

**VICTOR ELEMENTARY SCHOOL DISTRICT  
SAN BERNARDINO COUNTY  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2020**

**NIGRO  
& NIGRO<sup>PC</sup>**

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*For the Fiscal Year Ended June 30, 2020*  
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*Financial Section*

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Victor Elementary School District  
Victorville, California

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

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

**Other Matters***Required Supplementary Information*

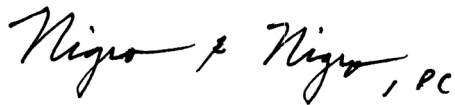
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 72 to 77 and the schedule of expenditures of federal awards on page 78 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on pages 71 and 79 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
March 16, 2021

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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**INTRODUCTION**

This section of Victor Elementary School District's (VESD) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2020. Please read this analysis in conjunction with the District's audited financial statements.

- The District is currently operating fifteen elementary schools and two charter schools. VESD has an enrollment of 12,353 students for month 4 of the current school year with enrollment projected to increase 275 for 2021-22.

**FINANCIAL HIGHLIGHTS**

- Total net position increased 27.2% over the course of the year.
- The District's General Fund available reserves were 13.3% of total outgo.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- Government Wide Financial Statements – these district wide statements provide both short term and long-term information about the District's overall financial status.
- Fund Financial Statements – these focus on individual parts of the District, reporting the District's operations in more detail than the district wide statements.
- Notes to the financial statements provide more detailed data and explain some of the information on the statements. The required supplementary information section provides further explanations and supports the financial statements with a comparison of the District's budget for the year.

**District Wide Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the 2019-20 revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how it has changed. Net position is the difference between the District's assets and liabilities and is one way to measure the District's financial health or position. However, to assess the overall health of the District, additional non-financial factors such as changes in the District's condition of school buildings and other facilities need to be considered.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and bond covenants.



**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

VESD has two kinds of funds:

Governmental Funds – All of the District's basic services are included in governmental funds, which generally focus on:

1. How cash and other financial assets can readily be converted to cash flow in and out
2. The balances left at year end that are available for spending

Consequently, the governmental funds statements provide a detailed short term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Fiduciary Funds – The District is a trustee, or fiduciary, for assets that belong to the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district wide financial statements because the District cannot use these assets to finance its operations.

**THE SCHOOL DISTRICT AS A WHOLE**

One of the frequent questions asked about the District's finances is, "Is the District better off or worse as a result of the year's activities?" The "Statement of Net Position" and the "Statement of Activities" report information about the District as a whole and about its activities in a manner that helps to answer this question.

**Statement of Net Position and the Statement of Activities**

VESD's combined net position was \$18.8 million as of June 30, 2020, an increase of \$4.0 million more than it was the year before. Current assets increased in accounts receivable due to an LCFF deferral. The decrease in long term liabilities is due to payments on general obligation bonds offset by an increase in the OPEB liability.

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2020</b>	<b>2019</b>	<b>Increase (Decrease)</b>
<b>Assets</b>			
Current assets	\$ 103,006,592	\$ 87,617,100	\$ 15,389,492
Capital assets	165,373,080	168,177,450	(2,804,370)
<b>Total assets</b>	<b>268,379,672</b>	<b>255,794,550</b>	<b>12,585,122</b>
<b>Deferred outflows of resources</b>	<b>42,384,833</b>	<b>38,680,681</b>	<b>3,704,152</b>
<b>Liabilities</b>			
Current liabilities	19,938,475	16,637,730	3,300,745
Long-term liabilities	130,704,802	131,871,476	(1,166,674)
Net pension liability	132,724,948	126,377,291	6,347,657
<b>Total liabilities</b>	<b>283,368,225</b>	<b>274,886,497</b>	<b>8,481,728</b>
<b>Deferred inflows of resources</b>	<b>8,569,139</b>	<b>4,791,528</b>	<b>3,777,611</b>
<b>Net position</b>			
Net investment in capital assets	113,176,974	112,900,564	276,410
Restricted	42,610,961	31,167,213	11,443,748
Unrestricted	(136,960,794)	(129,270,571)	(7,690,223)
<b>Total net position</b>	<b>\$ 18,827,141</b>	<b>\$ 14,797,206</b>	<b>\$ 4,029,935</b>

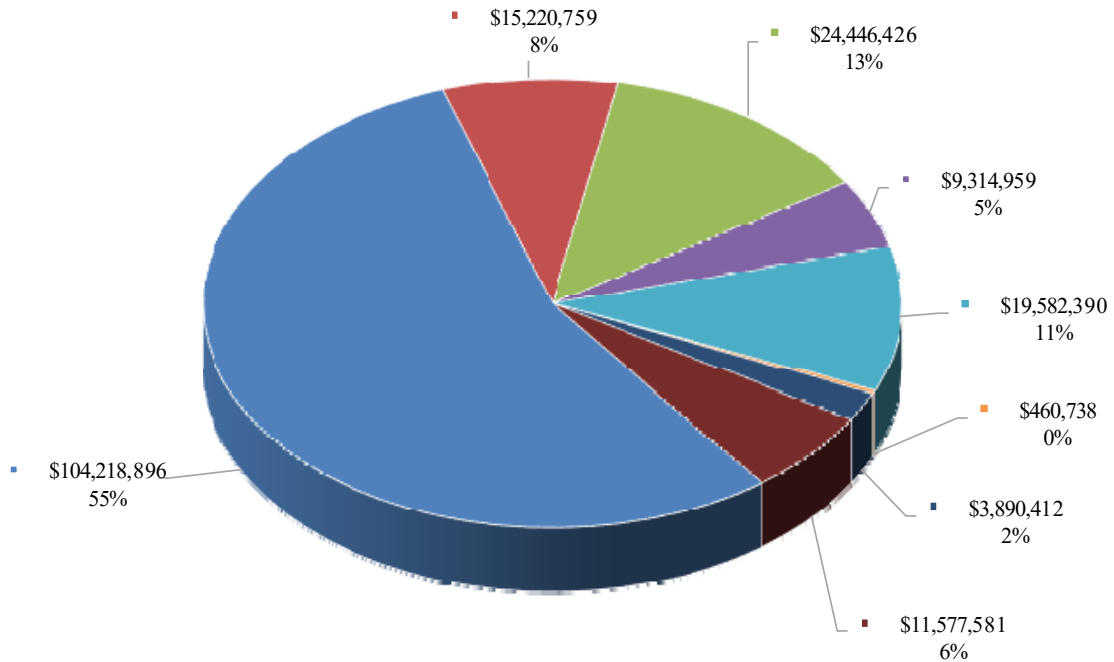
**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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**THE SCHOOL DISTRICT AS A WHOLE (continued)**

**Statement of Activities**

Revenues for the District's governmental activities were \$192.7 million, an increase of \$10.4 million from last year. Total expenses were \$188.7 million, an increase of \$15.9 million. The Statement of Activities represents the summary of expenses and revenues by governmental functions/programs. The table below presents the costs of major district activities.



■ Instruction \$104,218,896 -- 55.2%	■ Instructional Related Services \$15,220,759 -- 8.1%	■ Pupil Service \$24,446,426 -- 13.0%	■ General Administration \$9,314,959 -- 4.9%
■ Plant Services \$19,582,390 -- 10.4%	■ Community Services \$460,738 -- 0.2%	■ Debt Services \$3,890,412 -- 2.1%	■ Other Outgo \$11,577,581 -- 6.1%

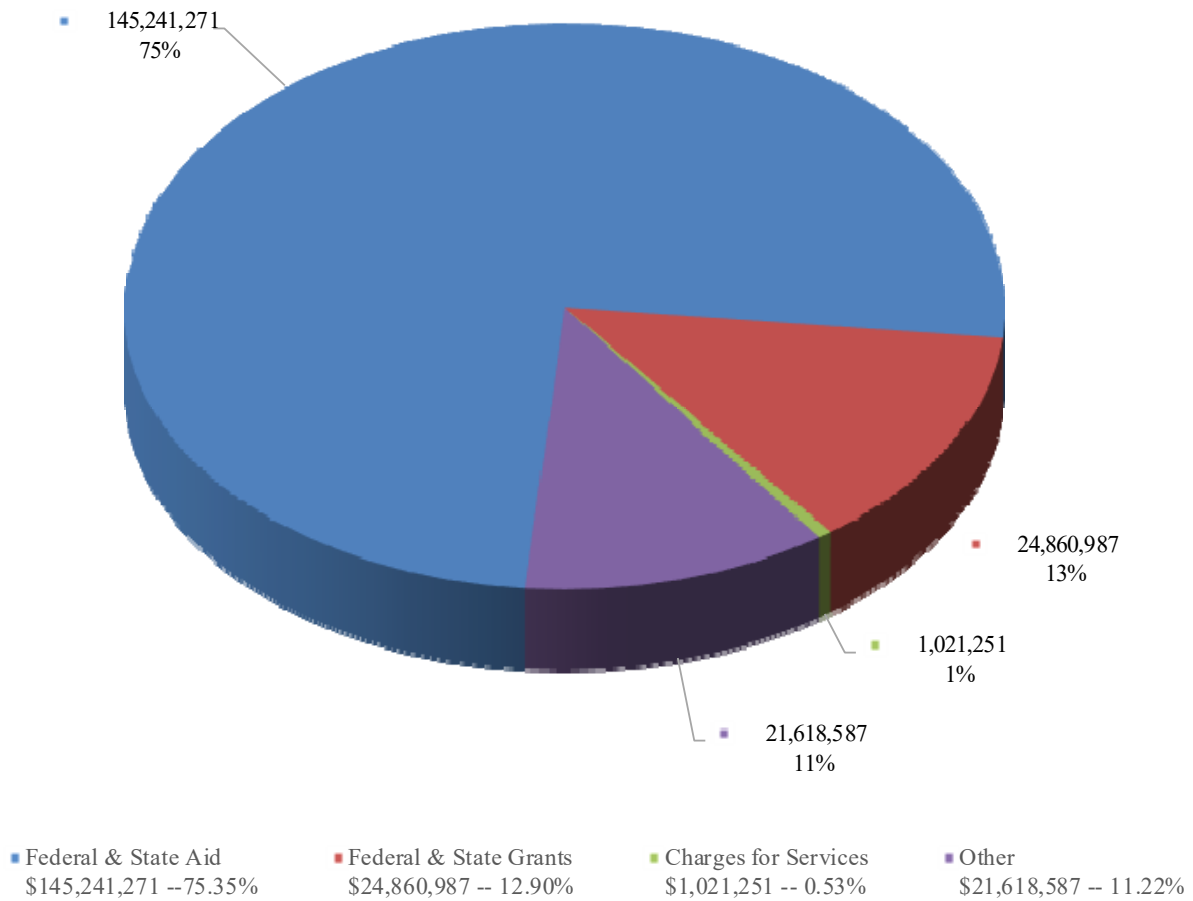
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**THE SCHOOL DISTRICT AS A WHOLE (continued)**

**Statement of Activities (continued)**

The chart below represents the summary of Revenues by Governmental Function.



**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds had combined fund balances of \$83.5 million, up \$12.2 million from 2018-19. This is primarily due to the proceeds from CFD bonds.

Fund	Fund Balances				
	July 1, 2019	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2020
General Fund	\$ 33,789,716	\$ 155,669,212	\$ 151,372,894	\$ -	\$ 38,086,034
Charter School Fund	3,268,329	5,123,139	4,828,315	-	3,563,153
Cafeteria Fund	2,727,426	10,205,561	8,972,214	-	3,960,773
Deferred Maintenance Fund	246,767	3,530	129,699	-	120,598
Special Reserve Fund (Postemployment Benefits)	337,368	6,666	-	-	344,034
Building Fund	774,338	58,441	842,222	9,443	-
Capital Facilities Fund	195,280	1,046,761	209,439	-	1,032,602
County School Facilities Fund	-	10,722,489	-	(10,722,489)	-
Special Reserve Fund (Capital Outlay)	15,271,522	2,333,697	2,599,634	12,904,245	27,909,830
Capital Outlay Fund for Blended Component Units	3,860,421	1,564,888	9,119,932	6,893,244	3,198,621
Bond Interest and Redemption Fund	10,854,206	4,151,749	9,707,067	-	5,298,888
	<u>\$ 71,325,373</u>	<u>\$ 190,886,133</u>	<u>\$ 187,781,416</u>	<u>\$ 9,084,443</u>	<u>\$ 83,514,533</u>

The above funds are accounting devices the District uses to keep track of specific sources of funding and spending. The most significant budgeted fund is the General Fund.

