Financial Statements
June 30, 2020

Downey Unified School District

Independent Auditor's Report

Governing Board
Downey Unified School District
Downey, 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 Downey Unified School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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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 Downey Unified School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison information on pages 76 and 77, schedule of changes in the District's total OPEB liability and related ratios on page 78, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 79, schedule of the District's proportionate share of the net pension liability on page 80, and the schedule of District contributions on page 81, 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 Downey Unified School District's financial statements. The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2020 on our consideration of Downey Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Downey Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Downey Unified School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 18, 2020

Downey Unified School District
Gallegos Administration Center
11627 Brookshire Avenue, P.O. Box 7017, Downey, California 90241-7017
(562) 469-6500, FAX: (562) 469-6515

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

FINANCIAL HIGHLIGHTS

- Total District-wide assets for governmental activities were $588.2 million. The net capital assets are $335.1 million, which accounts for 57.0 percent of our total assets.
- The District's overall revenues in the *Statement of Activities* were $361.8 million and expenditures were $380.5 million.
- Total District-wide liabilities for the District are $704.1 million, which includes long-term liabilities of $648.9 million. These long-term liabilities include general obligation bonds, accumulated vacation, claims liability, other postemployment benefits, and retirement incentive plans.
- The Internal Service Fund had operating revenues totaling $25.8 million and operating expenditures of $24.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

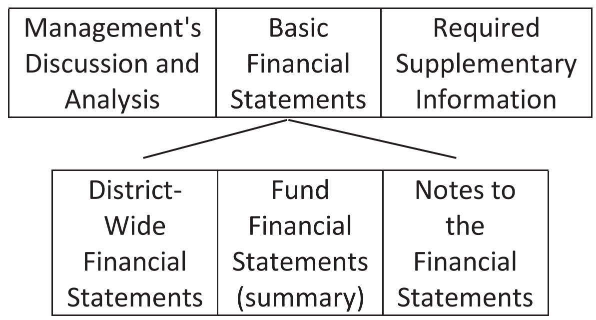
The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide financial statements.

The *Governmental Funds* tell how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.

Proprietary Funds statements offer short-term and long-term financial information about the activities the District operates such as our self-insurance funds.

Fiduciary Funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefits of others to whom the resources belong.

The financial statements also include notes that explain some of the financial information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. The following chart visually shows the flow of these financial statements:



District-Wide Financial Statements

The District-wide financial statements report information about the District as a whole using the full accrual accounting method similar to that used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows, liabilities, and deferred inflows, excluding fiduciary funds. All of the current year's revenues and expenses are accounted for in the Statements of Activities regardless of when cash is received or paid.

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

The District-wide financial statements report the District's *activities* such as regular and special education, transportation, and administration. Property taxes and State aid finance most of these activities.

Fund Financial Statements

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

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

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

The District has three kinds of funds:

- ***Governmental Funds*****:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or less financial resources that can be spent into the near future to finance the District's programs. Because this information does not include the additional long-term focus of the District-wide financial statements, we provide additional information at the bottom of the governmental fund statements that explains the relationship (or differences) between them.

- ***The District's Internal Service Fund:*** (Which is a Proprietary Fund) reports activities that provide services for the District's other programs and activities. The District currently has one internal service fund which reports the activity of four sub-funds, including the workers' compensation fund, health insurance fund, dental fund, and vision fund. The activity between these funds and the government funds is consolidated within the District-wide financial statements.

- ***Fiduciary Funds*****:** The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Fiduciary Funds Statement of Net Position.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position as a whole is $(14.7) million for the year ended June 30, 2020. This is comprised of total assets and deferred outflows of resources of $708.8 million less liabilities and deferred inflows of resources of $723.5 million. (See Table 1)

Table 1

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	$ 253,113,039	$ 281,649,860
Capital assets	335,078,234	278,513,104
Total assets	588,191,273	560,162,964
Deferred outflows of resources	120,646,763	81,568,509
Liabilities		
Current liabilities	55,147,228	23,888,918
Long-term liabilities	648,906,776	599,488,045
Total liabilities	704,054,004	623,376,963
Deferred inflows of resources	19,493,195	16,782,880
Net Position		
Net investment in capital assets	181,378,895	175,062,840
Restricted	87,035,340	89,247,717
Unrestricted (deficit)	(283,123,398)	(262,738,927)
Total net position (deficit)	$ (14,709,163)	$ 1,571,630

Changes in Net Position

The District's total revenues of $361.8 million was less than expenditures of $378.1 million. District revenues consist of General Revenues including property taxes and Federal and State aid not restricted for specific purposes that together makes up 68 percent of the District's total revenues. Operating and Capital Grants make up another 21 percent of the total revenues. The remainder is comprised of charges for services and other miscellaneous revenues that include investment interest and miscellaneous revenues.

The District's total expenditures are related predominately to the care and education of its students (approximately 80 percent in direct instruction and pupil services). The administrative costs of the District account for about four percent of total costs. See Table 2 for the Changes in Net Position Statement.

Table 2

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	$ 11,190,152	$ 3,126,761
Operating grants and contributions	77,298,348	53,736,413
Capital grants and contributions	223,003	-
General revenues		
Federal and State aid not restricted	189,668,797	188,560,542
Property taxes	56,331,817	55,291,281
Other general revenues	27,069,377	19,372,945
Total revenues	361,781,494	320,087,942
Expenses		
Instruction-related	261,110,567	244,894,949
Pupil services	39,770,841	35,997,020
Administration	13,985,791	16,327,201
Plant services	26,373,072	31,425,631
Other	36,822,016	13,100,090
Total expenses	378,062,287	341,744,891
Change in net position	$ (16,280,793)	$ (21,656,949)

GOVERNMENTAL ACTIVITIES

Table 3 presents the cost of the major District activities: instruction-related, pupil services, administration, plant services, and all other services.

Net Costs of Governmental Activities

Table 3

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction - related	$ 261,110,567	$ 244,894,949	$ 213,593,833	$ 206,134,884
Pupil services	39,770,841	35,997,020	24,183,252	19,745,625
Administration	13,985,791	16,327,201	13,487,891	15,176,162
Plant services	26,373,072	31,425,631	26,221,538	30,865,704
All other services	36,822,016	13,100,090	11,864,270	12,959,342
Total	$ 378,062,287	$ 341,744,891	$ 289,350,784	$ 284,881,717

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

The District has sufficient fund balance in the General Fund to absorb significant deficit spending in the short term and still maintain a sound fiscal position. In 2013-2014 the new Local Control Funding Formula (LCFF) was implemented by the State to calculate each District's revenue apportionment, replacing the Revenue Limit Calculation model. The LCFF is a State apportionment funding formula based on grade level and/or targeted student populations. The District realized a gain in revenues in 2018-2019 when the LCFF model became fully implemented. While the LCFF was set to be fully implemented by the year 2020-2021, over an eight-year horizon, this goal was accomplished in a period of six years, or two years earlier than planned. The District successfully negotiated for a 1.75 percent salary increases with all the employee unions. The District projects deficit spending over the next three years, and even with deficit spending, the District is confident that it will maintain a healthy fund balance. However, in order to maintain fiscal solvency, budget reductions will be required over the next three years. The LCFF funding model and the Local Control Accountability Plan continue to enable all stakeholders to participate in providing Downey USD students with a 21st Century education that ensures they are college and career ready, globally competitive and citizens of strong character.

Table 4

Governmental Fund	Balances and Activity June 30, 2019	Revenues and Other Financing Sources	Expenses and Other Financing Uses	June 30, 2020
General	$ 33,614,311	$ 294,760,375	$ 289,978,683	$ 38,396,003
Special Education Pass-Through	-	20,960,274	20,960,274	-
Building	116,947,799	1,670,352	62,149,716	56,468,435
Adult Education	3,892,734	8,864,857	8,550,510	4,207,081
Cafeteria	15,137,613	11,191,249	13,419,205	12,909,657
Deferred Maintenance	7,765,734	2,934,845	3,156,964	7,543,615
Capital Facilities	481,332	1,469,310	63,758	1,886,884
County School Facilities	-	223,003	1,618	221,385
Special Reserve Fund for Capital Outlay Projects	12,359,402	438,667	626,169	12,171,900
Bond Interest and Redemption	16,621,119	13,724,705	18,217,722	12,128,102
Total	$ 206,820,044	$ 356,237,637	$ 417,124,619	$ 145,933,062

General Fund Budgetary Highlights

The District has revised the annual operating budget several times during the course of the school year. A schedule showing the District's original and final budget amounts, compared with amounts actually paid and received, is provided in our annual report on page 76.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2020, the District has continued modernization of various schools as follows: continued construction at Sussman, Griffiths, and Stauffer Middle Schools, started construction on Doty Middle School modernization, and completed the design for a new gymnasium at Stauffer Middle School.

Table 5

	Governmental Activities	
	2020	2019
Land and construction in progress	$ 116,885,324	$ 67,689,607
Buildings and improvements	211,444,445	203,530,807
Equipment	6,748,465	7,292,690
Total	$ 335,078,234	$ 278,513,104

We present more detailed information in Note 4 to the financial statements.

Long-Term Liabilities

At the end of the 2019-2020 fiscal year, the District had a $648.9 million balance in long-term liabilities. There is more detailed information in Note 8, Note 9 and Note 13 to the financial statements.

