**

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

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

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

Benefits Provided

CalPERS 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:

	School Employer 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	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were \$8,210,647.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$84,001,554. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.2882 percent and 0.2945 percent, resulting in a net decrease in the proportionate share of 0.0063 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$14,318,431. 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	\$ 8,210,647	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	578,186	2,216,886
Differences between projected and actual earnings on pension plan investments	-	779,130
Differences between expected and actual experience in the measurement of the total pension liability	6,101,885	-
Changes of assumptions	3,998,735	-
Total	<u>\$ 18,889,453</u>	<u>\$ 2,996,016</u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 769,087
2022	(1,536,229)
2023	(232,796)
2024	220,808
Total	<u>\$ (779,130)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (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 4.1 years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 6,019,820
2022	1,708,259
2023	667,127
2024	66,714
Total	<u>\$ 8,461,920</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was 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 valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

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

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

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 121,082,717
Current discount rate (7.15%)	84,001,554
1% increase (8.15%)	53,240,168

Alternative Retirement Program

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 CalPERS to act as their administrators and Wells Fargo Bank to act as trustee and investment manager for the District's alternative plan. The plan is a defined benefit plan in which all contributions are made by the District. The District contributes 5.0 percent of an employee's gross earnings. The District contributed \$261,677 in the 2019-2020 fiscal year.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$9,634,411 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves but have not been included in the original budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of these contributions totaling \$3,231,706 has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule*.

Note 15 - Commitments and Contingencies**Grants**

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

Litigation

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

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Benton MS Landscape & Irrigation Renovation Phase 1A	\$ 41,493	July 2020
Hutchinson MS Portable Locker Rm/Classroom	11,229	July 2020
Benton MS MPR Drama Room Light Bar Grid Project	46,150	October 2020
Ramona Playground Project	18,747	November 2020
Norwalk HS New Synthetic Turf Sports Fields & Accessory Bldgs.	13,100,236	December 2020
La Mirada HS Gym & Locker Room Renovation/Expansion Phase 1A	7,283,585	January 2021
Morrison Electronic Marquee	8,622	June 2021
Sanchez ES RM 21 & Playground	29,516	June 2021
La Mirada New Synthetic Football Field & Acc. Blgs	1,855,182	December 2021
La Mirada HS Campus-Wide Hard/Soft Scape Renovation	364,945	January 2022
Norwalk HS Gym Mod & Weight Room Addition Phase 1C	1,890,294	January 2022
Total	<u>\$ 24,649,999</u>	

Note 16 - Participation in Joint Powers Agreements

The Norwalk-La Mirada Unified School District is a member of the Schools Excess Liability Fund (SELF) JPA and Alliance of Schools for Cooperative Insurance Programs (ASCIP). Payments are made to ASCIP for dental benefits for District employees and for property and liability insurance. Payments are made to SELF for excess liability coverage for workers' compensation.

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

During the year ended June 30, 2020, the District made payments of \$308,732 and \$3,461,501 to SELF and ASCIP, respectively.

Note 17 - Subsequent Events

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



Required Supplementary Information
June 30, 2020

Norwalk-La Mirada Unified School District

Norwalk-La Mirada Unified School District

Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$185,881,425	\$184,539,375	\$184,386,032	\$ (153,343)
Federal sources	11,962,908	10,760,727	11,224,494	463,767
Other State sources	27,068,020	28,689,651	32,368,754	3,679,103
Other local sources	1,967,872	2,151,745	2,455,569	303,824
Total revenues ¹	226,880,225	226,141,498	230,434,849	4,293,351
Expenditures				
Current				
Certificated salaries	100,970,503	100,475,805	100,298,340	177,465
Classified salaries	39,794,660	38,471,508	38,302,525	168,983
Employee benefits	61,833,617	62,345,272	65,032,894	(2,687,622)
Books and supplies	7,752,281	6,479,007	5,602,155	876,852
Services and operating expenditures	17,695,169	17,374,318	15,876,606	1,497,712
Other outgo	752,203	588,717	405,029	183,688
Capital outlay	414,007	488,302	317,668	170,634
Total expenditures ¹	229,212,440	226,222,929	225,835,217	387,712
Excess (Deficiency) of Revenues Over Expenditures	(2,332,215)	(81,431)	4,599,632	4,681,063
Other Financing Sources (Uses)				
Transfers in	837,041	970,771	50,000	(920,771)
Other sources	-	84,384	-	(84,384)
Transfers out	(1,692,265)	(1,857,803)	(1,129,002)	728,801
Net financing sources (uses)	(855,224)	(802,648)	(1,079,002)	(276,354)
Net Change in Fund Balances	(3,187,439)	(884,079)	3,520,630	4,404,709
Fund Balance - Beginning	41,055,692	41,055,692	41,055,692	-
Fund Balance - Ending	\$ 37,868,253	\$ 40,171,613	\$ 44,576,322	\$ 4,404,709