In June of each year, a budget is adopted by the Victor Elementary School District's Board of Trustees, effective July 1 through June 30. The budget is based on year ending projections from the previous year's budget, the State of California's projected budget and projected District growth. As the school year progresses, the budget is revised and updated with financial reports made public outlining the revisions. Finally, in August of the following year, the books are closed for the July 1 through June 30 fiscal year and the results are audited, yielding actual final numbers.

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
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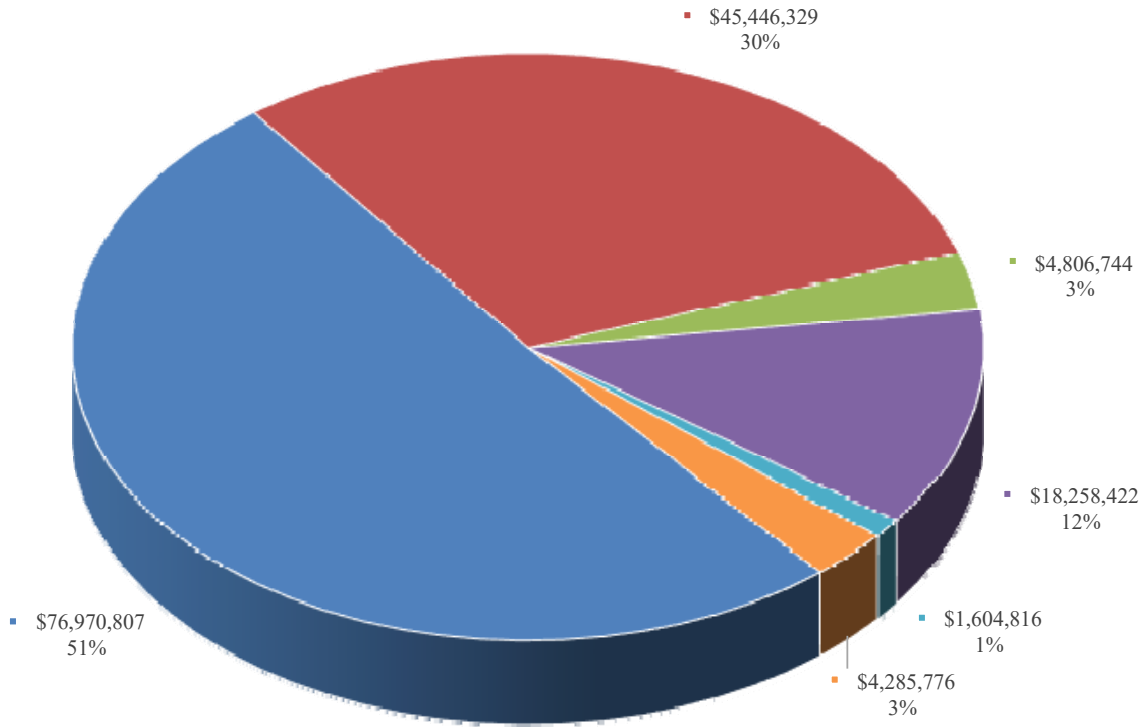
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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)**

**General Fund**

There are several reasons for budget revisions. Most notable are the final passage of the State of California Budget and any salary increases granted by the Board of Trustees for district employees. The implementation of new instructional or categorical programs can also require budget revisions.

The General Fund ending balance in 2019-20 increased \$4.3 million from 2018-19. Operating expenses can be classified in six categories. The chart below shows the General Fund expenditures for 2019-20.



■ Salaries  
 \$76,970,807 -- 50.85%

■ Employees Benefits  
 \$45,446,329 -- 30.02%

■ Books & Supplies  
 \$4,806,744 -- 3.18%

■ Services  
 \$18,258,422 -- 12.06%

■ Capital Outlay  
 \$1,604,816 -- 1.06%

■ Other  
 \$4,285,776 -- 2.83%

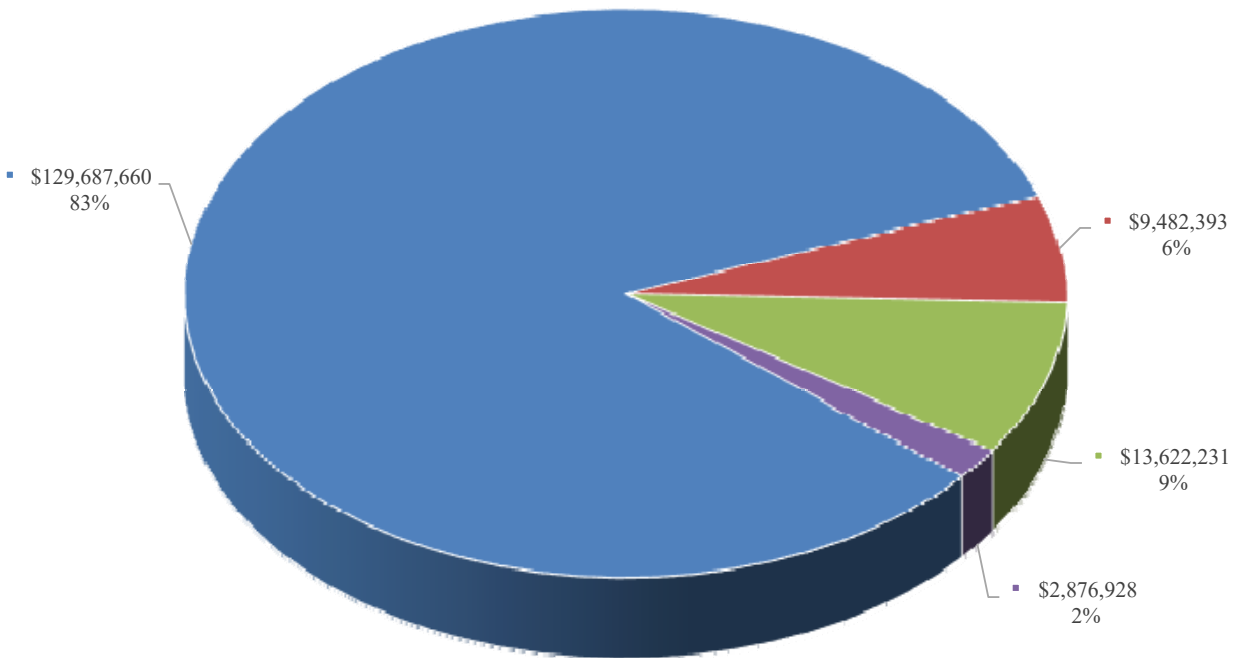
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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)**

**General Fund (continued)**

General Fund revenues can be divided into four classifications. Below is a chart showing 2019-2020 General Fund Revenues:



■ LCFF Revenue  
\$129,687,660 -- 83.31%

■ Federal Revenues  
\$9,482,393 -- 6.58%

■ Other State Revenues  
\$13,622,231 -- 8.75%

■ Local Revenues  
\$2,876,928 -- 1.36%

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
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*For the Fiscal Year Ended June 30, 2020*

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

VESD's investment in net capital assets amounts to \$165,373,080. The table below shows the individualized amounts, net of depreciation.

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2020</b>	<b>2019</b>	
Land	\$ 16,393,649	\$ 16,393,649	\$ -
Improvement of sites	5,325,843	5,463,381	(137,538)
Buildings	133,570,126	136,843,900	(3,273,774)
Equipment	10,045,752	9,438,810	606,942
Construction in progress	37,710	37,710	-
<b>Total</b>	<b>\$ 165,373,080</b>	<b>\$ 168,177,450</b>	<b>\$ (2,804,370)</b>

The buildings consist of fifteen schools, two Charter schools, the District office, maintenance and warehouse facility, cafeteria facilities, a Family Resource Center with meeting rooms, a transportation facility and a district office.

**Long Term Debt**

At year-end, the District had \$130.7 million in long term debt other than pensions. The chart below describes the various debt vehicles and a comparison with last year.

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2020</b>	<b>2019</b>	
General obligation bonds	\$ 75,796,241	\$ 81,778,751	\$ (5,982,510)
Compensated absences	885,239	576,428	308,811
Other postemployment benefits	54,023,322	49,516,297	4,507,025
<b>Total</b>	<b>\$ 130,704,802</b>	<b>\$ 131,871,476</b>	<b>\$ (1,166,674)</b>

Net pension liability increased during the year by \$6.3 million.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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**FACTORS BEARING ON VESD'S FUTURE (continued)**

**Proposition 98**

**Proposition 98 Establishes Minimum Funding Level for Schools and Community Colleges**

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

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

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

**Budget Plan Implements Significant Payment Deferrals**

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

**Makes a Few Other Spending Adjustments**

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

**Creates Supplemental Obligation to Increase Funding Beginning in 2021-22**

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



**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
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**FACTORS BEARING ON VESD'S FUTURE (continued)**

**K-12 Education**

**Proposition 98 Funding Decreases 12 Percent**

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

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

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

**Addresses Historically Low-Funded Special Education Regions**

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

**Allocates \$6.4 Billion in One-Time Federal Funding**

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

**Funds Learning Loss Mitigation Activities**

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

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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**FACTORS BEARING ON VESD'S FUTURE (continued)**

**K-12 Education (continued)**

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

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

**Modifies Instructional Requirements to Allow for Distance Learning**

The budget package suspends requirements for annual instructional minutes for 2020-21 to provide additional flexibility to schools and allows minimum instructional day requirements be met through a combination of in-person instruction and distance learning. The budget package also sets expectations for distance learning. Among other specified activities, distance learning must be substantially equivalent to in-person instruction; include daily live interaction between teachers and students; and provide appropriate supports to students with disabilities, English learners, and other student subgroups.

**Includes Additional Fiscal Flexibility in a Few Areas**

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

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

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

School district pension costs have been rising relatively quickly over the past several years. To help mitigate future cost increases, the 2019-20 budget plan included \$2.3 billion non-Proposition 98 General Fund to make a supplemental pension payment on behalf of schools and community colleges. Of this amount, \$1.6 billion was for the California State Teachers' Retirement System and \$660 million was for the California Public Employees' Retirement System. (Nearly all school employees are covered by one of these two pension systems.)

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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**FACTORS BEARING ON VESD'S FUTURE (continued)**

**K-12 Education (continued)**

**Repurposes Prior Pension Payment to Reduce District Costs Over the Next Two Years (continued)**

At the time, the state estimated that the supplemental payment could reduce district pension costs by roughly 0.3 percent of annual pay over the next few decades. The 2020-21 budget plan repurposes this payment to reduce pension costs by a larger amount over the next two years. Specifically, districts will receive cost savings of approximately 2.2 percent of pay in 2020-21 and 2021-22, but will not experience savings over the following decades.

All of these factors were considered in preparing the Victor Elementary School District budget for the 2020-21 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at 12219 2nd Street, Victorville, California 92395.