Table 6

	Governmental Activities	
	2020	2019
Long-Term Liabilities		
General obligation bonds	$ 206,338,297	$ 215,976,036
Unamortized debt premiums	5,315,673	5,512,371
Retirement Incentive Plans	4,542,660	6,148,998
Compensated absences	2,872,700	2,464,744
Claims liability	13,534,001	13,430,540
Aggregate net OPEB liability	126,176,599	75,685,634
Aggregate net pension liability	290,126,846	280,269,722
Total	$ 648,906,776	$ 599,488,045

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The key assumptions in our revenue forecast are:

1. The LCFF State apportionment revenue based on student enrollment, average daily attendance (ADA), and targeted populations will result in increased revenue for the District.
2. The fiscal year 2019-2020 LCFF provided District apportionment revenue in the amount of $227,611,657; the annual LCFF entitlement per ADA for the District is $10,715.90.
3. In the 2019-2020 year, the District recognized and posted a journal entry to recognize the STRS amount covered by the State on behalf of the District. The net effect increased State revenues and expenditures by approximately $10.7 million; the 2020-2021 adopted budget included an equivalent entry in the amount of $10.3 million.
4. Zero increase for most other State and Federal funding.
5. Continued lack of Federal efforts to fund its appropriate share of Special Education.
6. Decrease in student enrollment for the 2019-2020 school year was 21 students.
7. The cost of healthcare increased from $28.9 million in the prior year to $30.3 million in 2019-2020.
8. The cost of the CalPERS and CalSTRS retirement systems, increased from $36.6 million in the prior year to $39.9 million in 2019-2020. This increase includes a $408 thousand increase in the State CalSTRS on behalf contribution.
9. The District continued with the modernization projects funded by the $248 million bond passed in November 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need some additional financial information, please contact the Financial Services Department, Downey Unified School District, at 11627 Brookshire Avenue, Downey, California 90241.

	Governmental Activities
Assets	
Deposits and investments	$ 201,130,249
Receivables	51,200,303
Prepaid items	348,696
Stores inventories	411,675
Other current assets	22,116
Capital assets not depreciated	116,885,324
Capital assets, net of accumulated depreciation	218,192,910
Total assets	588,191,273
Deferred Outflows of Resources	
Deferred charge on refunding	126,140
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	42,728,768
Deferred outflows of resources related to pensions	77,791,855
Total deferred outflows of resources	120,646,763
Liabilities	
Accounts payable	47,585,519
Interest payable	3,317,476
Unearned revenue	4,244,233
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	9,596,338
Long-term liabilities other than OPEB and pensions due in more than one year	223,006,993
Aggregate net other postemployment benefits liability	126,176,599
Aggregate net pension liability	290,126,846
Total liabilities	704,054,004
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	1,476,169
Deferred inflows of resources related to pensions	18,017,026
Total deferred inflows of resources	19,493,195
Net Position	
Net investment in capital assets	181,378,895
Restricted for	
Debt service	8,810,626
Capital projects	2,108,269
Educational programs	9,730,458
Other restrictions	66,385,987
Unrestricted (deficit)	(283,123,398)
Total net position (deficit)	$ (14,709,163)

Downey Unified School District
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities					
Instruction	$ 229,789,227	$ 5,577,232	$ 36,910,756	$ 223,003	$ (187,078,236)
Instruction-related activities					
Supervision of instruction	9,621,960	349,512	2,667,018	-	(6,605,430)
Instructional library, media, and technology	2,332,840	-	103,903	-	(2,228,937)
School site administration	19,366,540	111,308	1,574,002	-	(17,681,230)
Pupil services					
Home-to-school transportation	3,356,561	-	106,701	-	(3,249,860)
Food services	13,701,154	1,383,277	9,413,475	-	(2,904,402)
All other pupil services	22,713,126	357,986	4,326,150	-	(18,028,990)
Administration					
Data processing	3,211,346	-	-	-	(3,211,346)
All other administration	10,774,445	44,852	453,048	-	(10,276,545)
Plant services	26,373,072	23	151,511	-	(26,221,538)
Facility acquisition and construction	-	-	47,554	-	47,554
Ancillary services	1,237,822	-	-	-	(1,237,822)
Enterprise services	77,770	-	-	-	(77,770)
Interest on long-term liabilities	9,272,218	-	-	-	(9,272,218)
Other outgo	26,234,206	3,365,962	21,544,230	-	(1,324,014)
Total governmental activities	$ 378,062,287	$ 11,190,152	$ 77,298,348	$ 223,003	(289,350,784)
General Revenues					
Property taxes, levied for general purposes					42,420,931
Property taxes, levied for debt service					13,493,151
Taxes levied for other specific purposes					417,735
Federal and State aid not restricted to specific purposes					189,668,797
Interest and investment earnings					1,172,995
Miscellaneous					25,896,382
Subtotal, general revenues					273,069,991
Change in Net Position					(16,280,793)
Net Position - Beginning					1,571,630
Net Position - Ending					$ (14,709,163)

	General Fund	Special Education Pass-Through Fund	Building Fund	Total Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	$ 21,204,420	$ 182,176	$ 70,792,868	$ 53,205,891	$ 145,385,355
Receivables	40,509,104	8,774,348	241,128	1,569,974	51,094,554
Prepaid expenditures	348,696	-	-	-	348,696
Stores inventories	326,155	-	-	85,520	411,675
Other current assets	22,116	-	-	-	22,116
Total assets	$ 62,410,491	$ 8,956,524	$ 71,033,996	$ 54,861,385	$ 197,262,396
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 19,967,853	$ 8,956,524	$ 14,565,561	$ 3,595,163	$ 47,085,101
Unearned revenue	4,046,635	-	-	197,598	4,244,233
Total liabilities	24,014,488	8,956,524	14,565,561	3,792,761	51,329,334
Fund Balances					
Nonspendable	724,851	-	-	90,590	815,441
Restricted	9,730,458	-	56,468,435	38,806,134	105,005,027
Assigned	697,656	-	-	12,171,900	12,869,556
Unassigned	27,243,038	-	-	-	27,243,038
Total fund balances	38,396,003	-	56,468,435	51,068,624	145,933,062
Total liabilities and fund balances	$ 62,410,491	$ 8,956,524	$ 71,033,996	$ 54,861,385	$ 197,262,396

Total Fund Balance - Governmental Funds		$ 145,933,062
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 472,300,146	
Accumulated depreciation is	(137,221,912)	
Net capital assets		335,078,234
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(3,317,476)
An internal service fund is used by management to charge the costs of the workers' compensation insurance program and other programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		41,816,224
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings	126,140	
Aggregate net other postemployment benefits (OPEB)	42,728,768	
Aggregate net pension liability	77,791,855	
Total deferred outflows of resources		120,646,763
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Aggregate net other postemployment benefits (OPEB)	(1,476,169)	
Aggregate net pension liability	(18,017,026)	
Total deferred inflows of resources		(19,493,195)

Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (290,126,846)
The District's aggregate net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(126,176,599)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds (including premiums)	$ (210,293,914)	
Compensated absences	(2,872,700)	
Retirement Incentive Plans	(4,542,660)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(1,360,056)	
Total long-term liabilities		(219,069,330)
Total net position - governmental activities		$ (14,709,163)

	General Fund	Special Education Pass-Through Fund	Building Fund
Revenues			
Local Control Funding Formula	$ 227,611,657	$ -	$ -
Federal sources	10,762,449	5,327,358	-
Other State sources	29,263,979	15,632,916	-
Other local sources	27,122,290	-	1,670,352
Total revenues	294,760,375	20,960,274	1,670,352
Expenditures			
Current			
Instruction	200,011,416	-	-
Instruction-related activities			
Supervision of instruction	8,424,589	-	-
Instructional library, media, and technology	2,150,914	-	-
School site administration	17,099,912	-	-
Pupil services			
Home-to-school transportation	3,015,435	-	-
Food services	-	-	-
All other pupil services	20,124,071	-	-
Administration			
Data processing	2,523,611	-	-
All other administration	9,748,779	-	-
Plant services	20,363,885	-	979
Ancillary services	1,173,190	-	-
Other outgo	1,890,178	20,960,274	-
Enterprise services	68,949	-	-
Facility acquisition and construction	-	-	62,148,737
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total expenditures	286,594,929	20,960,274	62,149,716
Excess (Deficiency) of Revenues Over Expenditures	8,165,446	-	(60,479,364)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(3,383,754)	-	-
Net Financing Sources (Uses)	(3,383,754)	-	-
Net Change in Fund Balances	4,781,692	-	(60,479,364)
Fund Balance - Beginning	33,614,311	-	116,947,799
Fund Balance - Ending	$ 38,396,003	$ -	$ 56,468,435

	Non-Major Governmental Funds	Total Governmental Funds
Revenues		
Local Control Funding Formula	$ -	$ 227,611,657
Federal sources	11,606,562	27,696,369
Other State sources	2,781,574	47,678,469
Other local sources	21,154,746	49,947,388
Total revenues	35,542,882	352,933,883
Expenditures		
Current		
Instruction	5,410,806	205,422,222
Instruction-related activities		
Supervision of instruction	525,067	8,949,656
Instructional library, media, and technology	-	2,150,914
School site administration	2,084,115	19,184,027
Pupil services		
Home-to-school transportation	-	3,015,435
Food services	12,946,172	12,946,172
All other pupil services	255,743	20,379,814
Administration		
Data processing	-	2,523,611
All other administration	605,206	10,353,985
Plant services	3,245,416	23,610,280
Ancillary services	-	1,173,190
Other outgo	-	22,850,452
Enterprise services	-	68,949
Facility acquisition and construction	745,699	62,894,436
Debt service		
Principal	10,050,000	10,050,000
Interest and other	8,167,722	8,167,722
Total expenditures	44,035,946	413,740,865
Excess (Deficiency) of Revenues Over Expenditures	(8,493,064)	(60,806,982)
Other Financing Sources (Uses)		
Transfers in	3,303,754	3,303,754
Transfers out	-	(3,383,754)
Net Financing Sources (Uses)	3,303,754	(80,000)
Net Change in Fund Balances	(5,189,310)	(60,886,982)
Fund Balance - Beginning	56,257,934	206,820,044
Fund Balance - Ending	$ 51,068,624	$ 145,933,062