¹ Due to the consolidation of Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets. On behalf payments of \$3,231,706 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

Norwalk-La Mirada Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 2,244,208	\$ 2,117,150	\$ 2,005,340
Interest	930,380	887,834	812,326
Differences between expected and actual experience in the measurement of the total OPEB liability	(7,221)	(513,588)	-
Changes of assumptions	680,114	(559,436)	-
Benefit payments	(794,184)	(758,366)	(729,198)
Net change in total OPEB liability	3,053,297	1,173,594	2,088,468
Total OPEB Liability - Beginning	25,860,887	24,687,293	22,598,825
Total OPEB Liability - Ending	<u>\$ 28,914,184</u>	<u>\$ 25,860,887</u>	<u>\$ 24,687,293</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

¹ The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

Norwalk-La Mirada Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2020

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.3311%	0.3401%	0.3339%
Proportionate share of the net OPEB liability	\$ 1,233,184	\$ 1,301,688	\$ 1,404,744
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Norwalk-La Mirada Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability	0.1872%	0.1895%	0.1844%	0.1819%	0.1850%	0.1813%
Proportionate share of the net pension liability	\$ 169,065,724	\$ 174,132,397	\$ 170,562,493	\$ 147,115,885	\$ 124,524,676	\$ 105,955,286
State's proportionate share of the net pension liability	92,236,639	99,698,941	100,903,330	83,750,449	65,859,826	63,980,377
Total	<u>\$ 261,302,363</u>	<u>\$ 273,831,338</u>	<u>\$ 271,465,823</u>	<u>\$ 230,866,334</u>	<u>\$ 190,384,502</u>	<u>\$ 169,935,663</u>
Covered payroll	<u>\$ 101,843,034</u>	<u>\$ 100,592,405</u>	<u>\$ 99,865,095</u>	<u>\$ 91,741,538</u>	<u>\$ 89,594,302</u>	<u>81,438,009</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	166%	173%	171%	160%	139%	130%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability	0.2882%	0.2945%	0.3075%	0.2956%	0.2912%	0.2985%
Proportionate share of the net pension liability	\$ 84,001,554	\$ 78,515,038	\$ 73,407,676	\$ 58,376,415	\$ 42,919,072	\$ 33,889,275
Covered payroll	<u>\$ 40,360,868</u>	<u>\$ 39,636,430</u>	<u>\$ 39,124,071</u>	<u>\$ 35,234,321</u>	<u>\$ 32,288,947</u>	<u>31,390,027</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	208%	198%	188%	166%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Norwalk-La Mirada Unified School District
Schedule of the District Contributions
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	\$ 17,792,833	\$ 16,580,046	\$ 14,515,484	\$ 12,563,029	\$ 9,843,867	\$ 7,955,974
Less contributions in relation to the contractually required contribution	<u>17,792,833</u>	<u>16,580,046</u>	<u>14,515,484</u>	<u>12,563,029</u>	<u>9,843,867</u>	<u>7,955,974</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$104,051,655</u>	<u>\$101,843,034</u>	<u>\$100,592,405</u>	<u>\$ 99,865,095</u>	<u>\$ 91,741,538</u>	<u>\$ 89,594,302</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS						
Contractually required contribution	\$ 8,210,647	\$ 7,289,980	\$ 6,155,934	\$ 5,433,551	\$ 4,174,210	\$ 3,800,732
Less contributions in relation to the contractually required contribution	<u>8,210,647</u>	<u>7,289,980</u>	<u>6,155,934</u>	<u>5,433,551</u>	<u>4,174,210</u>	<u>3,800,732</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 41,634,030</u>	<u>\$ 40,360,868</u>	<u>\$ 39,636,430</u>	<u>\$ 39,124,071</u>	<u>\$ 35,234,321</u>	<u>\$ 32,288,947</u>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

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

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

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

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

Schedule of Changes in the District's 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. In the future, as data becomes available, ten years of information will be presented.