**VICTOR ELEMENTARY SCHOOL DISTRICT***Statement of Net Position**June 30, 2020*

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	<b>Total Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 76,549,982
Accounts receivable	26,141,363
Inventories	311,538
Prepaid expenses	3,709
Capital assets:	
Non-depreciable assets	16,431,359
Depreciable assets	232,169,324
Less accumulated depreciation	<u>(83,227,603)</u>
Total assets	<u>268,379,672</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	38,878,606
Deferred outflows related to OPEB	2,877,450
Deferred amounts on refunding	<u>628,777</u>
Total deferred outflows of resources	<u>42,384,833</u>
<b>LIABILITIES</b>	
Accounts payable	19,781,872
Unearned revenue	156,603
Long-term liabilities other than pensions:	
Portion due or payable within one year	3,990,787
Portion due or payable after one year	126,714,015
Net pension liability	<u>132,724,948</u>
Total liabilities	<u>283,368,225</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	7,633,597
Deferred inflows related to OPEB	<u>935,542</u>
Total deferred inflows of resources	<u>8,569,139</u>
<b>NET POSITION</b>	
Net investment in capital assets	113,176,974
Restricted for:	
Capital projects	28,942,432
Debt service	5,298,888
Education and nutrition programs	8,369,641
Unrestricted	<u>(136,960,794)</u>
Total net position	<u>\$ 18,827,141</u>

# VICTOR ELEMENTARY SCHOOL DISTRICT

## Statement of Activities

For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Governmental Activities</b>					
Instructional Services:					
Instruction	\$ 104,218,896	\$ -	\$ 11,245,853	\$ 10,722,489	\$ (82,250,554)
Instruction-Related Services:					
Supervision of instruction	2,296,379	-	1,142,050	-	(1,154,329)
Instructional library, media and technology	1,693,336	-	295,170	-	(1,398,166)
School site administration	11,231,044	-	92,785	-	(11,138,259)
Pupil Support Services:					
Home-to-school transportation	6,170,763	-	1,496	-	(6,169,267)
Food services	9,384,828	11,967	9,545,163	-	172,302
All other pupil services	8,890,835	-	874,730	-	(8,016,105)
General Administration Services:					
Data processing services	1,015,668	-	-	-	(1,015,668)
Other general administration	8,299,291	-	840,983	-	(7,458,308)
Plant services	19,582,390	-	238,784	-	(19,343,606)
Community services	460,738	-	-	-	(460,738)
Interest on long-term debt	3,890,412	-	-	-	(3,890,412)
Other outgo	11,577,581	1,009,284	583,973	-	(9,984,324)
Total Governmental Activities	\$ 188,712,161	\$ 1,021,251	\$ 24,860,987	\$ 10,722,489	(152,107,434)
<b>General Revenues:</b>					
Property taxes					15,700,078
Federal and state aid not restricted to specific purpose					129,541,193
Interest and investment earnings					814,857
Interagency revenues					(3,482)
Miscellaneous					10,084,723
Total general revenues					156,137,369
Change in net position					4,029,935
Net position - July 1, 2019					14,797,206
Net position - June 30, 2020					\$ 18,827,141

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Balance Sheet – Governmental Funds*  
*June 30, 2020*

	General Fund	Charter School Fund	Cafeteria Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Deposits and investments	\$ 33,837,838	\$ 3,626,754	\$ 1,560,832	\$ 10,693,987	\$ 15,007,693	\$ 11,822,878	\$ 76,549,982
Accounts receivable	22,191,712	728,528	3,088,732	28,502	88,047	15,842	26,141,363
Due from other funds	751,471	2,203	1,929	-	12,904,830	-	13,660,433
Inventories	131,223	-	180,315	-	-	-	311,538
Prepaid expenditures	3,709	-	-	-	-	-	3,709
<b>Total Assets</b>	<b>\$ 56,915,953</b>	<b>\$ 4,357,485</b>	<b>\$ 4,831,808</b>	<b>\$ 10,722,489</b>	<b>\$ 28,000,570</b>	<b>\$ 11,838,720</b>	<b>\$ 116,667,025</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	\$ 18,325,150	\$ 535,606	\$ 378,290	\$ -	\$ 90,740	\$ 5,670	\$ 19,335,456
Due to other funds	4,132	258,726	492,745	10,722,489	-	2,182,341	13,660,433
Unearned revenue	156,603	-	-	-	-	-	156,603
<b>Total Liabilities</b>	<b>18,485,885</b>	<b>794,332</b>	<b>871,035</b>	<b>10,722,489</b>	<b>90,740</b>	<b>2,188,011</b>	<b>33,152,492</b>
<b>Fund Balances</b>							
Nonspendable	184,932	-	190,348	-	-	-	375,280
Restricted	4,330,223	78,645	3,770,425	-	27,909,830	9,530,111	45,619,234
Committed	-	-	-	-	-	120,598	120,598
Assigned	13,763,356	3,515,463	-	-	-	-	17,278,819
Unassigned	20,151,557	(30,955)	-	-	-	-	20,120,602
<b>Total Fund Balances</b>	<b>38,430,068</b>	<b>3,563,153</b>	<b>3,960,773</b>	<b>-</b>	<b>27,909,830</b>	<b>9,650,709</b>	<b>83,514,533</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 56,915,953</b>	<b>\$ 4,357,485</b>	<b>\$ 4,831,808</b>	<b>\$ 10,722,489</b>	<b>\$ 28,000,570</b>	<b>\$ 11,838,720</b>	<b>\$ 116,667,025</b>

# VICTOR ELEMENTARY SCHOOL DISTRICT

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2020

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**Total fund balances - governmental funds** \$ 83,514,533

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets relating to governmental activities, at historical cost	248,600,683	
Accumulated depreciation	<u>(83,227,603)</u>	
Net:		165,373,080

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: (446,416)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were: 628,777

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds	75,796,241	
Compensated absences	885,239	
Other postemployment benefits	<u>54,023,322</u>	
Total		(130,704,802)

The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements. (132,724,948)

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported. Deferred outflows and inflows relating to OPEB for the period were:

Deferred outflows of resources relating to OPEB	2,877,450	
Deferred inflows of resources relating to OPEB	<u>(935,542)</u>	1,941,908

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. Deferred outflows and inflows relating to pensions for the period were:

Deferred outflows of resources relating to pensions	38,878,606	
Deferred inflows of resources relating to pensions	<u>(7,633,597)</u>	31,245,009

**Total net position - governmental activities** \$ 18,827,141

## VICTOR ELEMENTARY SCHOOL DISTRICT

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

	General Fund	Charter School Fund	Cafeteria Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
LCFF sources	\$ 129,687,660	\$ 4,595,825	\$ -	\$ -	\$ -	\$ -	\$ 134,283,485
Federal sources	9,482,393	89,643	9,457,348	-	-	-	19,029,384
Other state sources	13,622,231	341,414	706,491	10,690,241	-	33,058	25,393,435
Other local sources	2,883,594	96,257	41,722	32,248	2,333,697	6,792,311	12,179,829
Total Revenues	155,675,878	5,123,139	10,205,561	10,722,489	2,333,697	6,825,369	190,886,133
<b>EXPENDITURES</b>							
Current:							
Instructional Services:							
Instruction	95,191,879	3,311,868	-	-	-	-	98,503,747
Instruction-Related Services:							
Supervision of instruction	2,336,772	1,826	-	-	-	-	2,338,598
Instructional library, media and technology	1,367,072	18,575	-	-	-	-	1,385,647
School site administration	9,536,710	859,079	-	-	-	-	10,395,789
Pupil Support Services:							
Home-to-school transportation	6,603,879	-	-	-	-	-	6,603,879
Food services	20,781	9	8,387,241	-	-	-	8,408,031
All other pupil services	8,408,961	163,954	-	-	-	-	8,572,915
Community services	410,133	-	-	-	-	-	410,133
General Administration Services:							
Data processing services	952,349	-	-	-	-	-	952,349
Other general administration	7,005,490	-	-	-	-	-	7,005,490
Plant services	14,960,476	473,004	178,022	-	-	129,699	15,741,201
Transfers of indirect costs	(406,951)	-	406,951	-	-	-	-
Capital outlay	292,616	-	-	-	2,599,634	1,782,469	4,674,719
Intergovernmental transfers	4,692,727	-	-	-	-	8,389,124	13,081,851
Debt service:							
Principal	-	-	-	-	-	4,286,132	4,286,132
Interest	-	-	-	-	-	5,420,935	5,420,935
Total Expenditures	151,372,894	4,828,315	8,972,214	-	2,599,634	20,008,359	187,781,416
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	4,302,984	294,824	1,233,347	10,722,489	(265,937)	(13,182,990)	3,104,717
<b>OTHER FINANCING SOURCES (USES)</b>							
Interfund transfers in	-	-	-	-	12,904,245	-	12,904,245
Interfund transfers out	-	-	-	(10,722,489)	-	(2,181,756)	(12,904,245)
Proceeds from CFD bonds	-	-	-	-	-	9,075,000	9,075,000
All other financing sources	-	-	-	-	-	9,443	9,443
Total Other Financing Sources and Uses	-	-	-	(10,722,489)	12,904,245	6,902,687	9,084,443
Net Change in Fund Balances	4,302,984	294,824	1,233,347	-	12,638,308	(6,280,303)	12,189,160
Fund Balances, July 1, 2019	34,127,084	3,268,329	2,727,426	-	15,271,522	15,931,012	71,325,373
Fund Balances, June 30, 2020	\$ 38,430,068	\$ 3,563,153	\$ 3,960,773	\$ -	\$ 27,909,830	\$ 9,650,709	\$ 83,514,533

The notes to financial statements are an integral part of this statement.



**VICTOR ELEMENTARY SCHOOL DISTRICT**

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

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**Total net change in fund balances - governmental funds** \$ 12,189,160

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	4,778,814	
Depreciation expense	<u>(7,583,184)</u>	(2,804,370)

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long term debt were: 4,286,132

The amounts paid to the refunded bond escrow agent in excess of the refunded bond at the time of payment are recorded as deferred amounts on the refunding and are amortized over the life of the liability. Deferred amounts on refunding exceeded the amount amortized during the year by: (51,523)

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. The difference between accreted interest earned and paid for the period is: 1,465,592

In government funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between accrual-basis OPEB costs and actual employer contributions was: (3,533,350)

In governmental funds, compensated absences are measured by the amount paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between absences paid and compensated absences earned was: (308,811)

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: (114,331)

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is: 230,786

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (7,329,350)

**Change in net position of governmental activities** \$ 4,029,935

**VICTOR ELEMENTARY SCHOOL DISTRICT***Statement of Fiduciary Net Position**June 30, 2020*

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	Agency Funds		Total
	Student Body Funds	CFD Debt Service Fund	
<b>ASSETS</b>			
Deposits and investments	\$ 39,886	\$ 2,702,872	\$ 2,742,758
Accounts receivable	-	22	22
Total assets	<u>\$ 39,886</u>	<u>\$ 2,702,894</u>	<u>\$ 2,742,780</u>
<b>LIABILITIES</b>			
Due to bondholders	\$ -	\$ 2,702,894	\$ 2,702,894
Due to student groups	39,886	-	39,886
Total liabilities	<u>\$ 39,886</u>	<u>\$ 2,702,894</u>	<u>\$ 2,742,780</u>

# VICTOR ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

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

The Victor Elementary School District Financing Corporation (the "Corporation") financial activity is presented in the financial statements as the Debt Service Fund. Certificates of participation and other debt issued by the Corporation are included as long-term liabilities in the District-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

The Victor Elementary School District Community Facilities Districts (CFDs) financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFDs are not included in the long-term obligations of the *Statement of Net Position* as they are not obligations of the District. Individually prepared financial statements are not prepared for each of the CFDs.

### B. Basis of Presentation, Basis of Accounting

#### 1. Basis of Presentation

##### District-Wide Financial Statements

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

# VICTOR ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 1. Basis of Presentation (continued)

##### **District-Wide Financial Statements**

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

##### **Fund Financial Statements**

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

##### **Major Governmental Funds**

The District maintains the following major governmental funds:

**General Fund:** This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The District also maintains a Special Reserve Fund for Postemployment Benefits. The Special Reserve Fund for Postemployment Benefits is not substantially composed of restricted or committed revenue sources. Because this fund does not meet the definition of special revenue funds under GASB 54, the activity in the fund is being reported within the General Fund.