Total Net Change in Fund Balances - Governmental Funds		$ (60,886,982)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	$ 65,835,597	
Depreciation expense	(9,250,995)	
Net expense adjustment		56,584,602
The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was		(412,261)
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(19,472)
In the Statement of Activities, certain operating expenses, such as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.		(407,956)
In the Statement of Activities, certain operating expenses, such as special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Retirement incentive benefits paid were more than amounts earned during the year.		1,606,338

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and aggregate net pension liability during the year.	$ (15,068,719)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and aggregate net OPEB liability during the year.	(8,895,022)
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium amortization	196,698
Deferred amount on refunding amortization	(16,409)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	10,050,000
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(872,524)
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	1,860,914
Change in net position of governmental activities	$ (16,280,793)

	Governmental Activities Internal Service Fund
Assets	
Current assets	
Deposits and investments	$ 55,744,894
Receivables	105,749
Total current assets	55,850,643
Liabilities	
Current liabilities	
Accounts payable	500,418
Noncurrent liabilities	
Claims liabilities	13,534,001
Total liabilities	14,034,419
Net Position	
Restricted for insurance claims	$ 41,816,224

	Governmental Activities Internal Service Fund
Operating Revenues	
Charges to other funds and miscellaneous revenues	$ 25,812,319
Operating Expenses	
Payroll costs	1,786,727
Supplies and materials	5,854
Other operating cost	23,044,128
Total operating expenses	24,836,709
Operating Income	975,610
Nonoperating Revenues	
Interest income	805,304
Income before transfers	1,780,914
Transfers in	80,000
Change in Net Position	1,860,914
Total Net Position - Beginning	39,955,310
Total Net Position - Ending	$ 41,816,224

	Governmental Activities Internal Service Fund
Operating Activities	
Cash receipts from customers	$ 24,871,536
Other operating cash receipts	940,783
Cash payments to suppliers for goods and services	(1,792,581)
Cash payments for claims	(23,048,546)
Net Cash From Operating Activities	971,192
Noncapital Financing Activities	
Transfers from other funds	80,000
Investing Activities	
Interest on investments	940,100
Net Change in Cash and Cash Equivalents	1,991,292
Cash and Cash Equivalents, Beginning	53,753,602
Cash and Cash Equivalents, Ending	$ 55,744,894
Reconciliation of Operating Income to Net Cash From Operating Activities	
Operating income	$ 975,610
Changes in assets and liabilities	
Accrued liabilities	96,545
Accounts payable	(100,963)
Net Cash From Operating Activities	$ 971,192

	Agency Funds
Assets	
Deposits and investments	$ 2,547,917
Liabilities	
Due to employees	$ 816,309
Due to student groups	1,731,608
Total liabilities	$ 2,547,917

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Downey Unified School District (the District) was unified in 1961, under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates thirteen elementary schools, four middle schools, two high schools, one adult education school, one continuation high school, and a community day school.

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

Tax Exempt Status

The Downey Unified School District is a public educational institution. Public schools are considered to be a political subdivision of the State of California and are therefore tax exempt. Any contribution to a political subdivision of a governmental agency is considered to be a deductible charitable contribution as long as it is used for the public good (Internal Revenue Code Section 170(c)).

The Internal Revenue Code Section 170(c) defines charitable contribution as a contribution or gift to or for the use of a State, a possession of the United States, or any political subdivision of any of the foregoing of the United States or the District of Columbia, but only if the contribution or gift is made for exclusively public purposes.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. The District has one component unit that meets this definition. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, Entity, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units* and and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The District formed the Downey Unified School Facilities Finance Authority (the Authority). The Authority was formed under a Joint Exercise of Powers Agreement, dated February 20, 2007, between the Downey Unified School District and the California Municipal Finance Authority, in accordance with the provisions of Chapter 5, Division 7, Title 1 of the *California Government Code* of the State of California (the Act).

The Authority is governed by a Board of Directors consisting of individuals who serve as the Board of Trustees of the District. Downey Unified School District

The Authority is authorized under Chapter 4 of the Act for the purpose of acquiring bonds of school districts in the State of California to provide financing or refinancing of school facilities.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Special Education Pass-Through Fund The Special Education Pass-Through Fund is used by the Administrative Unit of a multi-district Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member districts.

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

Non-Major Governmental Funds

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

- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

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

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

- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term liabilities.

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

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

- **Internal Service Fund** Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District's self-insurance programs include, a workers' compensation fund and health benefits including medical, dental and vision. The internal activity of this fund is eliminated in the government-wide statement of activities.

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

- **Agency Funds** Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity account since all assets are due to individuals or entities at some future time. The District's agency fund accounts for associated student body (ASB) activities and voluntary payroll withholdings of the District employees.

Basis of Accounting - Measurement Focus

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

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

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

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resource measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources available to the District.

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

Unearned Revenue

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

Expenses/Expenditures

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

Cash and Cash Equivalents

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

Investments

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

Prepaid Expenditures (Expenses)

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

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the proprietary funds when consumed rather than when purchased.

Capital Assets and Depreciation

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

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

Depreciation is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; building and site improvements, 5 to 50 years; equipment, 2 to 15 years.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities, or the proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

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

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $87,035,340 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the Statement of Activities.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are In-District premiums. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates

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

Property Tax

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

Change in Accounting Principles

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

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

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

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

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

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

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

Governmental funds	$ 145,385,355
Proprietary funds	55,744,894
Fiduciary funds	2,547,917
Total deposits and investments	$ 203,678,166

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

Cash on hand and in banks	$ 1,736,276
Cash in revolving	130,070
Investments	201,811,820
Total deposits and investments	$ 203,678,166

Policies and Practices

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

Investment in County Treasury

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

The pool is managed by the Los Angeles County Treasurer and is not registered as an investment company with the Securities Exchange Commission. Oversight of the pool is the responsibility of the County Treasury Oversight Committee. *California Government Code* statutes and the County Treasury Oversight Committee set forth the various investment policies that the Treasurer follows

As provided by the *Government Code*, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to the participating funds based upon the funds average daily deposit balance during the allocation period.

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the Los Angeles County Investment Pool

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Reported Amount	Weighted Average Maturity in Days
Los Angeles County Investment Pool	$ 201,811,820	590

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The balance of the District's investment's include funds held in the Los Angeles County Investment Pool which is not rated, nor is it required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's bank balance of $2,771,024 includes $1,781,779 that was exposed to custodial credit risk because it was uninsured. However, balances are collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Receivables

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

	General Fund	Special Education Pass-Through Fund	Building Fund	Total Non-Major Governmental Funds	Total	Internal Service Fund
Federal Government						
Categorical aid	$ 5,102,783	$ 5,187,265	$ -	$ 1,137,422	$ 11,427,470	$ -
State Government						
LCFF apportionment	25,298,747	-	-	-	25,298,747	-
Categorical aid	8,222,133	3,581,324	-	196,349	11,999,806	-
Lottery	1,313,210	-	-	-	1,313,210	-
Local Government						
Interest	111,903	5,759	241,128	219,808	578,598	105,749
Other local sources	460,328	-	-	16,395	476,723	-
Total	$ 40,509,104	$ 8,774,348	$ 241,128	$ 1,569,974	$ 51,094,554	$ 105,749

Note 4 - Capital Assets

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	$ 19,311,663	$ -	$ -	$ 19,311,663
Construction in progress	48,377,944	61,279,699	(12,083,982)	97,573,661
Total capital assets not being depreciated	67,689,607	61,279,699	(12,083,982)	116,885,324
Capital assets being depreciated				
Land improvements	25,125,219	1,005,654	-	26,130,873
Buildings and improvements	287,177,174	14,664,744	-	301,841,918
Machinery and equipment	27,051,172	969,482	(578,623)	27,442,031
Total capital assets being depreciated	339,353,565	16,639,880	(578,623)	355,414,822
Total capital assets	407,043,172	77,919,579	(12,662,605)	472,300,146
Accumulated depreciation				
Land improvements	(15,496,930)	(1,053,970)	-	(16,550,900)
Buildings and improvements	(93,274,656)	(6,702,790)	-	(99,977,446)
Machinery and equipment	(19,758,482)	(1,494,235)	559,151	(20,693,566)
Total accumulated depreciation	(128,530,068)	(9,250,995)	559,151	(137,221,912)
Governmental activities capital assets, net	$ 278,513,104	$ 68,668,584	$ (12,103,454)	$ 335,078,234

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	$ 6,859,145
Home-to-school transportation	100,192
Food services	408,976
All other pupil services	677,981
Data processing	321,614
All other administration	95,858
Plant services	787,229
Total depreciation expenses governmental activities	$ 9,250,995

Note 5 - Interfund Transactions

Operating Transfers

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

	Transfer From
Transfer To	General Fund
Non-Major Governmental Funds	$ 3,303,754
Internal Service Funds	80,000
Total	$ 3,383,754

The General Fund transferred to the Adult Education Non-Major Governemtal Fund to to support the Adult Education program.	$ 500,000
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund to contribute to the maintenance of District Facilities.	1,483,754
The General Fund transferred restricted routine repair and maintenance funds to the Deferred Maintenance Non-Major Governmental Fund to contribute to the maintenance of District Facilities.	1,320,000
The General Fund transferred to Internal Service Fund to pay insurance obligations.	80,000
Total	$ 3,383,754