- *Change in Benefit Terms* – There were not changes in benefit terms.
- *Change of Assumptions* – The District's Plan discount rate changed from 3.80 percent to 3.50 percent.

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

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

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

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

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

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

Schedule of District Contributions

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



Supplementary Information
June 30, 2020

Norwalk-La Mirada Unified School District

Norwalk-La Mirada Unified School District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	\$ 3,593,399
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	7,908
Preschool Grants, Part B, Sec 619	84.173	13430	100,504
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	194,939
Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,000
Total Special Education (IDEA) Cluster			3,897,750
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	4,433,039
School Improvement Funding for LEAs	84.010	15438	211,018
Subtotal			4,644,057
Adult Basic Education & ELA	84.002A	14508	269,900
Adult Secondary Education	84.002	13978	88,000
English Literacy & Civics Education	84.002A	14109	58,190
Subtotal			416,090
Title II, Part A, Supporting Effective Instruction	84.367	14341	608,062
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	279,915
Title III, English Learner Student Program	84.365	14346	267,816
Title IV, Part A, Student Support and Academic			
Enrichment Grants	84.424	15396	587,463
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332	241,838
Early Intervention Grants	84.181	23761	44,364
Carl D. Perkins Career and Technical Education:			
Secondary, Section 131	84.048	14894	139,907
Passed through Paramount Unified School District			
Carl D. Perkins Career and Technical Education:			
Adult, Section 132	84.048	14893	29,607
Subtotal			169,514

Norwalk-La Mirada Unified School District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Passed Through Los Angeles County Office of Education			
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14326	\$ 307,463
Title I, Migrant Ed Summer Program	84.011	10005	68,655
Title I, Part C, Migrant Education (MESRP)	84.011	10144	20,995
Subtotal			<u>397,113</u>
Passed through California Department of Rehabilitation			
Workability II, Transition Partnership	84.126	10006	86,602
Total U.S. Department of Education			<u>11,640,584</u>
U.S. Department of Health and Human Services Human Services			
Passed Through Los Angeles County Office of Education			
Head Start: Basic [1]	93.600	10016	7,967,566
Head Start: Basic Carryover [1]	93.600	10016	27,270
Head Start: Training & Technical Assistance (T&TA) [1]	93.600	10016	9,166
Head Start: Early Head Start Basic [1]	93.600	10016	1,570,291
Head Start: Early Head Start Basic Carryover [1]	93.600	10016	45,403
Head Start: Dosage [1]	93.600	10016	366,412
Head Start: Dosage Carryover [1]	93.600	10016	55,867
Subtotal			<u>10,041,975</u>
Total U.S. Department of Health and Human Services			<u>10,041,975</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	5,141,010
Especially Needy Breakfast Program	10.553	13526	2,156,412
School Breakfast Basic	10.553	13390	322
Meal Supplements	10.555	13755	131,906
Commodities	10.555	13396	788,935
Total Child Nutrition Cluster			<u>8,218,585</u>
Total U.S. Department of Agriculture			<u>8,218,585</u>
Total Expenditures of Federal Awards			<u>\$ 29,901,144</u>
[1] Does not include District in-kind contributions of \$2,289,025 to meet federal match requirements. Contributions by program are as follows:			
Head Start: Basic			\$ 1,778,990
Head Start: Basic Carryover			6,818
Head Start: Training & Technical Assistance (T&TA)			2,292
Head Start: Early Head Start Basic			397,971
Head Start: Early Head Start Basic Carryover			11,351
Head Start: Dosage			91,603
Total In-Kind Contributions			<u>\$ 2,289,025</u>

ORGANIZATION

The Norwalk-La Mirada Unified School District was established on July 1, 1965. The District conducts a kindergarten through twelfth grade educational program for approximately 21,000 students through 17 elementary schools, six middle schools, three high schools, a continuation high school, and two adult education schools. The District is located in Los Angeles County, and occupies the cities of Norwalk and La Mirada, in addition to smaller portions of the cities of Santa Fe Springs, Whittier, and unincorporated areas of Los Angeles County. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Jude Cazares	President	2022
Jesse Urquidi	Vice President	2020
Darryl Adams	Member	2022
Karen Morrison	Member	2020
Chris Pflanze	Member	2020
Ana Valencia	Member	2022
Jorge Tirado	Member	2022