**Charter School Fund:** This fund is used to account for the operations of the Mountain View Montessori School and Sixth Street Preparatory Charter Schools.

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

**County School Facilities Fund:** This fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to the Building Fund, Capital Facilities Fund, State School Building Lease-Purchase Fund, County School Facilities Fund, or Capital Project Fund for Blended Component Units.

# VICTOR ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 1. Basis of Presentation (continued)

##### Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

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

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

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

**Building Fund:** This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

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

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

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

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

# VICTOR ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 1. Basis of Presentation (continued)

##### **Fiduciary Funds**

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

**Agency Funds:** The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not.

**CFD Debt Service Fund:** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on special tax bonds.

#### 2. Measurement Focus, Basis of Accounting

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

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

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

As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The agency funds have no measurement focus and utilize the accrual basis of accounting for reporting assets and liabilities.

# VICTOR ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

### C. Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

### D. Encumbrances

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

# VICTOR ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 1. Cash and Cash Equivalents

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

#### 2. Inventories and Prepaid Items

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

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

#### 3. Capital Assets

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

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

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

#### 4. Unearned Revenue

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

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

#### 5. Deferred Outflows/Inflows of Resources

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

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



# VICTOR ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2020

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 6. Compensated Absences

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

##### 7. Postemployment Benefits Other Than Pensions (OPEB)

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

##### 8. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### 9. Fund Balances

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

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

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

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

# VICTOR ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2020

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 9. Fund Balances (continued)

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

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

##### 10. Net Position

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

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

#### F. Minimum Fund Balance Policy

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

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

# VICTOR ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2020

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### G. Property Tax Calendar

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

#### H. Use of Estimates

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

#### I. New GASB Pronouncement

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

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

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

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

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

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

# VICTOR ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2020

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### J. Future Accounting Pronouncements

GASB pronouncements which will be effective in future periods, are as follows:

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

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

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

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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

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

# VICTOR ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2020

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### J. Future Accounting Pronouncements (continued)

3. (continued)

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

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

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

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

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

# VICTOR ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2020

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### J. Future Accounting Pronouncements (continued)

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

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

6. In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:
- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
  - Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
  - The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, as amended, to reporting assets accumulated for postemployment benefits
  - The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements

# VICTOR ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2020

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### J. Future Accounting Pronouncements (continued)

6. (continued)

- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

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

Earlier application is encouraged and is permitted by topic.

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

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

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

# VICTOR ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2020

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### J. Future Accounting Pronouncements (continued)

7. (continued)

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

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

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

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

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



**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2020*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Future Accounting Pronouncements (continued)**

8. (continued)

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

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

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

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

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

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

**NOTE 2 – DEPOSITS AND INVESTMENTS**

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

Governmental funds	\$ 76,549,982
Fiduciary funds	<u>2,742,758</u>
Total deposits and investments	<u><u>\$ 79,292,740</u></u>

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

Cash on hand and in banks	\$ 39,886
Cash in revolving fund	60,033
Investments	<u>79,192,821</u>
Total deposits and investments	<u><u>\$ 79,292,740</u></u>

# VICTOR ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2020

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### NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

#### Pooled Funds

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2020, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

#### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2020, none of the District's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

#### Investments - Interest Rate Risk

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

	Reported Amount	Less Than One Year	Through Five Years	Fair Value Measurement	Rating
Investments:					
County Pool	\$ 71,109,616	\$ 71,109,616	\$ -	Uncategorized	N/A
Investco Short-Term Treasury Portfolio	8,083,205	8,083,205	-	Level 2	AA-
Total Investments	<u>\$ 79,192,821</u>	<u>\$ 79,192,821</u>	<u>\$ -</u>		

# VICTOR ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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## NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

### Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2020, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

### Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2020, the District had the following investments that represent more than five percent of the District's net investments outside of the County treasury.

Investco Short-Term Treasury Portfolio	100%
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### Fair Value Measurements

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

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

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

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

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2020

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2020, consisted of the following:

	Governmental Funds						Totals
	General Fund	Charter School Fund	Cafeteria Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay	Non-Major Governmental Funds	
Federal Government:							
Categorical aid programs	\$ 2,591,666	\$ 689,103	\$ 2,826,623	\$ -	\$ -	\$ -	\$ 6,107,392
State Government:							
LCFF sources	17,798,724	-	-	-	-	-	17,798,724
Lottery	602,472	23,448	-	-	-	-	625,920
Categorical aid programs	169,834	-	246,993	-	-	-	416,827
Local:							
Interest	196,516	15,977	7,091	28,502	64,234	4,692	317,012
Special education	432,130	-	-	-	-	-	432,130
Other local resources	400,370	-	8,025	-	23,813	11,150	443,358
Total	<u>\$ 22,191,712</u>	<u>\$ 728,528</u>	<u>\$ 3,088,732</u>	<u>\$ 28,502</u>	<u>\$ 88,047</u>	<u>\$ 15,842</u>	<u>\$ 26,141,363</u>

**NOTE 4 – INTERFUND TRANSACTIONS**

**A. Balances Due To/From Other Funds**

Balances due to/from other funds at June 30, 2020, consisted of the following:

	Due From Other Funds				Total
	General Fund	Charter School Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay	
General Fund	\$ -	\$ 2,203	\$ 1,929	\$ -	\$ 4,132
Charter School Fund	258,726	-	-	-	258,726
Cafeteria Fund	492,745	-	-	-	492,745
County School Facilities Fund	-	-	-	10,722,489	10,722,489
Non-Major Governmental Funds	-	-	-	2,182,341	2,182,341
Totals	<u>\$ 751,471</u>	<u>\$ 2,203</u>	<u>\$ 1,929</u>	<u>\$ 12,904,830</u>	<u>\$ 13,660,433</u>

General Fund due to Charter Schools Special Revenue Fund for in-lieu	\$ 2,203
General Fund due to Cafeteria Special Revenue Fund for food services to sites	1,929
Charter Schools Special Revenue Fund due to General Fund for administrative expenses	258,726
Cafeteria Special Revenue Fund due to General Fund to cover indirect costs and health and welfare costs	492,745
Building Fund due to Special Reserve Fund for Capital Outlay Projects to repay for building site costs	576
County School Facilities Fund due to Special Reserve Fund for Capital Outlay Projects for state match from Arrowhead project	10,722,489
Capital Projects Fund for Blended Component Units due to Special Reserve Fund for Capital Outlay Projects for payback on the bond refunds	2,181,765
Totals	<u>\$ 13,660,433</u>

**B. Transfers to/from**

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

County School Facilities Fund to Special Reserve Fund for Capital Outlay Projects for state match from Arrowhead project	\$ 10,722,489
Capital Project Fund for Blended Component Units to Special Reserve Fund for Capital Outlay Projects for CFD project payback	2,181,756
Totals	<u>\$ 12,904,245</u>

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2020*

**NOTE 5 – FUND BALANCES**

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

	General Fund	Charter School Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay	Non-Major Governmental Funds	Total
<b>Nonspendable:</b>						
Revolving cash	\$ 50,000	\$ -	\$ 10,033	\$ -	\$ -	\$ 60,033
Stores inventories	131,223	-	180,315	-	-	311,538
Prepaid expenditures	3,709	-	-	-	-	3,709
Total Nonspendable	184,932	-	190,348	-	-	375,280
<b>Restricted:</b>						
Categorical programs	4,330,223	78,645	-	-	-	4,408,868
Nutritional services	-	-	3,770,425	-	-	3,770,425
Capital projects	-	-	-	27,909,830	4,231,223	32,141,053
Debt service	-	-	-	-	5,298,888	5,298,888
Total Restricted	4,330,223	78,645	3,770,425	27,909,830	9,530,111	45,619,234
<b>Committed:</b>						
Deferred maintenance program	-	-	-	-	120,598	120,598
Total Committed	-	-	-	-	120,598	120,598
<b>Assigned:</b>						
Facilities	2,000,000	-	-	-	-	2,000,000
Safety Supplemental/Concentration	3,168,487	-	-	-	-	3,168,487
Textbooks	2,425,000	-	-	-	-	2,425,000
School site carryover	1,688,425	-	-	-	-	1,688,425
Lottery carryover	267,886	-	-	-	-	267,886
Lottery revenue	1,869,201	-	-	-	-	1,869,201
Preschool One-time Funding	2,000,323	-	-	-	-	2,000,323
Mountain View Montessori	-	2,389,219	-	-	-	2,389,219
Sixth Street Preparatory	-	1,126,244	-	-	-	1,126,244
Postemployment benefits	344,034	-	-	-	-	344,034
Total Assigned	13,763,356	3,515,463	-	-	-	17,278,819
<b>Unassigned:</b>						
Reserve for economic uncertainties	7,568,645	-	-	-	-	7,568,645
Remaining unassigned balances	12,582,912	(30,955)	-	-	-	12,551,957
Total Unassigned	20,151,557	(30,955)	-	-	-	20,120,602
<b>Total</b>	<b>\$ 38,430,068</b>	<b>\$ 3,563,153</b>	<b>\$ 3,960,773</b>	<b>\$ 27,909,830</b>	<b>\$ 9,650,709</b>	<b>\$ 83,514,533</b>

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2020*

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**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

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

	Balance, July 1, 2019	Additions	Decreases	Balance, June 30, 2020
Capital assets not being depreciated:				
Land	\$ 16,393,649	\$ -	\$ -	\$ 16,393,649
Construction in progress	37,710	-	-	37,710
Total capital assets not being depreciated	<u>16,431,359</u>	<u>-</u>	<u>-</u>	<u>16,431,359</u>
Capital assets being depreciated:				
Improvement of sites	11,484,776	328,853	-	11,813,629
Buildings	195,256,255	1,897,717	-	197,153,972
Equipment	20,649,479	2,552,244	-	23,201,723
Total capital assets being depreciated	<u>227,390,510</u>	<u>4,778,814</u>	<u>-</u>	<u>232,169,324</u>
Accumulated depreciation for:				
Improvement of sites	(6,021,395)	(466,391)	-	(6,487,786)
Buildings	(58,412,355)	(5,171,491)	-	(63,583,846)
Equipment	(11,210,669)	(1,945,302)	-	(13,155,971)
Total accumulated depreciation	<u>(75,644,419)</u>	<u>(7,583,184)</u>	<u>-</u>	<u>(83,227,603)</u>
Total capital assets being depreciated, net	<u>151,746,091</u>	<u>(2,804,370)</u>	<u>-</u>	<u>148,941,721</u>
Governmental activity capital assets, net	<u>\$ 168,177,450</u>	<u>\$ (2,804,370)</u>	<u>\$ -</u>	<u>\$ 165,373,080</u>

Depreciation expense is allocated to the following functions in the Statement of Activities:

Instruction	\$ 5,564,770
Instructional Supervision and Administration	680
Instructional Library, Media and Technology	48,698
School Site Administration	123,424
Home-to-School Transportation	699,567
Food Services	331,685
All Other Pupil Services	2,982
All Other General Administration	211,206
Centralized Data Processing	23,874
Plant Services	576,298
Total	<u>\$ 7,583,184</u>

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2020

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**NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS**

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

	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	\$ 57,118,717	\$ -	\$ 4,286,132	\$ 52,832,585	\$ 3,026,252
Accreted Interest	21,867,106	2,898,276	4,363,868	20,401,514	733,748
Unamortized Premium	2,792,928	-	230,786	2,562,142	230,787
Total G.O. Bonds	<u>81,778,751</u>	<u>2,898,276</u>	<u>8,880,786</u>	<u>75,796,241</u>	<u>3,990,787</u>
Compensated Absences	576,428	308,811	-	885,239	-
Other Postemployment Benefits	49,516,297	7,850,010	3,342,985	54,023,322	-
Sub-Totals	<u>\$ 131,871,476</u>	<u>\$ 11,057,097</u>	<u>\$ 12,223,771</u>	<u>\$ 130,704,802</u>	<u>\$ 3,990,787</u>

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Accumulated vacation will be paid for by the fund for which the employee worked. Other postemployment benefits are paid from the General Fund.