Note 6 - Accounts Payable

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

	General Fund	Special Education Pass-Through Fund	Building Fund	Total Non-Major Governmental Funds	Total	Internal Service Fund
Vendor payables	$ 3,380,908	$ -	$ -	$ 887,962	$ 4,268,870	$ 493,646
State LCFF apportionment	8,541,737	-	-	-	8,541,737	-
Salaries and benefits	8,045,208	-	35,087	588,759	8,669,054	6,772
Pass through to subrecipients	-	8,956,524	-	-	8,956,524	-
Construction payables	-	-	14,530,474	2,118,442	16,648,916	-
Total	$ 19,967,853	$ 8,956,524	$ 14,565,561	$ 3,595,163	$ 47,085,101	$ 500,418

Note 7 - Unearned Revenue

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

	General Fund	Total Non-Major Governmental Funds	Total
Federal categorical aid	$ 363,720	$ -	$ 363,720
State categorical aid	2,958,991	-	2,958,991
Other local	723,924	197,598	921,522
Total	$ 4,046,635	$ 197,598	$ 4,244,233

Note 8 - Long-Term Liabilities other than OPEB and Pensions

Summary

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 215,976,036	$ 412,261	$ (10,050,000)	$ 206,338,297	$ 7,990,000
Unamortized debt premiums	5,512,371	-	(196,698)	5,315,673	-
Retirement incentive plans	6,148,998	-	(1,606,338)	4,542,660	1,606,338
Compensated absences	2,464,744	407,956	-	2,872,700	-
Claims liability	13,430,540	17,896,037	(17,792,576)	13,534,001	-
Total	$ 243,532,689	$ 18,716,254	$ (29,645,612)	$ 232,603,331	$ 9,596,338

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund from local tax revenues. Compensated absences is paid by the fund for which the employee worked. Payment of the retirement incentive plans is paid by the General, Adult and Cafeteria Funds, and Internal Service Fund. Claims liability is paid from the Internal Service Fund.

Bonded Debt

General Obligation Bonds Payable

1999 General Obligation Refunding Bonds, Series A

In April 1999, the District issued General Obligation Refunding Bonds in the amount of $9,230,000. The bonds were issued to refund previously issued 1996 General Obligation Bonds, Series A and B. Interest rates on the bonds range from 4.6 to 6.1 percent. The bonds include current interest and capital accretion type bonds. As of June 30, 2020, the principal balance outstanding was $3,934,523.

2007 General Obligation Refunding Bonds

In April 2007, the Downey Unified School Facilities Financing Authority (the Authority) issued $21,030,000 of General Obligation Refunding Bonds. The bonds were issued under the Marks-Roos Local Bond Pooling Act for the purpose of acquiring District Refunding Bonds and to finance the acquisition and construction of capital improvements in the District. The District and the Authority entered into an agreement under which the District agreed to issue District Refunding Bonds and to sell them to the authority. The interest rates on the bonds range from 4.5 to 5.25 percent and mature through 2027. As of June 30, 2020, the principal balance outstanding is $13,210,000.

2011 General Obligation Refunding Bonds

In May 2011, the District issued $12,105,000 of General Obligation Refunding Bonds. The net proceeds from the issuance provided for the partial refunding of $3,665,000 of the 1996 Series C, $1,275,000 of the 1996 Series E, and $7,680,000 of the 2002 Series A bonds. The bonds mature through 2032. The interest rates on the bonds range from 3.0 to 5.25 percent. As of June 30, 2020, the principal balance outstanding is $4,755,000.

2012 General Obligation Refunding Bonds

In January 2012, the District issued $17,620,000 of General Obligation Refunding Bonds. The net proceeds from the issuance provided for the partial refunding of $4,655,000 of the 2002 Series A, $3,055,000 of the 2002 Series B, and $12,100,000 of the 2002 Series C bonds. The bonds mature through 2026. The interest rates on the bonds range from 4.0 to 5.0 percent. As of June 30, 2020, the principal balance outstanding is $10,810,000.

2014 General Obligation Bonds, Series A

In October 2015, the District issued General Obligation, Series A in the amount of $50,000,000. The bonds were issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds. The bonds mature through 2046. Interest rates on the bonds range from 3.0 to 4.0 percent. As of June 30, 2020, the principal balance outstanding is $34,935,000. Unamortized premium received on issuance of the bonds amounted to $1,063,669 as of June 30, 2020.

2015 General Obligation Refunding Bonds

In December 2015, the District issued $3,015,000 of General Obligation Refunding Bonds. The bonds mature through 2027, with an interest rate of 3.040 percent. The net proceeds of $3,015,000 from the issuance were used to advance refund the balance of the District's 2002 General Obligation Bonds, Series C and to pay the cost of the issuance associated with the refunding bonds, with prepayment to occur on February 1, 2027. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding in the statement of net position and are amortized to interest expense over the life of the liability. The refunding resulted in an economic gain of $247,532 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.040 percent. As of June 30, 2020, the principal balance outstanding is $2,950,000.

2016 General Obligation Refunding Bonds

In May 2016, the District issued $7,380,000, of General Obligation Refunding Bonds. The bonds mature through 2030, with an interest rate of 3.140 percent. The net proceeds of $7,380,000 from the issuance were used to advance refund the partial balance of the 2006 General Obligation Refunding Bonds and to pay the cost of the issuance associated with the refunding bonds, with prepayment to occur on August 1, 2030. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding in the statement of net position and are amortized to interest expense over the life of the liability. The refunding resulted in an economic gain of $318,156 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.140 percent. As of June 30, 2020, the principal balance outstanding is $5,615,000.

2014 General Obligation Bonds, Series B

In February 2019, the District issued General Obligation, Series B in the amount of $125,000,000. The bonds were issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds. The bonds mature through 2049. Interest rates on the bonds range from 3.25 to 5.0 percent. As of June 30, 2020, the principal balance outstanding is $119,800,000. Unamortized premium received on issuance of the bonds amounted to $4,252,004 as of June 30, 2020.

2014 General Obligation Bonds, Series B-1

In February 2019, the District issued General Obligation, Series B-1 capital appreciation bonds in the amount of $9,997,984. The bonds were issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds. The bonds mature through 2040. Interest rates on the bonds range from 2.80 to 3.85 percent. As of June 30, 2020, the principal balance outstanding is $10,328,774.

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
4/1/1999	8/1/2027	4.60-6.10%	$ 9,230,000	$ 4,388,052	$ -	$ 81,471	$ (535,000)	$ 3,934,523
4/12/2007	8/1/2026	4.50-5.25%	21,030,000	15,000,000	-	-	(1,790,000)	13,210,000
5/24/2011	8/1/2031	3.00-5.25%	12,105,000	5,900,000	-	-	(1,145,000)	4,755,000
1/25/2012	8/1/2025	4.00-5.00%	17,620,000	11,685,000	-	-	(875,000)	10,810,000
12/15/2015	2/1/2027	3.04%	3,015,000	2,955,000	-	-	(5,000)	2,950,000
5/4/2016	8/1/2029	3.14%	7,380,000	6,115,000	-	-	(500,000)	5,615,000
10/15/2015	8/1/2045	3.00-4.00%	50,000,000	34,935,000	-	-	-	34,935,000
2/5/2019	8/1/2048	3.25-5.00%	125,000,000	125,000,000	-	-	(5,200,000)	119,800,000
2/5/2019	8/1/2039	2.80-3.85%	9,997,984	9,997,984	-	330,790	-	10,328,774
				$ 215,976,036	$ -	$ 412,261	$ (10,050,000)	$ 206,338,297

The General Obligation Bonds mature through 2049 as follows:

The capital appreciation bonds mature as follows:

Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2024	$ 38,950	$ 88,653	$ 127,603	$ 37,397	$ 165,000
2025	129,356	298,309	427,665	157,335	585,000
2026-2030	1,193,674	667,358	1,861,032	733,968	2,595,000
2031-2035	4,610,785	142,435	4,753,220	2,256,780	7,010,000
2036-2040	4,475,835	162,942	4,638,777	4,131,223	8,770,000
Total	$ 10,448,600	$ 1,359,697	$ 11,808,297	$ 7,316,703	$ 19,125,000

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2021	$ 7,990,000	$ 7,783,500	$ 15,773,500
2022	5,355,000	7,465,987	12,820,987
2023	5,590,000	7,202,355	12,792,355
2024	5,745,000	6,912,372	12,657,372
2025	5,640,000	6,616,995	12,256,995
2026-2030	16,820,000	30,166,247	46,986,247
2031-2035	13,080,000	27,703,731	40,783,731
2036-2040	25,140,000	24,149,301	49,289,301
2041-2045	51,655,000	16,973,458	68,628,458
2046-2049	57,515,000	4,778,100	62,293,100
Total	$ 194,530,000	$ 139,752,046	$ 334,282,046

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to $2,872,700.

Retirement Incentive Plans

The District offered a retirement incentive in 2016 to qualified employees to be administered through Public Agency Retirement Services (PARS). The District purchased qualified 403(b) annuity contracts from Pacific Life Insurance Company, payable in annual installments as shown below. Eligibility requirements are that the employee attain age 50 with at least 30 years of service with the District, or attain age 55 with at least five years of service with the District. Eighty-two employees qualified and accepted the incentive. At June 30, 2020, the remaining balance of the payments is $627,564.

Additionally, the District offered a retirement incentive in 2019 to qualified employees to be administered through Public Agency Retirement Services (PARS). The District purchased qualified 403(b) annuity contracts from Pacific Life Insurance Company, payable in annual installments as shown below. Eligibility requirements are that the employee attain age 50 with at least 30 years of service with the District, or attain age 55 with at least five years of service with the District. Ninety-one employees qualified and accepted the incentive. At June 30, 2020, the remaining balance of the payments is $3,915,096.