ADMINISTRATION

Hasmik Danielian	Superintendent
John Lopez	Assistant Superintendent, Human Resources
Estuardo Santillan	Assistant Superintendent, Business Services
Patricio Vargas	Assistant Superintendent, Educational Services

Norwalk-La Mirada Unified School District

Schedule of Average Daily Attendance

Year Ended June 30, 2020

	Final Report	
	Second Period Report DBA50F22	Annual Report 0375A874
Regular ADA		
Transitional kindergarten through third	4,734.96	4,734.96
Fourth through sixth	3,742.21	3,742.21
Seventh and eighth	2,615.13	2,615.13
Ninth through twelfth	5,189.97	5,189.97
Total Regular ADA	16,282.27	16,282.27
Extended Year Special Education		
Transitional kindergarten through third	7.54	7.54
Fourth through sixth	6.11	6.11
Seventh and eighth	2.11	2.11
Ninth through twelfth	11.70	11.70
Total Extended Year Special Education	27.46	27.46
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	2.72	2.72
Seventh and eighth	4.78	4.78
Ninth through twelfth	9.61	9.61
Total Special Education, Nonpublic, Nonsectarian Schools	17.11	17.11
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.50	0.50
Seventh and eighth	0.70	0.70
Ninth through twelfth	2.57	2.57
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	3.77	3.77
Total ADA	16,330.61	16,330.61

Norwalk-La Mirada Unified School District

Schedule of Instructional Time

Year Ended June 30, 2020

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	56,074	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,168	180	N/A	Complied
Grade 2		54,168	180	N/A	Complied
Grade 3		54,168	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,168	180	N/A	Complied
Grade 5		54,168	180	N/A	Complied
Grade 6		55,995	180	N/A	Complied
Grades 7 - 8					
Grade 7		55,995	180	N/A	Complied
Grade 8		55,995	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,535	180	N/A	Complied
Grade 10		65,535	180	N/A	Complied
Grade 11		65,535	180	N/A	Complied
Grade 12		65,535	180	N/A	Complied

Norwalk-La Mirada Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2020

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

Norwalk-La Mirada Unified School District

Schedule of Financial Trends and Analysis

Year Ended June 30, 2020

	(Budget) 2021 ¹	2020	2019	2018
General Fund ³				
Revenues	\$ 207,762,236	\$ 230,333,876	\$ 238,944,923	\$ 216,836,995
Other sources	925,771	934,949	804,184	836,530
Total Revenues and Other Sources	<u>208,688,007</u>	<u>231,268,825</u>	<u>239,749,107</u>	<u>217,673,525</u>
Expenditures	221,172,878	225,835,217	238,713,000	219,459,428
Other uses and transfers out	<u>1,326,167</u>	<u>1,822,762</u>	<u>2,911,222</u>	<u>1,883,791</u>
Total Expenditures and Other Uses	<u>222,499,045</u>	<u>227,657,979</u>	<u>241,624,222</u>	<u>221,343,219</u>
Increase/(Decrease) in Fund Balance	<u>(13,811,038)</u>	<u>3,610,846</u>	<u>(1,875,115)</u>	<u>(3,669,694)</u>
Ending Fund Balance	<u>\$ 24,928,466</u>	<u>\$ 38,739,504</u>	<u>\$ 35,128,658</u>	<u>\$ 37,003,773</u>
Available Reserves ²	<u>\$ 19,048,453</u>	<u>\$ 37,035,622</u>	<u>\$ 32,910,935</u>	<u>\$ 34,811,603</u>
Available Reserves as a Percentage of Total Outgo ⁴	<u>8.56%</u>	<u>16.50%</u>	<u>14.17%</u>	<u>15.73%</u>
Long-Term Liabilities including OPEB and Pension	<u>N/A</u>	<u>\$ 620,636,532</u>	<u>\$ 626,191,694</u>	<u>\$ 559,488,104</u>
K-12 Average Daily Attendance at P-2	<u>15,818</u>	<u>16,331</u>	<u>16,720</u>	<u>17,144</u>

The General Fund balance has increased by \$1,735,731 over the past two years. However, the fiscal year 2020-2021 budget projects a decrease of \$13,811,038 (35.7 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by \$61,148,428 over the past two years.