**A. General Obligation Bonds**

The District has issued general obligation bonds under different voter-approved measures, as described below. Bonds are payable solely from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other state law. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds.

**Election of 1995**

Bonds were authorized at an election of the registered voters of the District held on March 7, 1995, at which more than two-thirds of the voters authorized the issuance and sale of \$14 million general obligation bonds. The bonds were issued to finance the improvement of real property in the District and to pay the costs of issuance of the bonds.

**Election of 2001**

Bonds were authorized at an election of the registered voters of the District held on November 6, 2001 at which more than 55 percent of the persons voting on the measure voted to authorize the issuance and sale of \$30 million general obligation bonds. The bonds were issued to finance the improvement of real property in the District and to pay the costs of issuance of the bonds.

**Election of 2008**

On November 4, 2008, District voters approved Measure E, authorizing the District to issue up to \$150 million in general obligation bonds to maintain, upgrade, and construct school facilities.

**Prior-Year Defeasance of Debt**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2020, the principal balance outstanding on the defeased debt amounted to \$13,165,000.

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2020

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

**A. General Obligation Bonds (continued)**

**Prior-Year Defeasance of Debt (continued)**

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2020, deferred amounts on refunding were \$628,777.

A summary of outstanding bonds is shown below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020
<b>1995 Election</b>								
1995 Issuance	5/16/1995	6/1/2020	4.7%-7.25%	\$ 13,998,569	\$ 1,129,032	\$ -	\$ 1,129,032	\$ -
<b>2001 Election</b>								
Series A	6/13/2002	8/1/2026	2.75%-5.73%	15,997,340	2,192,340	-	-	2,192,340
Series B	5/19/2005	8/1/2030	3.0%-5.1%	10,752,264	8,677,714	-	213,703	8,464,011
Series C	7/13/2006	8/1/2026	4.0%-5.0%	3,249,943	139,943	-	-	139,943
<b>2008 Election</b>								
Series A	12/3/2009	8/1/2034	2.0%-4.0%	19,999,831	2,709,831	-	835,000	1,874,831
Series B	6/3/2015	8/1/2042	3.0%	16,496,790	16,089,246	-	128,397	15,960,849
Series C	6/12/2019	8/1/2044	2.47% - 4.00%	7,995,611	7,995,611	-	-	7,995,611
<b>Refunding Bonds</b>								
2014 Refunding	5/22/2014	8/1/2024	2.0%-5.0%	5,320,000	3,000,000	-	1,080,000	1,920,000
2015 Refunding	6/3/2015	8/1/2020	3.0%	3,555,000	1,320,000	-	850,000	470,000
2016 Refunding	5/12/2016	8/1/2034	3.0%-4.0%	14,170,000	13,865,000	-	50,000	13,815,000
					<u>\$ 57,118,717</u>	<u>\$ -</u>	<u>\$ 4,286,132</u>	<u>\$ 52,832,585</u>
Accreted Interest Component:								
				1995	\$ 3,825,801	\$ 315,167	\$ 4,140,968	\$ -
				2001A	3,915,997	389,005	-	4,305,002
				2001B	8,601,052	884,248	211,297	9,274,003
				2001C	338,052	49,143	-	387,195
				2008A	3,230,729	595,141	-	3,825,870
				2008B	1,955,475	594,348	11,603	2,538,220
				2008C	-	71,224	-	71,224
					<u>\$ 21,867,106</u>	<u>\$ 2,898,276</u>	<u>\$ 4,363,868</u>	<u>\$ 20,401,514</u>

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

Fiscal Year	Principal	Interest	Total
2020-21	\$ 3,026,252	\$ 1,764,423	\$ 4,790,675
2021-22	2,069,284	3,062,041	5,131,325
2022-23	2,022,104	3,375,746	5,397,850
2023-24	1,712,174	3,984,151	5,696,325
2024-25	1,766,131	4,209,744	5,975,875
2025-30	9,428,556	23,743,819	33,172,375
2030-35	12,742,362	6,462,938	19,205,300
2035-40	6,402,169	14,636,581	21,038,750
2040-45	13,663,553	7,052,422	20,715,975
	<u>\$ 52,832,585</u>	<u>\$ 68,291,865</u>	<u>\$ 121,124,450</u>



**VICTOR ELEMENTARY SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2020*

**NOTE 7 – GENERAL LONG-TERM DEBT (continued)**

**B. Non-Obligatory Debt**

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Marks-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur.

If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$29,697,500 as of June 30, 2020, does not represent debt of the District and, as such, does not appear in the financial statements.

**C. Other Postemployment Benefits (OPEB) Liability**

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

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 53,425,562	\$ 2,877,450	\$ 935,542	\$ 5,865,981
MPP Program	597,760	-	-	6,022
Total	<u>\$ 54,023,322</u>	<u>\$ 2,877,450</u>	<u>\$ 935,542</u>	<u>\$ 5,872,003</u>

The details of each plan are as follows:

**District Plan**

***Plan Description***

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

***Benefits provided***

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

Benefit types provided	Medical only	Medical only	Medical only
Duration of Benefits	10 years but not beyond Medicare	10 years but not beyond Medicare	10 years but not beyond Medicare
	Eligibility	Eligibility	Eligibility
Required Service	10 years	10 years	10 years
Minimum Age	55	55	55
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100%	100%	100%
District Cap	Same as active	Same as active	Same as active

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2020*

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

**C. Other Postemployment Benefits (OPEB) Liability**

**District Plan (continued)**

***Employees Covered by Benefit Terms***

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

Inactive employees or beneficiaries currently receiving benefit payments	89
Active employees	949
Total	<u>1,038</u>

***Total OPEB Liability***

The District’s total OPEB liability of \$53,425,562 for the Plan was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020.

***Actuarial Assumptions and Other Inputs***

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2020
Inflation	2.75%
Salary increases	2.75%
Healthcare cost trend rates	4.00%
Retirees' share of benefit-related costs	None; District pays 100% of cost

***Discount Rate***

The actuarial valuation used the Bond Buyer 20 Index at June 30, 2020 and rounded the rate resulting in a rate of 2.20%.

***Mortality Rates***

The mortality assumptions are based on the 2020 CalSTRS Mortality table created by CalSTRS, the 2017 CalPERS Retiree Mortality for Miscellaneous Employees table created by CalPERS, and the 2017 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS.

**VICTOR ELEMENTARY SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2020*

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

**C. Other Postemployment Benefits (OPEB) Liability (continued)**

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2019</b>	\$ 48,924,560
<b>Changes for the year:</b>	
Service cost	3,968,990
Interest	1,740,890
Differences between expected and actual experience	(1,004,332)
Changes of assumptions	2,134,108
Benefit payments	(2,338,654)
Net changes	4,501,002
<b>Balance at June 30, 2020</b>	<u>\$ 53,425,562</u>

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

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

Discount Rate	OPEB Liability
1% decrease	\$ 57,544,710
Current discount rate	\$ 53,425,562
1% increase	\$ 49,613,461

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

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

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	\$ 47,326,215
Current trend rate	\$ 53,425,562
1% increase	\$ 60,704,833



**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2020*

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

**C. Other Postemployment Benefits (OPEB) Liability (continued)**

**Medicare Premium Payment (MPP) Program (continued)**

***Benefits Provided***

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the DB Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. The MPP Program is closed to new entrants as members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2019, 5,744 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

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

***Total OPEB Liability***

At June 30, 2020, the District reported a liability of \$597,760 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2019, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total OPEB liability to June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<b>Percentage Share of MPP Program</b>		<b>Change Increase/ (Decrease)</b>
	<b>Fiscal Year Ending June 30, 2020</b>	<b>Fiscal Year Ending June 30, 2019</b>	
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net OPEB Liability	0.160517%	0.154594%	0.005923%

For the year ended June 30, 2020, the District reported OPEB expense of \$6,022.

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2020*

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

**C. Other Postemployment Benefits (OPEB) Liability (continued)**

**Medicare Premium Payment (MPP) Program (continued)**

***Actuarial Assumptions and Other Inputs***

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

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

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

***Discount Rate***

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

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

**VICTOR ELEMENTARY SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2020*

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

**C. Other Postemployment Benefits (OPEB) Liability (continued)**

**Medicare Premium Payment (MPP) Program (continued)**

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

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

Discount Rate	MPP OPEB Liability
1% decrease	\$ 652,292
Current discount rate	\$ 597,760
1% increase	\$ 547,619

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

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

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	\$ 544,696
Current trend rate	\$ 597,760
1% increase	\$ 658,571

**NOTE 8 – PENSION PLANS**

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

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 93,798,910	\$ 28,557,077	\$ 6,472,328	\$ 13,194,011
CalPERS	38,926,038	10,321,528	1,161,269	9,428,894
Total	\$ 132,724,948	\$ 38,878,606	\$ 7,633,597	\$ 22,622,905

# VICTOR ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2020

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### NOTE 8 – PENSION PLANS (continued)

The details of each plan are as follows:

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

##### Plan Description

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

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

##### Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and non-employer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

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

	<b>STRP Defined Benefit Program</b>	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	17.10%	17.10%
Required State Contribution Rate	10.328%	10.328%



**VICTOR ELEMENTARY SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2020*

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**NOTE 8 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

**Contributions**

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

The contribution rates for each program for the year ended June 30, 2020, are presented above, and the District's total contributions were \$10,058,031.

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

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

District's proportionate share of net pension liability	\$	93,798,910
State's proportionate share of the net pension liability associated with the District		<u>51,173,568</u>
Total	<u>\$</u>	<u>144,972,478</u>

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

	<u>Percentage Share of Risk Pool</u>		<b>Change Increase/ (Decrease)</b>
	<u>Fiscal Year Ending June 30, 2020</u>	<u>Fiscal Year Ending June 30, 2019</u>	
Measurement Date	<u>June 30, 2019</u>	<u>June 30, 2018</u>	
Proportion of the Net Pension Liability	0.103856%	0.098308%	0.005548%

**VICTOR ELEMENTARY SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2020*

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**NOTE 8 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

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

For the year ended June 30, 2020, the District recognized pension expense of \$13,194,011. In addition, the District recognized pension expense and revenue of \$1,400,090 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	\$ 10,058,031	\$ -
Net change in proportionate share of net pension liability	6,182,721	-
Difference between projected and actual earnings		
on pension plan investments	216,021	3,829,184
Changes of assumptions	11,863,511	-
Differences between expected and actual experience	236,793	2,643,144
Total	<u>\$ 28,557,077</u>	<u>\$ 6,472,328</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. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	\$ 4,013,667	\$ 1,006,368
2022	4,013,667	3,514,499
2023	4,013,667	1,040,641
2024	4,128,766	267,949
2025	838,905	330,263
Thereafter	1,490,374	312,608
Total	<u>\$ 18,499,046</u>	<u>\$ 6,472,328</u>

# VICTOR ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2020

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### NOTE 8 – PENSION PLANS (continued)

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

##### Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

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

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

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	4.8%
Fixed Income	12%	1.3%
Real Estate	13%	3.6%
Private Equity	13%	6.3%
Risk Mitigating Strategies	9%	1.8%
Inflation Sensitive	4%	3.3%
Cash/Liquidity	2%	(0.4%)

# VICTOR ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2020

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### NOTE 8 – PENSION PLANS (continued)

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

##### Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 139,674,342
Current discount rate (7.10%)	93,798,910
1% increase (8.10%)	55,759,441

##### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$7,138,219.

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

##### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Schools Pool Accounting Report. 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/employers/actuarial-resources/gasb>.

**VICTOR ELEMENTARY SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2020*

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**NOTE 8 – PENSION PLANS (continued)**

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

**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:

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

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020 are presented above, and the total District contributions were \$3,821,516.