Fiscal Year	2016 PARS Payments	2019 PARS Payments	Total
2021	$ 627,564	$ 978,774	$ 1,606,338
2022	-	978,774	978,774
2023	-	978,774	978,774
2024	-	978,774	978,774
Total	$ 627,564	$ 3,915,096	$ 4,542,660

Claims Liability

Liabilities associated with worker's compensation claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of selling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for health care, worker's compensation, dental and vision claims are reported in the Internal Service Fund. The outstanding claims liability at June 30, 2020, amounted to $13,534,001.

Note 9 - Aggregate Net Other Postemployment Benefits (OPEB) Liability

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

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	$ 124,656,512	$ 42,728,768	$ 1,476,169	$ 8,920,599
Medicare Premium Payment (MPP) Program	1,520,087	-	-	(25,577)
Total	$ 126,176,599	$ 42,728,768	$ 1,476,169	$ 8,895,022

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

At June 30, 2019, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	128
Active employees	2,227
Total	2,355

Benefits Provided

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

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District paid $1,254,823 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $124,656,512 was measured as of June 30, 2019, and determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75	percent
Salary increases	2.75	percent
Discount rate	3.50	percent
Healthcare cost trend rates	4.00	percent

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

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period of July 1, 2018 to June 30, 2019.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2018	$ 74,139,970
Service cost	4,910,309
Interest	2,874,327
Differences between expected and actual experience	41,658,463
Changes of assumptions or other inputs	2,328,266
Benefit payments	(1,254,823)
Net change in total OPEB liability	50,516,542
Balance, June 30, 2019	$ 124,656,512

Changes of assumptions and other inputs include a change in discount rate from 3.80 percent to 3.50 percent from the previous valuation. There were no changes in benefit terms since the previous valuation.

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.5%)	$ 132,515,660
Current discount rate (3.5%)	124,656,512
1% increase (4.5%)	116,984,029

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.0%)	$ 119,552,429
Current healthcare cost trend rate (4.0%)	124,656,512
1% increase (5.0%)	127,495,266

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

At June 30, 2020, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 1,694,169	$ -
Differences between expected and actual experience	38,862,593	-
Changes of assumptions	2,172,006	1,476,169
Total	$ 42,728,768	$ 1,476,169

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

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

Year Ended June 30,		Deferred Outflows/(Inflows) of Resources
2021	$	2,830,132
2022		2,830,132
2023		2,830,132
2024		2,830,132
2025		1,963,953
Thereafter		26,273,949
Total	$	39,558,430

Medicare Premium Payment (MPP) Program

Plan Description

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

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

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of $1,520,087 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.4082 percent and 0.4038 percent, resulting in a net increase in the proportionate share of 0.0044 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of $(25,577).

Actuarial Methods and Assumptions

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

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

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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

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

Discount Rate

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

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	$ 1,658,763
Current discount rate (3.50%)	1,520,087
1% increase (4.50%)	1,392,582

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 1,424,776
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,520,087
1% increase (4.7% Part A and 5.1% Part B)	1,710,468

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Total Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 50,000	$ -	$ 5,070	$ 55,070
Stores inventories	326,155	-	85,520	411,675
Prepaid expenditures	348,696	-	-	348,696
Total nonspendable	724,851	-	90,590	815,441
Restricted				
Legally restricted programs	9,730,458	-	12,819,112	22,549,570
Adult education program	-	-	4,207,036	4,207,036
Capital projects	-	56,468,435	2,108,269	58,576,704
Deferred maintenance projects	-	-	7,543,615	7,543,615
Debt services	-	-	12,128,102	12,128,102
Total restricted	9,730,458	56,468,435	38,806,134	105,005,027
Assigned				
Site carryovers	697,656	-	-	697,656
Capital projects	-	-	12,171,900	12,171,900
Total assigned	697,656	-	12,171,900	12,869,556
Unassigned				
Reserve for economic uncertainties	14,241,813	-	-	14,241,813
Remaining unassigned	13,001,225	-	-	13,001,225
Total unassigned	27,243,038	-	-	27,243,038
Total	$ 38,396,003	$ 56,468,435	$ 51,068,624	$ 145,933,062

Note 11 - Lease Revenues

The District has entered into lease agreements that involve certain District properties and facilities. Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. The agreements contain termination clauses providing for cancellation under certain criteria, but it is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Payment
2021	$ 219,444
2022	226,028
2023	232,806
2024	239,788
2025	246,976
2026-2030	1,297,230
2031-2035	1,303,560
2036-2040	1,303,560
2041-2045	1,303,560
2046-2050	1,303,560
2051-2055	1,303,560
2056-2060	1,260,108
Total	$ 10,240,180

Note 12 - Risk Management - Claims

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 Alliance of Schools for Cooperative Insurance Programs (ASCIP) 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

Workers' compensation claims are handled through the District's Self-Insurance Fund to $750,000 per claim. Excess coverage is provided by Commercial Reinsurance.

Employee Medical Benefits

Medical/Health benefits are provided through the District Self-Insurance Fund for medical, dental, and vision.

Claims Liabilities

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

The District has actuarial studies performed every three years in accordance with AB1200.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2018 to June 30, 2020:

	Workers' Compensation	Health & Welfare	Dental	Vision	Total
Liability Balance, July 1, 2018	$ 6,461,942	$ 5,307,478	$ 859,435	$ 107,162	$ 12,736,017
Claims and changes in estimates	2,599,743	16,575,585	2,561,308	360,654	22,097,290
Claims payments	(1,905,220)	(16,575,585)	(2,561,308)	(360,654)	(21,402,767)
Liability Balance, June 30, 2019	7,156,465	5,307,478	859,435	107,162	13,430,540
Claims and changes in estimates	833,371	14,798,663	1,906,089	357,914	17,896,037
Claims payments	(833,371)	(14,597,499)	(2,010,708)	(350,998)	(17,792,576)
Liability Balance, June 30, 2020	$ 7,156,465	$ 5,508,642	$ 754,816	$ 114,078	$ 13,534,001
Assets available to pay claims at June 30, 2020					$ 55,850,643

Note 13 - Employee Retirement Systems

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

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 208,399,137	$ 58,848,272	$ 17,258,986	$ 26,288,665
CalPERS	81,727,709	18,943,583	758,040	14,216,503
Total	$ 290,126,846	$ 77,791,855	$ 18,017,026	$ 40,505,168

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

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

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

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the District's total contributions were $22,348,836.

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

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

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 208,399,137
State’s proportionate share of the net pension liability	113,695,642
Total	$ 322,094,779

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.2307 percent and 0.2250 percent, respectively, resulting in a net increase in the proportionate share of 0.0057 percent.

For the year ended June 30, 2020, the District recognized pension expense of $26,288,665. In addition, the District recognized pension expense and revenue of $16,931,733 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	$ 22,348,836	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	9,615,403	3,358,941
Differences between projected and actual earnings on pension plan investments	-	8,027,600
Differences between expected and actual experience in the measurement of the total pension liability	526,097	5,872,445
Changes of assumptions	26,357,936	-
Total	$ 58,848,272	$ 17,258,986

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ (809,721)
2022	(6,372,969)
2023	(1,323,127)
2024	478,217
Total	$ (8,027,600)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 6,759,364
2022	6,759,363
2023	7,235,583
2024	6,163,007
2025	261,097
Thereafter	89,636
Total	$ 27,268,050

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 310,323,566
Current discount rate (7.10%)	208,399,137
1% increase (8.10%)	123,884,376

California Public Employees' Retirement System (CalPERS)

Plan Description

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

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

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on 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 $8,389,729.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $81,727,709. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.2804 percent and 0.2757 percent, respectively, resulting in a net increase in the proportionate share of 0.0047 percent.

For the year ended June 30, 2020, the District recognized pension expense of $14,216,503. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 8,389,729	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	726,648	-
Differences between projected and actual earnings on pension plan investments	-	758,040
Differences between expected and actual experience in the measurement of the total pension liability	5,936,713	-
Changes of assumptions	3,890,493	-
Total	$ 18,943,583	$ 758,040

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 748,269
2022	(1,494,644)
2023	(226,496)
2024	214,831
Total	$ (758,040)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 6,507,320
2022	2,784,733
2023	1,147,092
2024	114,709
Total	$ 10,553,854

Actuarial Methods and Assumptions

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

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 117,805,119
Current discount rate (7.15%)	81,727,709
1% increase (8.15%)	51,799,006

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 employees who are not members of CalSTRS or CalPERS are covered by Social Security.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $11,875,872 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

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

Note 14 - Commitments and Contingencies

Grants

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

Litigation

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

Construction Commitments

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

Capital Project	Remaining Construction Commitment	Expected Date of Completion
All Sites Old Project Close out	$ 50,239	January 2021
District Office - Security	4,450	August 2020
Carpenter Playground	10,580	February 2020
Gauldin Elementary School Modernization	88,561	August 2020
Lewis Elementary School Modernization	86,560	December 2025
Old River School Fire Alarm	27,559	August 2020
Old River School Marquee	3,227	August 2020
Price Elementary School	207,985	December 2025
Rio Hondo Elementary School Modernization	66,605	August 2020
Rio Hondo Elementary School Marquee	12,696	August 2020
Rio San Gabriel Elementary School Modernization	116,548	December 2025
Unsworth Elementary School Modernization	91,149	December 2025
Williams Elementary School Modernization	79,952	December 2025
Doty Middle School Bungalows	88,759	September 2021
Doty Middle School Modernization	630,285	September 2022
Griffiths Middle School Bungalows	214,176	September 2021
Griffiths Middle School Modernization	2,034,702	September 2021
Sussman Middle School Bungalows	50,424	September 2021
Sussman Middle School Modernization	1,518,843	September 2021
Stauffer Middle School Modernization	4,654,646	August 2020
Stauffer Middle School Media Center	945,803	August 2020
Stauffer Middle School Gymnasium	177,521	September 2022
Stauffer Middle School Classroom	1,511,445	August 2020
Downey High School CTE Building	17,595	August 2020
Downey High School Security	30,504	August 2020
Warren High Security	125,824	August 2020
Total	$ 12,846,638	

Note 15 - Participation in Public Entity Risk Pools and Joint Power Authorities

The District is a member of the Alliance for Schools for Cooperative Insurance Programs (ASCIP), and the Schools' Excess Liability Fund (SELF), public entity risk pools. The District pays an annual premium to each entity for its property liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2020, the District made payments of $1,402,341 to ASCIP for insurance plans. The payment included a premium for SELF.