Average daily attendance has decreased by 813 over the past two years. An additional decline of 513 ADA is anticipated during fiscal year 2020-2021.

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

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Postemployment Benefits.

³ General Fund amounts do not include activity related to the consolidation of the Fund 20, Special Reserve Fund for Other Postemployment Benefits as required by GASB Statement No. 54.

⁴ On behalf payments of \$3,231,706 and \$9,355,306 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2020 and 2019, respectively.

Norwalk-La Mirada Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2020

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Assets						
Deposits and investments	\$ -	\$ -	\$ 1,397,610	\$ 28,734	\$ 9,118,808	\$ 10,545,152
Receivables	582,301	712,305	1,714,715	3,986	102,892	3,116,199
Stores inventories	-	-	308,016	-	-	308,016
Total assets	\$ 582,301	\$ 712,305	\$ 3,420,341	\$ 32,720	\$ 9,221,700	\$ 13,969,367
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 159,541	\$ 280,909	\$ 133,916	\$ 27,070	\$ 275,162	\$ 876,598
Due to other funds	273,244	342,582	-	-	-	615,826
Unearned revenue	-	656	-	-	-	656
Total liabilities	432,785	624,147	133,916	27,070	275,162	1,493,080
Fund Balances						
Nonspendable	-	-	308,016	-	-	308,016
Restricted	149,516	88,158	2,978,409	5,650	2,633,775	5,855,508
Assigned	-	-	-	-	6,312,763	6,312,763
Total fund balances	149,516	88,158	3,286,425	5,650	8,946,538	12,476,287
Total liabilities and fund balances	\$ 582,301	\$ 712,305	\$ 3,420,341	\$ 32,720	\$ 9,221,700	\$ 13,969,367

Norwalk-La Mirada Unified School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds

Year Ended June 30, 2020

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Revenues							
Federal sources	\$ 416,090	\$ 10,041,975	\$ 8,218,585	\$ -	\$ -	\$ -	\$ 18,676,650
Other State sources	4,611,851	2,349,250	596,343	-	-	(36,226)	7,521,218
Other local sources	257,273	611,834	1,286,050	604	133,789	2,951,121	5,240,671
Total revenues	5,285,214	13,003,059	10,100,978	604	133,789	2,914,895	31,438,539
Expenditures							
Current							
Instruction	2,283,608	7,906,853	-	-	-	-	10,190,461
Instruction-related activities							
Supervision of instruction	27,724	1,530,776	-	-	-	-	1,558,500
Instructional library, media, and technology	5,303	-	-	-	-	-	5,303
School site administration	1,737,130	1,812,002	-	-	-	-	3,549,132
Pupil services							
Food services	-	103,423	11,222,082	-	-	-	11,325,505
All other pupil services	94,310	328,096	-	-	-	-	422,406
Administration							
All other administration	-	109,391	468,405	-	4,355	-	582,151
Plant services	447,444	694,596	77,189	-	146,400	286,907	1,652,536
Enterprise services	-	368,534	-	-	-	-	368,534
Facility acquisition and construction	2,439,730	217,309	271,989	799,647	(22,071)	2,171,877	5,878,481
Debt service							
Principal	-	21,000	-	-	-	-	21,000
Total expenditures	7,035,249	13,091,980	12,039,665	799,647	128,684	2,458,784	35,554,009
Excess (Deficiency) of Revenues Over Expenditures	(1,750,035)	(88,921)	(1,938,687)	(799,043)	5,105	456,111	(4,115,470)
Other Financing Sources							
Transfers in	-	90,763	-	799,043	-	50,000	939,806
Net Change in Fund Balances	(1,750,035)	1,842	(1,938,687)	-	5,105	506,111	(3,175,664)
Fund Balance - Beginning	1,899,551	86,316	5,225,112	-	545	8,440,427	15,651,951
Fund Balance - Ending	\$ 149,516	\$ 88,158	\$ 3,286,425	\$ -	\$ 5,650	\$ 8,946,538	\$ 12,476,287

See Notes to Supplementary Information

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Norwalk-La Mirada Unified School District (the District) under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Norwalk-La Mirada Unified School District, it is not intended to and does not present the financial position, changes in net assets (or net position or fund balance), or cash flows (if applicable) (A) of Norwalk-La Mirada Unified School District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