# VICTOR ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2020

### NOTE 8 – PENSION PLANS (continued)

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

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$38,926,038. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net Pension Liability	0.133563%	0.135113%	-0.001550%

For the year ended June 30, 2020, the District recognized pension expense of \$9,428,894. 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	\$ 3,821,516	\$ -
Net change in proportionate share of net pension liability	1,360,705	341,508
Difference between projected and actual earnings on pension plan investments	458,714	819,761
Changes of assumptions	1,853,000	-
Differences between expected and actual experience	2,827,593	-
Total	<u>\$ 10,321,528</u>	<u>\$ 1,161,269</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. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years.

**VICTOR ELEMENTARY SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2020*

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**NOTE 8 – PENSION PLANS (continued)**

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

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	\$ 4,068,989	\$ 83,295
2022	1,655,043	795,178
2023	628,091	191,172
2024	147,889	83,295
2025	-	8,329
Thereafter	-	-
Total	<u>\$ 6,500,012</u>	<u>\$ 1,161,269</u>

**Actuarial Methods and Assumptions**

Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 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
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.50%
Wage Growth	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

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

# VICTOR ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2020

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### NOTE 8 – PENSION PLANS (continued)

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

##### Actuarial Methods and Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92%)

##### Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 56,109,325
Current discount rate (7.15%)	38,926,038
1% increase (8.15%)	24,671,315

#### C. Social Security

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

#### D. Payables to the Pension Plans

At June 30, 2020, the District reported payables of \$906,237 and \$49,292 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2020.



## VICTOR ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2020

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#### NOTE 9 – JOINT VENTURES

The Victor Elementary School District participates in joint ventures under joint powers agreements with the High Desert and Inland Employee/Employer Trust (HDIEET), California Schools Employee Benefits Association (CSEBA), and California Schools Risk Management (CSRM). The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The JPAs provide property and liability insurance coverage, health and welfare benefits coverage, and workers compensation insurance coverage. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

Financial information for HDIEET is separately available. Current condensed financial information for CSRM and CSEBA is as follows:

	CSRM June 30, 2019 (Audited)	CSEBA June 30, 2019 (Audited)
Assets	\$ 77,532,077	\$ 58,821,912
Liabilities	31,139,862	18,571,042
Total Net Position/Assets	<u>\$ 46,392,215</u>	<u>\$ 40,250,870</u>
Revenues	\$ 44,528,754	\$ 249,139,047
Expenses	43,678,978	245,358,552
Operating Income	849,776	3,780,495
Net Non-Operating Income and Expenses	328,903	681,621
Change in Net Position/Assets	<u>\$ 1,178,679</u>	<u>\$ 4,462,116</u>

#### NOTE 10 – RISK MANAGEMENT

##### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, the District participated in the CSRM public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

##### Workers' Compensation

For fiscal year 2019-20, the District participated in the CSRM JPA for workers compensation, with excess coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

##### Employee Medical Benefits

The District has contracted with High Desert and Inland Employee/Employer Trust to provide employee medical benefits. The District provides life insurance benefits for management employees through CSEBA.

## VICTOR ELEMENTARY SCHOOL DISTRICT

*Notes to Financial Statements*

*June 30, 2020*

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### NOTE 11 – COMMITMENTS AND CONTINGENCIES

#### **A. State and Federal Allowances, Awards, and Grants**

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

#### **B. Construction Commitments**

At June 30, 2020, the District had commitments with respect to unfinished capital projects of \$242,243 to be paid from a combination of State and local funds.

#### **C. Litigation**

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

#### **D. Impact of COVID-19**

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

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

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

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*Required Supplementary Information*

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**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Pos (Neg)
	Original	Final		
<b>Revenues</b>				
LCFF Sources	\$ 127,956,976	\$ 129,901,541	\$ 129,687,660	\$ (213,881)
Federal Sources	9,057,007	11,370,046	9,482,393	(1,887,653)
Other State Sources	9,041,534	13,740,513	13,622,231	(118,282)
Other Local Sources	663,038	2,113,020	2,876,928	763,908
<b>Total Revenues</b>	<b>146,718,555</b>	<b>157,125,120</b>	<b>155,669,212</b>	<b>(1,455,908)</b>
<b>Expenditures</b>				
Current:				
Certificated Salaries	56,508,750	60,074,913	59,748,689	326,224
Classified Salaries	17,000,384	17,949,647	17,222,118	727,529
Employee Benefits	43,583,516	46,480,352	45,446,329	1,034,023
Books and Supplies	4,374,503	8,383,114	4,806,744	3,576,370
Services and Other Operating Expenditures	20,511,372	22,957,957	18,258,422	4,699,535
Capital Outlay	1,205,300	1,717,960	1,604,816	113,144
Other Outgo	5,251,459	5,974,432	4,285,776	1,688,656
<b>Total Expenditures</b>	<b>148,435,284</b>	<b>163,538,375</b>	<b>151,372,894</b>	<b>12,165,481</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,716,729)	(6,413,255)	4,296,318	10,709,573
<b>Other Financing Sources and Uses</b>				
Contributions	-	2,113,850	-	(2,113,850)
Net change in fund balance	(1,716,729)	(4,299,405)	4,296,318	8,595,723
Fund Balances, July 1, 2019	33,789,716	33,789,716	33,789,716	-
Fund Balances, June 30, 2020	\$ 32,072,987	\$ 29,490,311	38,086,034	\$ 8,595,723
<b>Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:</b>				
			Special Reserve Fund for Postemployment Benefits	344,034
<b>Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:</b>			<b>\$ 38,430,068</b>	

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – Charter School Fund*  
*For the Fiscal Year Ended June 30, 2020*

	<b>Budgeted Amounts</b>		<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget - Pos (Neg)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
LCFF Sources	\$ 4,527,133	\$ 4,595,825	\$ 4,595,825	\$ -
Federal Sources	60,758	89,643	89,643	-
Other State Sources	260,869	341,415	341,414	(1)
Other Local Sources	53,376	96,256	96,257	1
<b>Total Revenues</b>	<b>4,902,136</b>	<b>5,123,139</b>	<b>5,123,139</b>	<b>-</b>
<b>Expenditures</b>				
Current:				
Certificated Salaries	1,870,086	1,947,505	1,947,506	(1)
Classified Salaries	591,481	599,072	599,072	-
Employee Benefits	1,369,360	1,437,200	1,437,200	-
Books and Supplies	159,596	196,119	196,119	-
Services and Other Operating Expenditures	700,955	648,418	648,418	-
<b>Total Expenditures</b>	<b>4,691,478</b>	<b>4,828,314</b>	<b>4,828,315</b>	<b>(1)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	210,658	294,825	294,824	(1)
Fund Balances, July 1, 2019	3,100,638	3,268,329	3,268,329	-
Fund Balances, June 30, 2020	<b>\$ 3,311,296</b>	<b>\$ 3,563,154</b>	<b>\$ 3,563,153</b>	<b>\$ (1)</b>

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – Cafeteria Fund*  
*For the Fiscal Year Ended June 30, 2020*

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Federal Sources	\$ 6,865,856	\$ 9,457,349	\$ 9,457,348	\$ (1)
Other State Sources	426,711	706,492	706,491	(1)
Other Local Sources	29,890	41,722	41,722	-
Total Revenues	<u>7,322,457</u>	<u>10,205,563</u>	<u>10,205,561</u>	<u>(2)</u>
<b>Expenditures</b>				
Current:				
Classified Salaries	2,637,111	2,771,586	2,771,571	15
Employee Benefits	1,591,594	1,582,143	1,582,140	3
Books and Supplies	2,938,269	5,447,105	3,921,931	1,525,174
Services and Other Operating Expenditures	166,000	186,823	184,884	1,939
Capital Outlay	-	104,738	104,737	1
Other Outgo	265,453	406,952	406,951	1
Total Expenditures	<u>7,598,427</u>	<u>10,499,347</u>	<u>8,972,214</u>	<u>1,527,133</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(275,970)	(293,784)	1,233,347	1,527,131
Fund Balances, July 1, 2019	<u>2,215,179</u>	<u>2,727,426</u>	<u>2,727,426</u>	<u>-</u>
Fund Balances, June 30, 2020	<u>\$ 1,939,209</u>	<u>\$ 2,433,642</u>	<u>\$ 3,960,773</u>	<u>\$ 1,527,131</u>



**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability*  
*For the Fiscal Year Ended June 30, 2020*

	<i>Last Ten Fiscal Years*</i>					
	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
<b>CalSTRS</b>						
District's proportion of the net pension liability	0.1039%	0.0983%	0.0970%	0.0970%	0.0960%	0.0730%
District's proportionate share of the net pension liability	\$ 93,798,910	\$ 90,351,847	\$ 89,707,473	\$ 78,454,570	\$ 64,631,040	\$ 42,659,010
State's proportionate share of the net pension liability associated with the District	51,173,568	51,730,658	53,070,183	44,669,363	34,182,604	25,759,611
Totals	<u>\$ 144,972,478</u>	<u>\$ 142,082,505</u>	<u>\$ 142,777,656</u>	<u>\$ 123,123,933</u>	<u>\$ 98,813,644</u>	<u>\$ 68,418,621</u>
District's covered-employee payroll	<u>\$ 54,485,361</u>	<u>\$ 53,809,917</u>	<u>\$ 51,636,407</u>	<u>\$ 47,666,692</u>	<u>\$ 43,724,989</u>	<u>\$ 39,851,685</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.15%	167.91%	173.73%	164.59%	147.81%	107.04%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
<b>CalPERS</b>						
District's proportion of the net pension liability	0.1336%	0.1351%	0.1315%	0.1252%	0.1187%	0.1157%
District's proportionate share of the net pension liability	\$ 38,926,038	\$ 36,025,444	\$ 31,387,925	\$ 24,727,077	\$ 17,496,497	\$ 13,134,767
District's covered-employee payroll	\$ 18,559,816	\$ 18,060,885	\$ 16,773,690	\$ 15,039,035	\$ 13,111,078	\$ 12,146,224
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	209.73%	199.47%	187.13%	164.42%	133.45%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%

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

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Pension Contributions*  
*For the Fiscal Year Ended June 30, 2020*

	<i>Last Ten Fiscal Years*</i>					
	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
<b>CalSTRS</b>						
Contractually required contribution	\$ 10,058,031	\$ 8,870,217	\$ 7,764,771	\$ 6,495,860	\$ 5,114,636	\$ 3,882,779
Contributions in relation to the contractually required contribution	<u>10,058,031</u>	<u>8,870,217</u>	<u>7,764,771</u>	<u>6,495,860</u>	<u>5,114,636</u>	<u>3,882,779</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 58,818,895</u>	<u>\$ 54,485,361</u>	<u>\$ 53,809,917</u>	<u>\$ 51,636,407</u>	<u>\$ 47,666,692</u>	<u>\$ 43,724,989</u>
Contributions as a percentage of covered-employee payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>						
Contractually required contribution	\$ 3,821,516	\$ 3,352,274	\$ 2,805,036	\$ 2,329,530	\$ 1,785,735	\$ 1,543,305
Contributions in relation to the contractually required contribution	<u>3,821,516</u>	<u>3,352,274</u>	<u>2,805,036</u>	<u>2,329,530</u>	<u>1,785,735</u>	<u>1,543,305</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 19,377,902</u>	<u>\$ 18,559,818</u>	<u>\$ 18,060,885</u>	<u>\$ 16,773,690</u>	<u>\$ 15,039,035</u>	<u>\$ 13,111,078</u>
Contributions as a percentage of covered-employee payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.874%</u>	<u>11.771%</u>

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

**VICTOR ELEMENTARY SCHOOL DISTRICT**

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

*For the Fiscal Year Ended June 30, 2020*

Last 10 Fiscal Years\*

	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>
<b>Total OPEB liability</b>			
Service cost	\$ 3,968,990	\$ 3,675,536	\$ 3,577,164
Interest	1,740,890	1,595,166	1,615,188
Differences between expected and actual experience	(1,004,332)	-	-
Changes of assumptions or other inputs	2,134,108	1,046,952	-
Benefit payments	(2,338,654)	(2,263,013)	(2,175,974)
<b>Net change in total OPEB liability</b>	4,501,002	4,054,641	3,016,378
<b>Total OPEB liability - beginning</b>	48,924,560	44,869,919	41,853,541
<b>Total OPEB liability - ending</b>	<u>\$ 53,425,562</u>	<u>\$ 48,924,560</u>	<u>\$ 44,869,919</u>
<b>Covered-employee payroll</b>	<u>\$ 74,553,172</u>	<u>\$ 72,557,832</u>	<u>\$ 70,615,895</u>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<u>71.66%</u>	<u>67.43%</u>	<u>63.54%</u>

**Notes to Schedule:**

During the fiscal year, the discount rate was changed from 3.50% to 2.20%.