Note 16 - Subsequent Events

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

Required Supplementary Information
June 30, 2020

Downey Unified School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 227,380,422	$ 227,785,710	$ 227,611,657	$ (174,053)
Federal sources	12,680,380	13,629,716	10,762,449	(2,867,267)
Other State sources	17,700,913	20,445,504	29,263,979	8,818,475
Other local sources	20,987,118	26,948,682	27,122,290	173,608
Total revenues [1]	278,748,833	288,809,612	294,760,375	5,950,763
Expenditures				
Current				
Certificated salaries	129,182,175	129,646,876	129,492,862	154,014
Classified salaries	38,090,747	41,081,740	41,597,749	(516,009)
Employee benefits	78,905,199	78,916,310	83,137,551	(4,221,241)
Books and supplies	13,257,783	13,671,937	9,917,355	3,754,582
Services and operating expenditures	20,820,302	25,491,873	20,757,177	4,734,696
Other outgo	(478,084)	472,592	1,284,976	(812,384)
Capital outlay	612,925	428,591	407,259	21,332
Total expenditures [1]	280,391,047	289,709,919	286,594,929	3,114,990
Excess (Deficiency) of Revenues Over Expenditures	(1,642,214)	(900,307)	8,165,446	9,065,753
Other Financing Sources Uses				
Transfers out	(3,883,754)	(3,383,754)	(3,383,754)	-
Net Change in Fund Balances	(5,525,968)	(4,284,061)	4,781,692	9,065,753
Fund Balance - Beginning	33,614,311	33,614,311	33,614,311	-
Fund Balance - Ending	$ 28,088,343	$ 29,330,250	$ 38,396,003	$ 9,065,753

[1] On behalf payments of $3,983,567 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Federal sources	$ 10,452,533	$ 10,562,250	$ 5,327,358	$ (5,234,892)
Other State sources	19,497,789	29,917,245	15,632,916	(14,284,329)
Total revenues	29,950,322	40,479,495	20,960,274	(19,519,221)
Expenditures				
Other outgo	29,950,322	40,479,495	20,960,274	(19,519,221)
Net Change in Fund Balances	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	$ -	$ -	$ -	$ -

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 4,910,309	$ 4,571,791	$ 4,633,887
Interest	2,874,327	2,719,070	2,311,192
Difference between expected and actual experience	41,658,463	-	-
Changes of assumptions	2,328,266	(1,720,165)	-
Benefit payments	(1,254,823)	(1,398,598)	(1,523,715)
Net change in total OPEB liability	50,516,542	4,172,098	5,421,364
Total OPEB Liability - Beginning	74,139,970	69,967,872	64,546,508
Total OPEB Liability - Ending	$ 124,656,512	$ 74,139,970	$ 69,967,872
Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.4082%	0.4038%	0.4041%
Proportionate share of the net OPEB liability	$ 1,520,087	$ 1,545,664	$ 1,699,890
Covered payroll	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability (asset)	0.2307%	0.2250%	0.2232%	0.2307%	0.2310%	0.2141%
Proportionate share of the net pension liability (asset)	$ 208,399,137	$ 206,770,104	$ 206,398,716	$ 186,580,167	$ 155,525,424	$ 125,085,872
State's proportionate share of the net pension liability (asset)	113,695,642	118,385,555	122,103,737	106,216,761	82,255,805	75,532,250
Total	$ 322,094,779	$ 325,155,659	$ 328,502,453	$ 292,796,928	$ 237,781,229	$ 200,618,122
Covered payroll	$ 124,932,568	$ 120,169,702	$ 118,533,370	$ 115,535,909	$ 103,498,727	$ 97,025,571
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	166.81%	172.07%	174.13%	161.49%	150.27%	128.92%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability (asset)	0.2804%	0.2757%	0.2752%	0.2730%	0.2669%	0.2561%
Proportionate share of the net pension liability (asset)	$ 81,727,709	$ 73,499,618	$ 65,691,017	$ 53,909,000	$ 39,338,034	$ 29,076,541
Covered payroll	$ 37,350,155	$ 36,128,691	$ 34,982,287	$ 32,741,411	$ 29,075,431	$ 27,004,140
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	218.81%	203.44%	187.78%	164.65%	135.30%	107.67%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$ 22,348,836	$ 20,339,022	$ 17,340,488	$ 14,911,498	$ 12,397,003	$ 9,190,687
Less contributions in relation to the contractually required contribution	22,348,836	20,339,022	17,340,488	14,911,498	12,397,003	9,190,687
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 130,694,947	$ 124,932,568	$ 120,169,702	$ 118,533,370	$ 115,535,909	$ 103,498,727
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 8,389,729	$ 6,746,185	$ 5,611,147	$ 4,858,340	$ 3,878,875	$ 3,422,469
Less contributions in relation to the contractually required contribution	8,389,729	6,746,185	5,611,147	4,858,340	3,878,875	3,422,469
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 42,542,107	$ 37,350,155	$ 36,128,691	$ 34,982,287	$ 32,741,411	$ 29,075,431
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedules

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

The amounts reported as the original budgeted amounts in the budgetary statement 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.

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

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

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

- *Changes in Benefit Terms* - There were no changes in the benefits terms since the previous valuation.
- *Changes of Assumptions* - The plan discount rate was changed from 3.80 percent to 3.50 percent since the previous valuation.

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

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

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

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

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

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

Schedule of District Contributions

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

Supplementary Information
June 30, 2020

Downey Unified School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063	[1]	$ 2,151,774	$ -
Total Student Financial Assistance Cluster			2,151,774	-
Passed Through California Department of Education (CDE)				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	4,258,679	-
School Improvement Funding for LEAs	84.010	15438	118,870	-
Subtotal			4,377,549	-
Title II, Part A, Supporting Effective Instruction	84.367	14341	555,959	-
Title III, English Learner Student Program	84.365	14346	209,155	-
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	293,859	-
IDEA Early Intervention Grants	84.181	23761	320,590	-
Special Education (IDEA) Cluster:				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	9,442,653	4,942,737
Preschool Grants, Part B, Section 619	84.173	13430	181,828	108,590
Alternate Dispute Resolution	84.173A	13007	28,449	-
Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	524,786	276,031
Total Special Education (IDEA) Cluster			10,177,716	5,327,358
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	154,979	-
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	166,653	-
Subtotal			321,632	-
Adult Basic Education and ELA	84.002A	14508	60,255	-
Adult Secondary Education	84.002	13978	305,800	-
English Literacy and Civics Education	84.002A	14109	12,075	-
Subtotal			378,130	-
Total U.S. Department of Education			18,786,364	5,327,358

[1] Direct award from U.S. Department of Education

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through California Department of Education (CDE)				
Child Nutrition Cluster				
National School Lunch Program	10.555	13396	$ 4,615,135	$ -
School Breakfast Program - Especially Needy Breakfast	10.553	13526	1,818,147	-
National School Lunch Program - Special Milk Basic	10.556	13392	117,606	-
National School Lunch Program - Summer Food Program	10.559	13004	1,658,097	-
National School Lunch Program - Commodity Supplemental Food	10.555	13396	701,020	-
Total Child Nutrition Cluster			8,910,005	-
Total U.S. Department of Agriculture			8,910,005	-
Total Expenditures of Federal Awards			$ 27,696,369	$ 5,327,358

Organization

The Downey Unified School District was established July 1, 1961, and consists of an area comprising approximately 14 square miles. The District operates thirteen elementary schools, four middle schools, two high schools, one adult education school, one continuation high school, and a community day school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Donald E. LaPlante	President	2020
Tod M. Corrin	Vice President	2020
D. Mark Morris	Clerk	2020
Giovanna Perez-Saab	Member	2020
Barbara R. Samperi	Member	2022
Martha E. Sodetani	Member	2022
Nancy A. Swenson	Member	2022

ADMINISTRATION

John A. Garcia, Jr., Ph.D.	Superintendent
Wayne Shannon, Ed.D.	Assistant Superintendent, Elementary Educational Services
Roger Brossmer, Ed.D.	Assistant Superintendent, Secondary Educational Services
Christina Aragon	Assistant Superintendent, Business Services
Alyda Mir	Assistant Superintendent, Certificated Human Resources

	Final Report	
	Second Period Report*	Annual Report
Regular ADA		
Transitional kindergarten through third	5,595.74	5,595.74
Fourth through sixth	4,477.13	4,477.13
Seventh and eighth	3,349.14	3,349.14
Ninth through twelfth	7,645.70	7,645.70
Total Regular ADA	21,067.71	21,067.71
Extended Year Special Education		
Transitional kindergarten through third	31.05	31.05
Fourth through sixth	21.72	21.72
Seventh and eighth	4.54	4.54
Ninth through twelfth	59.45	59.45
Total Extended Year Special Education	116.76	116.76
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	6.61	6.61
Fourth through sixth	12.67	12.67
Seventh and eighth	10.50	10.50
Ninth through twelfth	16.00	16.00
Total Special Education, Nonpublic, Nonsectarian Schools	45.78	45.78
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.41	0.41
Fourth through sixth	1.02	1.02
Seventh and eighth	0.94	0.94
Ninth through twelfth	1.92	1.92
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	4.29	4.29
Community Day School		
Seventh and eighth	6.16	6.16
Ninth through twelfth	6.26	6.26
Total Community Day School	12.42	12.42
Total ADA	21,246.96	21,246.96

*P2 Attendance report was amended on July 2, 2020.