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

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at 1986-1987 requirements, as required by *Education Code* Section 46201.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 50 days due to the pandemic. As a result, the District received credit for these 50 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Closure Certification were included in the Actual Minutes column, but were not actually offered due to the COVID-19 school closure

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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



Independent Auditor's Reports
June 30, 2020

Norwalk-La Mirada Unified School District



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

To the Board of Directors
Norwalk-La Mirada Unified School District
Norwalk, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Norwalk-La Mirada Unified School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Norwalk-La Mirada Unified School District's basic financial statements and have issued our report thereon dated February 3, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Norwalk-La Mirada Unified School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Norwalk-La Mirada Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Norwalk-La Mirada 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Norwalk-La Mirada Unified School District in a separate letter dated February 3, 2021.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Sallie LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
February 3, 2021



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

To the Board of Directors
Norwalk-La Mirada Unified School District
Norwalk, California

Report on Compliance for Each Major Federal Program

We have audited Norwalk-La Mirada 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 Norwalk-La Mirada Unified School District's major federal programs for the year ended June 30, 2020. Norwalk-La Mirada Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Norwalk-La Mirada 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 Norwalk-La Mirada 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 Norwalk-La Mirada Unified School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of Norwalk-La Mirada 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 Norwalk-La Mirada 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 Norwalk-La Mirada Unified School District's internal control over compliance.

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

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



Rancho Cucamonga, California
February 3, 2021



Independent Auditor's Report on State Compliance

To the Board of Directors
Norwalk-La Mirada Unified School District
Norwalk, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Compliance Requirements Tested

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

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

The District does offer Independent Study Program; however, the ADA was below the materiality threshold as indicated in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*; therefore, we did not perform procedures related to the Independent Study Program.

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

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

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

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

The District does not offer an Apprenticeship: Related and Supplemental Instruction Program; therefore, we did not perform procedures related to the Apprenticeship: Related and Supplemental Instruction Program.

The District did not elect to operate as a District of Choice; therefore, we did not perform procedures related to the District of Choice Program.

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

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

The District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Basis for Qualified Opinion on Instructional Time

As described in the accompanying *Schedule of State Compliance Findings and Questioned Costs* as item 2020-001, Norwalk-La Mirada Unified School District did not comply with requirements regarding the Instructional Time. Compliance with such requirements is necessary, in our opinion, for Norwalk-La Mirada Unified School District to comply with the requirements referred to above.

Qualified Opinion on Instructional Time

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Norwalk-La Mirada Unified School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2020.

Norwalk-La Mirada Unified School District's response to the noncompliance finding identified in our audit is described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*. Norwalk-La Mirada Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Unmodified Opinion on Each of the Other Programs

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

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

Eide Bailly LLP

Rancho Cucamonga, California
February 3, 2021



Schedule of Findings and Questioned Costs
June 30, 2020

Norwalk-La Mirada Unified School District

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No
Identification of major programs:	

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Title I, Part A, Basic Grants Low-Income and Neglected School Improvement Funding for LEAs	84.010
Special Education (IDEA) Cluster	84.010
	84.027, 84.027A, 84.173, and 84.173A
Dollar threshold used to distinguish between type A and type B programs:	\$897,034
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

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

<u>Name of Program</u>
Instructional Time

None reported.

None reported.

The following finding represents an instance of noncompliance and/or questioned cost relating to compliance with state laws and regulations. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2020-001 Code 40000

Criteria or Specific Requirements

According to Education Code Section 46200, a District must offer 180 school days per year for traditional calendar schools to be eligible to receive long-year incentive funding. In addition, Education Code Section 46117 states that the minimum school days for kindergarten is 180 minutes and Education Code Section 46114(c) allows the minimum school day minutes to be computed using an average of 10 consecutive school days to arrive at the minimum school day, as long as the number of minutes in any one school day is never less than 60 minutes. In order to count a school day as a day of instruction for incentive funding under Education Code Section 42600, the District must meet the minimum daily minute requirements of Education Code Section 46117 and 46114(c).