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

**VICTOR ELEMENTARY SCHOOL DISTRICT**

*Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
For the Fiscal Year Ended June 30, 2020*

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Last 10 Fiscal Years\*

	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>
District's proportion of net OPEB liability	0.1605%	0.1546%	0.1544%
District's proportionate share of net OPEB liability	\$ 597,760	\$ 591,737	\$ 649,521
Covered-employee payroll	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	0.40%	0.01%

**Notes to Schedule:**

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

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

# VICTOR ELEMENTARY SCHOOL DISTRICT

## *Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2020*

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### NOTE 1 – PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule**

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

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

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

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

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

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

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

#### **Schedule of District Contributions**

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

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

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

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

*Change of assumptions* – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life.

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

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

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

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

*Change of assumptions* – The discount rate was changed from 3.87 percent to 3.50 percent since the previous valuation.

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*Supplementary Information*

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**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Local Educational Agency Organization Structure*  
*June 30, 2020*

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The Victor Elementary School District was established as a separate school district in 1947. The District encompasses approximately 43 square miles in some unincorporated areas of San Bernardino County as well as the city of Victorville. During the year, the District operated fifteen elementary schools (kindergarten through grade 6) and two charter schools.

<b>GOVERNING BOARD</b>		
<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Dr. Gabriel Luis Stine	President	November, 2020
Allen Williams	Vice President	November, 2022
Dr. Gary Elder	Clerk	November, 2022
Joyce Chamberlain	Trustee	November, 2020
Clayton Moore	Trustee	November, 2022

**DISTRICT ADMINISTRATORS**

Jan Gonzales,  
*Superintendent*

Lori Clark,  
*Assistant Superintendent, Educational Services*

Debbie Betts,  
*Assistant Superintendent, Administrative Services*

Tanya Benitez, Ed.D.,  
*Assistant Superintendent, Pupil Services*

Maureen Mills,  
*Assistant Superintendent, Personnel Services*

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Combining Balance Sheet – Non-Major Governmental Funds*  
*June 30, 2020*

	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<b>ASSETS</b>						
Deposits and investments	\$ 120,128	\$ -	\$ 1,023,529	\$ 5,380,333	\$ 5,298,888	\$ 11,822,878
Accounts receivable	582	576	14,631	53	-	15,842
Total Assets	<u>\$ 120,710</u>	<u>\$ 576</u>	<u>\$ 1,038,160</u>	<u>\$ 5,380,386</u>	<u>\$ 5,298,888</u>	<u>\$ 11,838,720</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 112	\$ -	\$ 5,558	\$ -	\$ -	\$ 5,670
Due to other funds	-	576	-	2,181,765	-	2,182,341
Total Liabilities	<u>112</u>	<u>576</u>	<u>5,558</u>	<u>2,181,765</u>	<u>-</u>	<u>2,188,011</u>
<b>Fund Balances</b>						
Restricted	-	-	1,032,602	3,198,621	5,298,888	9,530,111
Committed	120,598	-	-	-	-	120,598
Total Fund Balances	<u>120,598</u>	<u>-</u>	<u>1,032,602</u>	<u>3,198,621</u>	<u>5,298,888</u>	<u>9,650,709</u>
Total Liabilities and Fund Balances	<u>\$ 120,710</u>	<u>\$ 576</u>	<u>\$ 1,038,160</u>	<u>\$ 5,380,386</u>	<u>\$ 5,298,888</u>	<u>\$ 11,838,720</u>

**VICTOR ELEMENTARY SCHOOL DISTRICT**

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

	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<b>REVENUES</b>						
Other state sources	\$ -	\$ -	\$ -	\$ -	\$ 33,058	\$ 33,058
Other local sources	3,530	58,441	1,046,761	1,564,888	4,118,691	6,792,311
Total Revenues	3,530	58,441	1,046,761	1,564,888	4,151,749	6,825,369
<b>EXPENDITURES</b>						
Current:						
Plant services	129,699	-	-	-	-	129,699
Capital outlay	-	842,222	209,439	730,808	-	1,782,469
Intergovernmental transfers	-	-	-	8,389,124	-	8,389,124
Debt service:						
Principal	-	-	-	-	4,286,132	4,286,132
Interest	-	-	-	-	5,420,935	5,420,935
Total Expenditures	129,699	842,222	209,439	9,119,932	9,707,067	20,008,359
Excess (Deficiency) of Revenues Over (Under) Expenditures	(126,169)	(783,781)	837,322	(7,555,044)	(5,555,318)	(13,182,990)
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers out	-	-	-	(2,181,756)	-	(2,181,756)
Proceeds from CFD bonds	-	-	-	9,075,000	-	9,075,000
All other financing sources	-	9,443	-	-	-	9,443
Total Other Financing Sources and Uses	-	9,443	-	6,893,244	-	6,902,687
Net Change in Fund Balances	(126,169)	(774,338)	837,322	(661,800)	(5,555,318)	(6,280,303)
Fund Balances, July 1, 2019	246,767	774,338	195,280	3,860,421	10,854,206	15,931,012
Fund Balances, June 30, 2020	\$ 120,598	\$ -	\$ 1,032,602	\$ 3,198,621	\$ 5,298,888	\$ 9,650,709

**VICTOR ELEMENTARY SCHOOL DISTRICT**

*Schedule of Average Daily Attendance  
For the Fiscal Year Ended June 30, 2020*

<b>VICTOR ELEMENTARY SCHOOL DISTRICT</b>		
	<b>Second Period Report</b>	<b>Annual Report</b>
	Certificate No. 1AF0AD11	Certificate No. 7ECB0AF1
<b>Regular &amp; Extended Year ADA:</b>		
TK/Grades K-3	6,709.26	6,709.26
Grades 4-6	4,986.52	4,986.52
Total Regular ADA	11,695.78	11,695.78
<b>Special Education - Nonpublic, Nonsectarian Schools</b>		
TK/Grades K-3	2.83	2.83
Grades 4-6	9.83	9.83
Total Special Education - Nonpublic, Nonsectarian Schools ADA	12.66	12.66
Total District ADA	11,708.44	11,708.44

<b>MOUNTAIN VIEW MONTESSORI CHARTER SCHOOL</b>		
	<b>Second Period Report</b>	<b>Annual Report</b>
	Certificate No. 23D7B55A	Certificate No. CBC33DC9
<b>Regular &amp; Extended Year ADA:</b>		
TK/Grades K-3	140.96	140.96
Grades 4-6	83.43	83.43
Total ADA	224.39	224.39
Total Classroom Based ADA	223.84	223.84

<b>SIXTH STREET PREP CHARTER SCHOOL</b>		
	<b>Second Period Report</b>	<b>Annual Report</b>
	Certificate No. 62F90C8B	Certificate No. 3304EF6C
<b>Regular &amp; Extended Year ADA:</b>		
TK/Grades K-3	152.31	152.31
Grades 4-6	84.70	84.70
Total ADA	237.01	237.01
Total Classroom Based ADA	234.77	234.77

**VICTOR ELEMENTARY SCHOOL DISTRICT***Schedules of Instructional Time**For the Fiscal Year Ended June 30, 2020***VICTOR ELEMENTARY SCHOOL DISTRICT**

Grade Level	Required Minutes	2019-2020 Offered Minutes	Number of Days Traditional Calendar	Status
Transitional Kindergarten/ Kindergarten	36,000	37,530	180	Complied
Grade 1	50,400	54,135	180	Complied
Grade 2	50,400	54,135	180	Complied
Grade 3	50,400	54,135	180	Complied
Grade 4	54,000	54,135	180	Complied
Grade 5	54,000	54,135	180	Complied
Grade 6	54,000	54,135	180	Complied

**MOUNTAIN VIEW MONTESSORI CHARTER SCHOOL**

Grade Level	Required Minutes	2019-2020 Offered Minutes	Number of Days Traditional Calendar	Status
Transitional Kindergarten/ Kindergarten	36,000	52,500	180	Complied
Grade 1	50,400	60,885	180	Complied
Grade 2	50,400	60,885	180	Complied
Grade 3	50,400	60,885	180	Complied
Grade 4	54,000	60,885	180	Complied
Grade 5	54,000	60,885	180	Complied
Grade 6	54,000	60,885	180	Complied

**SIXTH STREET PREP SCHOOL**

Grade Level	Required Minutes	2019-2020 Offered Minutes	Number of Days Traditional Calendar	Status
Transitional Kindergarten/ Kindergarten	36,000	41,025	180	Complied
Grade 1	50,400	54,135	180	Complied
Grade 2	50,400	54,135	180	Complied
Grade 3	50,400	54,135	180	Complied
Grade 4	54,000	54,135	180	Complied
Grade 5	54,000	54,135	180	Complied
Grade 6	54,000	54,135	180	Complied

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Financial Trends and Analysis*  
*For the Fiscal Year Ended June 30, 2020*

General Fund	(Budget)			
	2021	2020 <sup>2</sup>	2019	2018
Revenues and other financing sources	\$ 170,082,311	\$ 155,669,212	\$ 152,808,637	\$ 137,364,203
Expenditures	156,294,256	151,372,894	145,234,858	132,773,255
Other uses and transfers out	-	-	2,453,375	1,765,977
Total outgo	156,294,256	151,372,894	147,688,233	134,539,232
Change in fund balance (deficit)	13,788,055	4,296,318	5,120,404	2,824,971
Ending fund balance	\$ 51,874,089	\$ 38,086,034	\$ 33,789,716	\$ 28,669,312
Available reserves <sup>1</sup>	\$ 25,205,079	\$ 20,151,557	\$ 19,296,563	\$ 16,507,514
Available reserves as a percentage of total outgo	16.1%	13.3%	13.1%	12.3%
Total long-term debt	\$ 262,192,464	\$ 263,429,750	\$ 258,248,767	\$ 245,522,232
Average daily attendance at P-2	N/A	11,708	11,618	11,815

The General Fund balance has increased by \$9,416,722 over the past two years. The fiscal year 2020-21 adopted budget projects an increase of \$13,788,055. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in the past three years and anticipates incurring an operating surplus during the 2020-21 fiscal year. Long-term debt has increased by \$17,907,518 over the past two years.

Average daily attendance has decreased by 107 over the past two years. No ADA will be reported in 2020-21.

<sup>1</sup> Available reserves consist of all unassigned fund balances in the General Fund.

<sup>2</sup> The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

<sup>3</sup> As of September, 2020.