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	49,370	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,460	180	N/A	Complied
Grade 2		50,460	180	N/A	Complied
Grade 3		50,460	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		54,330	180	N/A	Complied
Grade 5		54,600	180	N/A	Complied
Grade 6		59,292	180	N/A	Complied
Grade 7		59,292	180	N/A	Complied
Grade 8		59,292	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,100	180	N/A	Complied
Grade 10		65,100	180	N/A	Complied
Grade 11		65,100	180	N/A	Complied
Grade 12		65,100	180	N/A	Complied

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

	(Budget) 2021 [1]	2020	2019	2018
General Fund [3]				
Revenues	$ 283,740,850	$ 294,760,375	$ 285,432,772	$ 257,138,430
Expenditures	292,217,042	286,594,929	283,438,429	256,980,377
Other uses and transfers out	3,383,754	3,383,754	4,648,942	3,897,538
Total Expenditures and Other Uses	295,600,796	289,978,683	288,087,371	260,877,915
Increase/(Decrease) in Fund Balance	(11,859,946)	4,781,692	(2,654,599)	(3,739,485)
Ending Fund Balance	$ 26,536,057	$ 38,396,003	$ 33,614,311	$ 36,268,910
Available Reserves [2,3]	$ 15,387,473	$ 27,243,038	$ 22,258,326	$ 24,609,349
Available Reserves as a Percentage of Total Outgo	5.21%	9.53%	8.02%	9.43%
Long-Term Liabilities	N/A	$ 648,906,776	$ 599,488,045	$ 452,598,308
K-12 Average Daily Attendance at P-2	21,022	21,247	21,180	21,152

The General Fund balance has increased by $2,127,093 over the past two years. The fiscal year 2020-2021 budget projects a decrease of $11,859,946 (31 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by $196,308,468 over the past two years.

Average daily attendance has increased by 95 over the past two years. A decline of 225 ADA is anticipated during fiscal year 2020-2021.

[1]Budget 2021 is included for analytical purposes only and has not been subjected to audit.
[2]Available reserves consist of unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.
[3]On behalf payments of $3,983,567 and $10,699,662 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2020 and June 30, 2019, respectively.

	Beginning Balance	Additions	Deletions	Ending Balance
MIDDLE SCHOOLS				
Doty Middle School				
Assets				
Deposits and investments	$ 77,910	$ 116,595	$ 81,433	$ 113,072
Liabilities				
Due to student groups	$ 77,910	$ 116,595	$ 81,433	$ 113,072
Griffiths Middle School				
Assets				
Deposits and investments	$ 69,059	$ 109,751	$ 75,479	$ 103,331
Liabilities				
Due to student groups	$ 69,059	$ 109,751	$ 75,479	$ 103,331
Sussman Middle School				
Assets				
Deposits and investments	$ 38,698	$ 46,742	$ 35,841	$ 49,599
Liabilities				
Due to student groups	$ 38,698	$ 46,742	$ 35,841	$ 49,599
Stauffer Middle School				
Assets				
Deposits and investments	$ 106,277	$ 166,905	$ 136,231	$ 136,951
Liabilities				
Due to student groups	$ 106,277	$ 166,905	$ 136,231	$ 136,951

	Beginning Balance	Additions	Deletions	Ending Balance
MIDDLE SCHOOLS				
Doty Middle School				
Assets				
Deposits and investments	$ 77,910	$ 116,595	$ 81,433	$ 113,072
Liabilities				
Due to student groups	$ 77,910	$ 116,595	$ 81,433	$ 113,072
Griffiths Middle School				
Assets				
Deposits and investments	$ 69,059	$ 109,751	$ 75,479	$ 103,331
Liabilities				
Due to student groups	$ 69,059	$ 109,751	$ 75,479	$ 103,331
Sussman Middle School				
Assets				
Deposits and investments	$ 38,698	$ 46,742	$ 35,841	$ 49,599
Liabilities				
Due to student groups	$ 38,698	$ 46,742	$ 35,841	$ 49,599
Stauffer Middle School				
Assets				
Deposits and investments	$ 106,277	$ 166,905	$ 136,231	$ 136,951
Liabilities				
Due to student groups	$ 106,277	$ 166,905	$ 136,231	$ 136,951

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Assets				
Deposits and investments	$ 4,219,099	$ 12,710,980	$ 9,865,028	$ 1,886,177
Receivables	411,883	980,578	153,728	707
Stores inventories	-	85,520	-	-
Total assets	$ 4,630,982	$ 13,777,078	$ 10,018,756	$ 1,886,884
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 379,467	$ 714,257	$ 2,475,141	$ -
Unearned revenue	44,434	153,164	-	-
Total liabilities	423,901	867,421	2,475,141	-
Fund Balances				
Nonspendable	45	90,545	-	-
Restricted	4,207,036	12,819,112	7,543,615	1,886,884
Assigned	-	-	-	-
Total fund balances	4,207,081	12,909,657	7,543,615	1,886,884
Total liabilities and fund balances	$ 4,630,982	$ 13,777,078	$ 10,018,756	$ 1,886,884

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets				
Deposits and investments	$ 220,747	$ 12,175,758	$ 12,128,102	$ 53,205,891
Receivables	638	22,440	-	1,569,974
Stores inventories	-	-	-	85,520
Total assets	$ 221,385	$ 12,198,198	$ 12,128,102	$ 54,861,385
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ -	$ 26,298	$ -	$ 3,595,163
Unearned revenue	-	-	-	197,598
Total liabilities	-	26,298	-	3,792,761
Fund Balances				
Nonspendable	-	-	-	90,590
Restricted	221,385	-	12,128,102	38,806,134
Assigned	-	12,171,900	-	12,171,900
Total fund balances	221,385	12,171,900	12,128,102	51,068,624
Total liabilities and fund balances	$ 221,385	$ 12,198,198	$ 12,128,102	$ 54,861,385

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Revenues				
Federal sources	$ 2,696,557	$ 8,910,005	$ -	$ -
Other State sources	1,818,784	661,730	-	-
Other local sources	3,849,516	1,619,514	131,091	1,469,310
Total revenues	8,364,857	11,191,249	131,091	1,469,310
Expenditures				
Current				
Instruction	5,410,806	-	-	-
Instruction-related activities				
Supervision of instruction	525,067	-	-	-
School site administration	2,084,115	-	-	-
Pupil services				
Food services	-	12,946,172	-	-
All other pupil services	255,743	-	-	-
Administration				
All other administration	186,327	418,879	-	-
Plant services	88,452	-	3,156,964	-
Facility acquisition and construction	-	54,154	-	63,758
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	8,550,510	13,419,205	3,156,964	63,758
Excess (Deficiency) of Revenues Over Expenditures	(185,653)	(2,227,956)	(3,025,873)	1,405,552
Other Financing Sources				
Transfers in	500,000	-	2,803,754	-
Net Change in Fund Balances	314,347	(2,227,956)	(222,119)	1,405,552
Fund Balance - Beginning	3,892,734	15,137,613	7,765,734	481,332
Fund Balance - Ending	$ 4,207,081	$ 12,909,657	$ 7,543,615	$ 1,886,884

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues				
Federal sources	$ -	$ -	$ -	$ 11,606,562
Other State sources	221,014	-	80,046	2,781,574
Other local sources	1,989	438,667	13,644,659	21,154,746
Total revenues	223,003	438,667	13,724,705	35,542,882
Expenditures				
Current				
Instruction	-	-	-	5,410,806
Instruction-related activities				
Supervision of instruction	-	-	-	525,067
School site administration	-	-	-	2,084,115
Pupil services				
Food services	-	-	-	12,946,172
All other pupil services	-	-	-	255,743
Administration				
All other administration	-	-	-	605,206
Plant services	-	-	-	3,245,416
Facility acquisition and construction	1,618	626,169	-	745,699
Debt service				
Principal	-	-	10,050,000	10,050,000
Interest and other	-	-	8,167,722	8,167,722
Total expenditures	1,618	626,169	18,217,722	44,035,946
Excess (Deficiency) of Revenues Over Expenditures	221,385	(187,502)	(4,493,017)	(8,493,064)
Other Financing Sources				
Transfers in	-	-	-	3,303,754
Net Change in Fund Balances	221,385	(187,502)	(4,493,017)	(5,189,310)
Fund Balance - Beginning	-	12,359,402	16,621,119	56,257,934
Fund Balance - Ending	$ 221,385	$ 12,171,900	$ 12,128,102	$ 51,068,624

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

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

Summary of Significant Accounting Policies
Expenditures reported in the schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Food Donation
Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District had spent food commodities totaling $701,020.

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 49 days due to the pandemic. As a result, the District received credit for these 49 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Associated Student Body Account Activity

This schedule provides information on the financial activity of the District's middle and high school student body funds.

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

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

Independent Auditor’s Reports
June 30, 2020

Downey Unified School District

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

Governing Board
Downey Unified School District
Downey, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Downey Unified School District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated December 18,2020.

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

Eide Bailly LLP

Rancho Cucamonga, California
December 18, 2020

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

Governing Board
Downey Unified School District
Downey, California

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

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

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

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

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

Other Matters
The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each federal program is not modified with respect to these matters.