Condition

The District did not meet the minimum daily requirement for kindergarten at two of its elementary schools for two day, and as a result, only offered 178 school days during the fiscal year of 2019-2020. The following schedule summarizes the non-compliance:

Site	Grade Level	Days Required	Days Offered	Days Short
Anna M. Glazier Elementary	Kindergarten	180	178	2
Loretta Lampton Elementary	Kindergarten	180	178	2

Questioned Costs

Using the California Department of Education's latest published Audit Penalty Calculator "*Estimating the Cost of an Instructional Time Audit Penalty*" worksheet, the penalty calculation is as follows:

ADA for grade levels affected (Kindergarten ADA as reported on Second Period Report of Attendance) – 1,182 ADA
 Derived Value of ADA - \$10,634.70
 Days Non-Compliant – 2 day
 Calculation – $0.0056 \times 1,182 \text{ ADA} \times \$10,634.70 \times 2 = \$140,786$

Context

The condition was found during our review of the instructional minute calculation performed for a sample of sites. We selected seven out of 28 school sites to perform a recalculation of the instructional minutes. We obtained the calculations from the District and using bell schedules and school calendars received from the sites, the auditor re-performed the calculations. During this process, the auditor identified that one school (Loretta Lampton Elementary School) had scheduled 10 training days at the beginning of the year with 150 instructional minutes per day. Upon performing ten-day average, it was noted that days two through 12 average yielded 189 average minutes offered, which indicates of the 10 days the first two days are not in compliance. Upon further review of the calendars for the remaining elementary school sites, it was noted that Anna M. Glazier Elementary School utilized the same calendar; therefore, resulting in two days of noncompliance.

Effect

As a result of the condition identified, the District did not comply with Education Code Section 46200 and will be penalized by the State for a total of \$140,786.

Cause

The cause may be a result of the lack of review over site instructional minute calculation.

Repeat Finding (Yes or No)

No

Recommendation

On a go-forward basis, the District should revamp its instructional minute review procedures to include a more stringent review of the calculations submitted by the sites. Additionally, we also recommend the District to provide a general overview of instructional minute requirement to all site administrators to ensure that similar shortfalls are not repeated in the future.

Corrective Action Plan

The District's educational services department has established specific protocols that must be adhered to support School Site Principals; and for instructional minutes, site principals must submit bell schedules and any changes to the Directors of Elementary and Secondary Education for review and consideration.

The Directors provide the preliminary bell schedules to the District's business services fiscal services division for audit analysis, and the final instructional minute bell schedule packets are signed and certified by the Site Principal and educational services Director.

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

State Compliance Findings

2019-001 Code 40000

Criteria or Specific Requirements

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

Condition

The Unduplicated Local Control Funding Formula Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District inaccurately reported eligibility for a total of 386 students for Free or Reduced-Price Meals on CALPADS Form 1.18 – FRPM/English Learner/Foster Youth – Student List.

Questioned Costs

The District over claimed the total eligible pupils by 386, resulting in a decrease of approximately \$721,700 in LCFF funding. The estimated penalties were calculated using the California Department of Education's Audit Penalty Calculator.

Context

The condition identified was determined through a selection of students from Form 1.18 based on the criteria as stated on the 2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, Part W. Unduplicated Local Control Funding Formula Pupil Counts, 1.a: "Select a representative sample, to achieve a high level of assurance, from the students indicated as only free or reduced priced meal eligible (FRPM) identified under the "NSLP Program" column (which means students are indicated as a "No" under the "Direct Certification" column, a "No" under the "Homeless" column, blank under the "Migrant Ed Program" column, a "No" under "Foster" column, and "181-Free" or "182-Reduced" under the "NSLP Program" column) and verify there is a supporting documentation such as a Free and Reduced Price Meal (FRPM) eligibility application under a federal nutrition program, an alternative household income data collection form that indicates the student was eligible for the designation, or a direct certification list obtained from the county welfare department, or COE, that matches enrolled students against those children/households receiving CalFresh (or CALWORKS) benefits."

Norwalk-La Mirada Unified School District

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2020

The auditor inquired further with the District and determined that the District did not make changes to students' eligibility for those students whose status should have been updated from the prior year. The District extracted the eligibility status for fiscal year 2018-2019 and compared it to the status report on CALPADS Form 1.18. The comparison resulted in a decrease of 386 eligible pupils. The auditor obtained a copy of this list and confirmed that the exceptions noted in our original testing were in fact noted on the list as having a change in status, yet the change was not made. This list noted a total of 386 students whose status should have been changed in CALPADS.