**VICTOR ELEMENTARY SCHOOL DISTRICT**

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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*There were no differences between the Annual Financial and Budget Report and the  
Audited Financial Statements in any funds.*



**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2020*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Basic	10.553	13525	\$ 50,210	
School Breakfast Program - Especially Needy	10.553	13526	1,024,075	
National School Lunch Program	10.555	13523	4,464,070	
USDA Donated Foods	10.555	N/A	666,567	
Seamless Summer Option	10.555	13523	<u>3,252,427</u>	
Total Child Nutrition Cluster				<u>\$ 9,457,349</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I Grants to Local Educational Agencies Cluster:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	6,355,342	
School Improvement Funding for LEAs	84.010	15438	<u>158,516</u>	
Total Title I Grants Cluster				6,513,858
Title II, Part A, Supporting Effective Instruction State Grant	84.367	14341		493,674
Title III, Limited English Proficiency	84.365	14346		202,582
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		127,121
Title IV, Part B, 21st Century Community Learning Centers	84.287	14349		365,977
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster (IDEA):				
Passed through Desert/Mountain SELPA:				
Local Assistance Entitlement	84.027	13379	1,802,935	
Local Assistance Entitlement, Private Schools	84.027	10115	5,296	
IDEA Preschool Grants, Part B, Section 619	84.173	13430	<u>60,010</u>	
Total Special Education (IDEA) Cluster				<u>1,868,241</u>
Total U.S. Department of Education				<u>9,571,453</u>
U.S. Department of Treasury:				
Passed through California Dept. of Education (CDE):				
COVID-19, Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	10149		<u>3,265,719</u>
Total Expenditures of Federal Awards				<u>\$ 22,294,521</u>

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

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Charter Schools*  
*For the Fiscal Year Ended June 30, 2020*

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<u>Charter School</u>	<u>Inclusion in Financial Statements</u>
Mountain View Montessori Charter School (No. 0296)	Included
Sixth Street Prep School (No. 0309)	Included

# VICTOR ELEMENTARY SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2020

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## NOTE 1 – PURPOSE OF SCHEDULES

### Combining Financial Statements

These financial statements report the financial activity of the individual non-major funds.

### Schedule of Average Daily Attendance (ADA)

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

### Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*. The instructional time presented in this schedule includes the days that the District was closed due to the COVID-19 pandemic.

### Schedule of Financial Trends and Analysis

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

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

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

### Schedule of Expenditures of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been expended but have not been recorded as revenues as of June 30, 2020.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 19,029,384
Differences between Federal Revenues and Expenditures:		
COVID-19, Coronavirus Relief Fund: Learning Loss Mitigation	21.019	3,265,719
Foreset Reserve	10.655	<u>(582)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 22,294,521</u>

**VICTOR ELEMENTARY SCHOOL DISTRICT**

*Note to the Supplementary Information*

*June 30, 2020*

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**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

**Schedule of Charter Schools**

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

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*Other Independent Auditors' Reports*

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

Board of Trustees  
Victor Elementary School District  
Victorville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Victor Elementary School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Victor Elementary School District's basic financial statements, and have issued our report thereon dated March 16, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Victor Elementary 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 the Victor Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Victor Elementary School District's internal control.

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

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

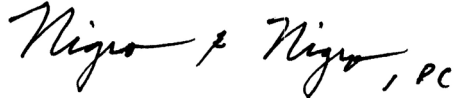
**Compliance and Other Matters**

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



**Purpose of this Report**

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

Handwritten signature in cursive script that reads "Nigro & Nigro, PC".

Murrieta, California  
March 16, 2021



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

Board of Trustees  
Victor Elementary School District  
Victorville, California

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

We have audited Victor Elementary School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Victor Elementary School District's major federal programs for the year ended June 30, 2020. Victor Elementary School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

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

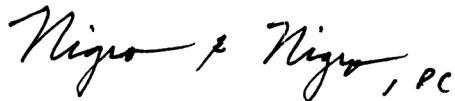
### **Report on Internal Control Over Compliance**

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

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

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

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



Murrieta, California  
March 16, 2021



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Victor Elementary School District
Victorville, California

Report on State Compliance

We have audited Victor Elementary School District's compliance with the types of compliance requirements described in the 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting that could have a direct and material effect on each of the Victor Elementary School District's state government programs as noted on the following page for the fiscal year ended June 30, 2020.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Victor Elementary School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Victor Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Table with 2 columns: Description, Procedures Performed. Rows include: Local Education Agencies Other Than Charter Schools: Attendance (Yes), Teacher Certification and Misassignments (Yes), Kindergarten Continuance (Yes), Independent Study (No (see below)), Continuation Education (Not Applicable), Instructional Time (Yes), Instructional Materials (Yes), Ratio of Administrative Employees to Teachers (Yes).

Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	No (see below)
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No (see below)
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because the ADA was under the level that requires testing. We did not perform testing for California Clean Energy Jobs Act because the District had no expenditures or projects completed.

***Unmodified Opinion on Compliance with State Programs***

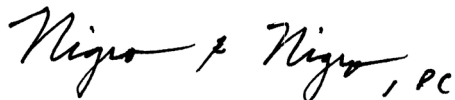
In our opinion, Victor Elementary School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2020.

***Other Matters***

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

***District's Response to Finding***

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



Murrieta, California  
March 16, 2021

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*Findings and Questioned Costs*

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**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2020*

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

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

***Federal Awards***

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>21.019</u>	<u>Coronavirus Relief Fund (CRF): Learning Loss Mitigation</u>
<u>84.027, 84.173</u>	<u>Special Education Cluster (IDEA)</u>

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

***State Awards***

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2020*

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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

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

*There were no financial statement findings in 2019-20.*

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2020*

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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

*There were no federal award findings or questioned costs in 2019-20.*

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2020*

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

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

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

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

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

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

**Context:** We noted two exceptions which were found at two out of six schools selected for testing. We extrapolated these errors across the unduplicated count at those sites to arrive at a total error of 45.

**Cause:** District's practice was to collect hard copy income data documents, and the document for the students were misplaced.

**Effect:** The unduplicated pupil counts in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes:

School Site	CALPADS Reported	Adjusted based on <u>eligibility for:</u>	
		FRPM	Adjusted Total
Challenger School of Sports and Fitness	857	(29)	828
Galileo Academy 101	493	(16)	477
Aggregate of other sites	9,624	-	9,624
District-wide	<u>10,974</u>	<u>(45)</u>	<u>10,929</u>

The enrollment count of 12,848 was not impacted as a result of the procedures performed.

The questioned cost of this finding is \$81,907. This amount was calculated using the CDE audit penalty calculator, based on an extrapolation of the audit exception rate.

**Recommendation:** We recommend that the District implement a procedure to ensure that all income data documents are accounted for and stored properly.

**Views of Responsible Officials:** The District has implemented collection of documents electronically to avoid misplacement of paperwork. Parent portals have also been created for parents to answer questions regarding income. As the District is currently a CEP district, they will be doing more direct certification.

**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Summary Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2020*

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

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*Statistical Section*

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# VICTOR ELEMENTARY SCHOOL DISTRICT

Statistical Information (Unaudited)

June 30, 2020

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## Employees

Table 1 summarizes the number of certificated, classified, and total number of employees employed by the District for School Year 2004-2005 through School Year 2019-2020.

**Table 1**  
**District Employees School Year 2004-2005 through School Year 2019-2020**

School Year	Certificated Employees	Classified Employees	Total Employees	Percent Change
2004-05	449	373	822	3.53
2005-06	490	478	968	17.76
2006-07	502	458	960	(0.83)
2007-08	512	473	985	2.60
2008-09	499	496	995	1.02
2009-10	474	478	952	(4.32)
2010-11	448	437	885	(7.04)
2011-12	410	471	881	(0.45)
2012-13	416	483	899	2.04
2013-14	497	523	1,020	13.46
2014-15	530	533	1,063	4.22
2015-16	551	561	1,112	4.61
2016-17	580	717	1,297	16.64
2017-18	607	600	1,207	6.93
2018-19	605	601	1,206	0.08
2019-20	641	572	1,213	0.58

Source: CDE Dataquest/CALPADS



**VICTOR ELEMENTARY SCHOOL DISTRICT**  
*Statistical Information (Unaudited)*  
*June 30, 2020*

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**Assessed Valuation of Taxable Property**

The secured, unsecured, and total assessed valuations of taxable property within the District for Fiscal Year 2004-2005 through Fiscal Year 2019-2020 is listed in Table 2 below.

**Table 2**  
**Assessed Valuation of Taxable Property FY 2004-2005 Through FY 2019-2020**

<u>Fiscal Year</u>	<u>Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>Percent Change</u>
2004-05	3,735,835,198	3,469,739	201,601,621	3,940,906,558	16.25
2005-06	4,543,472,358	4,562,512	209,923,340	4,757,958,210	20.73
2006-07	5,752,494,500	4,412,717	231,139,428	5,988,046,645	25.85
2007-08	6,833,257,176	2,199,050	275,315,476	7,110,771,702	18.75
2008-09	6,821,489,419	651,973	405,503,463	7,227,644,855	1.64
2009-10	5,594,892,328	652,103	428,656,012	6,024,200,443	(16.65)
2010-11	5,055,201,287	652,167	380,200,871	5,436,054,325	(9.76)
2011-12	4,972,756,761	622,310	365,294,695	5,338,673,766	(1.79)
2012-13	4,953,215,359	622,316	354,967,297	5,308,804,972	(0.55)
2013-14	5,058,895,816	622,305	401,708,772	5,461,226,893	2.87
2014-15	5,427,907,300	321,948	409,283,718	5,837,512,966	6.89
2015-16	5,749,393,992	321,928	418,580,409	6,168,296,329	5.66
2016-17	6,042,649,816	321,863	379,028,458	6,422,000,137	4.11
2017-18	6,354,033,716	321,839	349,497,528	6,703,853,083	4.39
2018-19	6,709,748,429	321,808	349,346,912	7,059,417,149	5.30
2019-20	7,091,470,949	262,766	330,571,529	7,422,305,244	5.14

*Source: County of San Bernardino, Office of the Auditor-Controller.*

# VICTOR ELEMENTARY SCHOOL DISTRICT

## Statistical Information

For the Fiscal Year Ended June 30, 2020

### Typical Total Tax Rates

Table 3 summarizes the total ad valorem tax rates levied by all taxing entities in a typical Tax Rate area with the District for Fiscal Year 2005-06 through Fiscal Year 2018-19.

**Table 3**  
**Summary of Ad Valorem Tax Rates**

	2005-06	2006-07	2007-08	2008-09	2009-10
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Victor Valley Union HSD	0.0215	0.0185	0.0162	0.0167	0.0525
Victor Elementary District	0.0369	0.0335	0.0307	0.0344	0.0480
San Bernardino County Service Area No. 64	0.0000	0.0000	0.0000	0.0000	0.0000
<b>Total All Property</b>	<b>1.0584%</b>	<b>1.0520</b>	<b>1.0469</b>	<b>1.0511</b>	<b>1.1005</b>
Mojave Water Agency					
Land Only	0.1125%	0.1125	0.1125	0.1125	0.1125
Land and Improvements	0.0550	0.0550	0.0550	0.0550	0.0550
	2010-11	2011-12	2012-13	2013-14	2014-15
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Victor Valley Union HSD	0.0574	0.0619	0.0768	0.0792	0.0770
Victor Elementary District	0.0900	0.0932	0.1026	0.1086	0.1022
San Bernardino County Service Area No. 64	0.0000	0.0000	0.0000	0.0000	0.0000
<b>Total All Property</b>	<b>1.1474</b>	<b>1.1551</b>	<b>1.1794</b>	<b>1.1878</b>	<b>1.1792</b>
Mojave Water Agency					
Land Only	0.1125	0.1125	0.1125	0.1125	0.1125
Land and Improvements	0.0550	0.0550	0.0550	0.0550	0.0550
	2015-16	2016-17	2017-18	2018-19	
General	1.0000%	1.0000%	1.0000%	1.0000%	
Victor Valley Union HSD	0.0716	0.0986	0.0915	0.0958	
Victor Elementary District	0.1124	0.1162	0.1216	0.1204	
San Bernardino County Service Area No. 64	0.0000	0.0000	0.0000	0.0000	
<b>Total All Property</b>	<b>1.1840</b>	<b>1.2148</b>	<b>1.2131</b>	<b>1.2162</b>	
Mojave Water Agency					
Land Only	0.1125	0.1125	0.1125	0.1125	
Land and Improvements	0.0550	0.0550	0.0550	0.0550	

Source: County of San Bernardino, Office of the Auditor/Controller.