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be significant deficiencies.

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 18, 2020

Independent Auditor's Report on State Compliance

Governing Board
Downey Unified School District
Downey, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Compliance Requirements Tested

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

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

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

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

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

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

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

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

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

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

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

Unmodified Opinion
In our opinion, Downey Unified School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

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

Eide Bailly LLP

Rancho Cucamonga, California
December 18, 2020

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Special Education (IDEA) Cluster	84.027, 84.173, 84.027A, 84.173A

Dollar threshold used to distinguish between type A and type B programs:	$830,891
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

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

None reported.

The following findings represent significant deficiencies of noncompliance and internal control over compliance that are required to be reported by the Uniform Guidance. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2020-001 50000

Federal Program Affected

Program Name: Federal Pell Grant Program
CFDA Number: 84.063
Direct funded by U.S. Department of Education (ED)
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Special Tests and Provisions – Return to Title IV

34 CFR section 668.173(b):
Return of Title IV funds are required to be deposited or transferred into the Student Financial Assistance (SFA) account or electronic funds transfer initiated to ED as soon as administratively possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew, or the date on the cancelled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

Condition

Significant Deficiency: The District did not return the funds to ED within the 45-day requirement.

Questioned Costs

There are no questioned costs associated with this finding. The District did return funds; however, they were not returned within the 45-day requirement.

Context

Out of 12 records tested, two instances were noted in which the District did not return the Title IV funds within the required 45-day timeframe.

Effect

The District is not in compliance with federal requirements associated with the Return to Title IV process.

Cause

The District does have a procedure in place to ensure timely return of funds, however, the District is not adhering to their procedure.

Repeat Finding

Yes. See prior year finding 2019-002 in the Summary Schedule of Prior Audit Findings.

Recommendation

It is recommended that the District follow procedures to ensure that the Title IV funds are returned to ED within the 45-day requirement.

Corrective Action Plan

DAS continues to adhere to their Revised R2T4 Policy found on pages 47-51 of the DAS Financial Aid Policies and Procedures Manual. Moreover, DAS has continued to work closely with US Department of Education Program Compliance Review Specialists regarding previous R2T4 findings. Throughout the last 24 months, and as recent as September 2020, DAS's Financial Aid Team has participated in deep discussions and deeper reviews of our R2T4 procedures.

As a result of the Federal Award Findings for the Year Ended June 30, 2020, DAS has added an additional step in their procedures to a student's withdrawal/dismissal. DAS Financial Aid Department continues to be made aware of a student's separation from DAS through email communication from either the student's instructor, Program Director, and/or CTE Program's Clerical Staff. Financial Aid staff responds to the departments and refers the student file to the Bursar for R2T4/PWD calculations. In an effort to ensure that the student's R2T4 record is processed in a timely manner, DAS has now implemented a system in which the Financial Aid Clerk provides the Bursar with a weekly (every Friday) "check-in" email regarding the status of any drops or withdrawal that occurred within that week. Financial Aid Clerk will continue to monitor the student's file until R2T4 worksheet is prepared, sent to ED and filed within DAS records.

Furthermore, DAS has now trained a second staff member to conduct the R2T4 calculations in the absence of the Bursar/Senior Accounting Technician. DAS's Intermediate Accounting Assistant has been charged with the responsibility to take the lead in the timely calculation and filing of the R2T4 process as needed.

None reported.

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

Federal Compliance Findings

2019-001: 50000

Reporting

Federal Pell Grant Program, CFDA 84.063
Direct funded by U.S. Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Common Originations and Disbursement (COD) System (OMB No. 1845-0039) – All schools receiving Pell grants submit Pell payment data to the Department of Educations (ED) through the COD System. Schools submit Pell origination records and disbursement records to the COD. Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. The disbursement record reports the actual disbursement date and the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgments to the school. Institutions must report student payment data within 15 calendar days after the school makes a payment, or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 15 calendar days, bi-weekly or weekly, or may set up their own system to ensure that changes are reported in a timely manner.

Condition

Significant Deficiency: The student disbursement records per the District's EdExpress System do not agree to the student records reported in COD. Additionally, the District did not report student disbursement data to COD within 30 days of disbursement.

Questioned Costs

There are no questioned costs associated with this finding.

Context

Of the 40 students tested, the disbursement date in thirteen student COD records did not match the District's EdExpress system. Additionally, for one of the 40 students tested, the disbursement amount in the student COD record did not match the District's EdExpress system.

Of the 40 students tested, twelve instances were noted in which the District did not update COD disbursement dates within 30 days of the disbursement date noted within the District's EdExpress system.

Effect

The District is not in compliance with federal requirements associated with COD reporting.

Cause

The District's EdExpress system documented the scheduled disbursement date for students, but the District reported the actual disbursement date to COD. The EdExpress system was not updated for the actual disbursement date. This is the cause for twelve of the above noted exceptions for inaccurate disbursement dates.

For the exception noted for inaccurate amounts reported to COD, the District reduced the student's awarded amount based on disbursement records found at another institution. The District updated the disbursement amount in COD; however, the District did not update the EdExpress system.

The District does not have a procedure to ensure timely reporting to COD.

Repeat Finding

No.

Recommendation

It is recommended that the District develop a procedure to ensure that amounts reported to COD represent actual disbursement dates and are properly reflected within the EdExpress system. Additionally, the District should develop a procedure to ensure timely reporting to COD.

Current Status

Implemented

2019-002: 50000

Special Tests and Provisions – Return to Title IV

Federal Pell Grant Program, CFDA 84.063
Direct funded by U.S. Department of Education
Federal Agency: U.S. Department of Education

Criteria

34 CFR section 668.22(j):
An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew.

34 CFR section 668.173(b):
Return of Title IV funds are required to be deposited or transferred into the Student Financial Assistance (SFA) account or electronic funds transfer initiated to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew, or the date on the cancelled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

34 CFR section 668.22(b)(1):
An institution must document a student's withdrawal date as the last date of academic attendance determined by the institution from its attendance records.

Condition

Significant Deficiency: The District did not determine the withdrawal date within 30 days of the end of the payment period.

Significant Deficiency: The District did not return the funds to ED within the 45-day requirement.

Significant Deficiency: The District does not maintain supporting documentation for attendance records.

Questioned Costs

There were no questioned costs associated with the condition identified. The District did return the funds; however, they were not returned within the 45 day requirement.

Context

Out of 15 records tested, two instances were noted in which the District did not determine the withdrawal date for the student within 30 days of the end of the payment period.

Out of 15 records tested, three instances were noted in which the District did not return the Title IV funds within the required 45-day timeframe

In all of the fifteen instances tested, the District did not have adequate documentation that supports the student "Scheduled Hours to Complete" for purposes of performing Return to Title IV calculations. The number of hours scheduled to complete was given by program personnel; however, these amounts could not be substantiated via official school records.

Effect

The District is not in compliance with federal requirements associated with student withdrawals and the Return to Title IV process.

Cause

The District does have a procedure in place to monitor the student withdrawal dates no later than every 30 days; however, the District was not adhering to their procedure.

The District does have a procedure in place to ensure timely return of funds, however, the District is not adhering to their procedure.

The District does not have attendance records to support student withdrawal dates for the Return to Title IV calculations.

Repeat Finding

Yes.

Recommendation

It is recommended that the District follow procedures to ensure that the student withdrawal determinations occur within 30 days from the end of the payment period.

It is recommended that the District follow procedures to ensure that the Title IV funds are returned to ED within the 45-day requirement.

It is recommended that the District maintain adequate documentation to support student withdrawal dates for purposes of performing Return to Title IV calculations.

Current Status

Partially implemented. See current year finding 2020-001

Management
Downey Unified School District
Downey, California

We have completed our audit of Downey Unified School District's (the District) financial records for the year ended June 30, 2020, and have issued our report dated December 18, 2020. In planning and performing our audit of the financial statements of Downey Unified School District for the year ended June 30, 2020, we considered the internal control structure of the District in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operation efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 18, 2020, on the financial statements of Downey Unified School District.

Special Education Pass-Through Fund Reconciliation

Observation

The District had its first year as the Special Education Local Plan Area (SELPA) Administrative Unit (AU) for the Downey-Montello SELPA. The District recorded special education revenues and expenditures related to both Downey Unified School District and other member district in the Special Education Pass-Through Fund. The District also recorded revenues and expenditures related to the District's special education allocations in the General Fund, resulting in an overstatement of both revenues and expenditures. This observation did not result in an adjustment to fund balance, or the General Fund, but rather to reduce revenues, expenditures, accounts receivables and accounts payables by the same amounts in the Special Education Pass-Through Fund.

Recommendation

The District should review and adhere to the *California School Accounting Manual (CSAM)* Procedure 755 – Special Education, which prescribes the appropriate accounting treatment for District's that act as the SELPA AU. Procedure 755 notes that Fund 10 is used only for pass-through revenues. Special education pass-through revenues are those revenues received by the AU on behalf of the SELPA for distribution to other member LEAs in accordance with the local plan. Special education revenues that are not passed through to other member LEAs, but instead are retained for use by the AU in accordance with the local plan, are not accounted for in Fund 10. These revenues and the related expenditures are operational in nature and are accounted for in the AU's own general fund.

During the District's reconciliation process, it should ensure that *only* pass-through funds are recorded in Fund 10 and the general fund account for the District's revenues and expenditures associated with the local plan.

We have already discussed these observations and recommendations with various District personnel. We will be pleased to perform any additional study of these matters or to assist the District in implementing the recommendations.

We appreciate the time and assistance the staff of the Business Office and each school site has provided during our audit.

This communication is intended solely for the information and use of the Board, management, and others within the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Rancho Cucamonga, California
December 18, 2020