Effect

The District does not appear to be in compliance with *Education Code* Section 42238.02(b)(4). In addition, the District appears to be over claiming the total FRPM eligible pupil by 386 for a decrease in funding of approximately \$721,700. The schedule below shows the District-wide exceptions:

	Enrollment Count	Certified Total Unduplicated Count	Adjustment to Total Enrollment Count	Adjustment Based on Eligibility for FRPM	Adjusted Total Enrollment	Adjusted Total Unduplicated Pupil Count
District-Wide	17,387	13,380	0	(386)	17,387	12,994

Cause

It appears that the condition identified has materialized as a result of the District not updating the status for students whose eligibility changed from the National School Lunch Program's verification process from free/reduced to paid or paid to free/reduced.

Recommendation

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

Current status

Implemented.



Management
Norwalk-La Mirada Unified School District
Norwalk, California

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

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated February 3, 2021, on the government-wide financial statements of the District.

Associated Student Body

Los Coyotes Middle School

Observations

1. Two of three deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 17 to 19 days from the date of receipt. This could result in large cash balances being maintained at the sites, which can hinder the safeguarding of ASB assets.
2. Based on the review of the fundraising procedures, it was noted that both of the fundraising event tested were not preapproved by the ASB and/or the site administration.
3. Perpetual inventory is not calculated and reconciled to the periodic inventory count performed at the end of the fiscal year.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. Review and approving the fundraising events is an important control activity to prevent any potential unacceptable ASB activity. All fundraising events should be approved by either the ASB student council or site administrator(s) prior to the event taking place to ensure that the activities related to fundraisers are appropriate in a school setting.

3. The ASB should implement a perpetual inventory system. This will allow the ASB to compute and reconcile daily sales, cost of goods sold, and items on hand at end of each close out. The starting point will be from a physical inventory count and from there any items sold should be deducted from the count and any items purchased should be added to the count. This perpetual inventory counts should be reconciled to a quarterly/annual physical inventory count. A physical inventory should be taken at least quarterly under the supervision of an administrator. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associates Student Body of the site. In addition, the inventory report should be compared to the corresponding time periods sales to ensure that the amount of inventory noted as being sold corresponds to the amount of sales generated.

Corvallis Middle School

Observations

1. One of seven deposits tested were not deposited in a timely manner. The funds were deposited 13 after the date of receipt. This could result in large cash balances being maintained at the sites, which can hinder the safeguarding of ASB assets.
2. Cash collected for PE clothes sales are not accounted for properly. Cash collections are not supported by sub-receipts or logs that tie the total to the cash count sheet. Seven of seven deposits tested did not have sufficient support or a paper trail; therefore, the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.
3. Three of 14 disbursements tested were unallowable for the ASB. The expenditures were related to purchase of gift cards as prizes.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
3. Prizes issued to students generally benefit individual students and not the student body as a whole. Prizes purchased using ASB funds and issued by the ASB would generally constitute the act of gifting public funds. Using these two points as basis, the ASB should not engage in such activity. If prizes are issued in connection with fundraising incentive, the ASB should clearly communicate to the vendor hosting the activity to have the vendor take care of the incentives so that the ASB does not engage in questionable activity.

Norwalk High School

Observations

1. All eight deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 11 to 14 days from the date of receipt. This could result in large cash balances being maintained at the sites, which can hinder the safeguarding of ASB assets.
2. One of nine disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
3. Revenue potential forms are not consistently being completed for fundraising events and/or fundraising events are not being approved prior to the event taking place. Through testing, it was noted that some revenue potential forms used for fundraising events were not completed with respect to anticipated and/or actual income and expense. As a result, expected versus actual results cannot be measured to determine whether or not the fundraiser was successful, or any losses have occurred.
4. Four of seven ticket rolls selected for testing were not stored in a secured location.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
3. Review and approving the fundraising events is an important control activity to prevent any potential unacceptable ASB activity. All fundraising events should be approved by either the ASB student council or site administrator(s) prior to the event taking place to ensure that the activities related to fundraisers are appropriate in a school setting. A third-party review of completed revenue potential forms would ensure that the ASB are adequately monitoring the profitability and accountability of their fundraising events. Moreover, by documenting the revenues from each fundraising event and reconciling the amount of actual cash collected provides a method to verify that all revenues are deposited intact.
4. The ticket rolls should be stored in a secured location, such as the ASB safe or a locked cabinet. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission.

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



Rancho Cucamonga, California
February 3, 2021