



Financial Statements  
June 30, 2019

# Downey Unified School District



# DOWNEY UNIFIED SCHOOL DISTRICT

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JUNE 30, 2019

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**FINANCIAL SECTION**



## 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 the Downey Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, 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 5 through 13, budgetary comparison schedule on page 76, schedule of changes in the District's total OPEB liability and related ratios on page 77, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 78, schedule of the District's proportionate share of the net pension liability on page 79, and the schedule of District contributions on page 80, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates 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 accompanying supplementary information is 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 our report dated December 12, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Eide Bailly LLP*

Rancho Cucamonga, California  
December 12, 2019



# 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

## Board of Education

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Nancy A. Swenson

### *Vice President*

Donald E. LaPlante

### *Clerk*

Tod M. Corrin

### *Members*

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Martha E. Sodevani

### *Superintendent*

John A. Garcia, Jr.,  
Ph.D.

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, 2019, with comparative information for the year ended June 30, 2018. 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 \$560.2 million. The net capital assets are \$278.5 million, which accounts for 49.7 percent of our total assets.
- The District's overall revenues in the *Statement of Activities* were \$320.1 million and expenditures were \$341.7 million.
- Total District-wide liabilities for the District are \$623.4 million, which includes long-term obligations of \$319.2 million. These long-term obligations include general obligation bonds, accumulated vacation, claims liability, other postemployment benefits, and retirement incentive plans.
- The Internal Service Fund had operating revenues totaling \$25.1 million and operating expenditures of \$25.5 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.



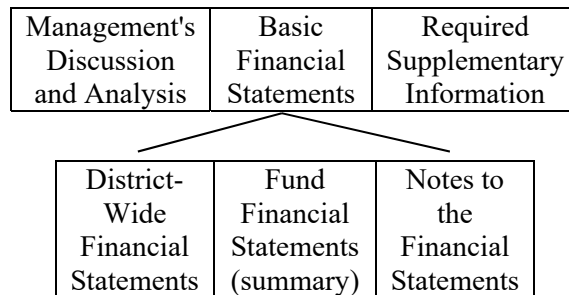
# DOWNEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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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 obligations) or to show that it is properly using certain revenues (such as Federal grants).

# DOWNEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2019**

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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.

# DOWNEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

#### Net Position

The District's net position as a whole is \$1.6 million for the year ended June 30, 2019. This is comprised of total assets and deferred outflows of resources of \$641.7 million less liabilities and deferred inflows of resources of \$640.1 million. (See Table 1)

**Table 1**

	Governmental Activities		Total Percentage Change
	2019	2018	
<b>Assets</b>			
Current and other assets	\$ 281,649,860	\$ 159,347,192	76.8%
Capital assets	278,513,104	265,162,095	5.0%
<b>Total Assets</b>	<b>560,162,964</b>	<b>424,509,287</b>	<b>32.0%</b>
<b>Deferred Outflows of Resources</b>	<b>81,568,509</b>	<b>86,229,837</b>	<b>-5.4%</b>
<b>Liabilities</b>			
Current and other liabilities	23,888,918	19,962,229	19.7%
Long-term obligations	319,218,323	180,508,575	76.8%
Aggregate net pension liability	280,269,722	272,089,733	3.0%
<b>Total Liabilities</b>	<b>623,376,963</b>	<b>472,560,537</b>	<b>31.9%</b>
<b>Deferred Inflows of Resources</b>	<b>16,782,880</b>	<b>14,950,008</b>	<b>12.3%</b>
<b>Net Position</b>			
Net investment in capital assets	175,062,840	178,191,689	-1.8%
Restricted	89,247,717	85,430,370	4.5%
Unrestricted	(262,738,927)	(240,393,480)	9.3%
<b>Total Net Position</b>	<b>\$ 1,571,630</b>	<b>\$ 23,228,579</b>	<b>-93.2%</b>

**DOWNEY UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

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**Changes in Net Position**

The District's total revenues of \$320.1 million was less than expenditures by \$21.7 million. District revenues consist of General Revenues including property taxes and Federal and State aid not restricted for specific purposes that together makes up 76 percent of the District's total revenues. Operating and Capital Grants make up another 17 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 82 percent in direct instruction and pupil services). The administrative costs of the District account for about five percent of total costs. See Table 2 for the Changes in Net Position Statement.

**Table 2**

	<u>2019</u>	<u>2018</u>	<u>Total Percentage Change</u>
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 3,126,761	\$ 3,460,134	-9.6%
Operating grants and contributions	53,736,413	50,720,967	5.9%
General Revenues:			
Property taxes	55,291,281	53,675,387	3.0%
Federal and State aid not restricted for specific purposes	188,560,542	175,850,447	7.2%
Other	19,372,945	11,825,740	63.8%
<b>Total Revenues</b>	<b><u>320,087,942</u></b>	<b><u>295,532,675</u></b>	<b><u>8.3%</u></b>
<b>Expenses</b>			
Instruction-related	244,894,949	231,984,672	5.6%
Pupil services	35,997,020	34,322,096	4.9%
Administration	16,327,201	12,767,999	27.9%
Plant services	31,425,631	24,697,313	27.2%
All other services	13,100,090	5,575,497	135.0%
<b>Total Expenses</b>	<b><u>341,744,891</u></b>	<b><u>309,347,577</u></b>	<b><u>10.5%</u></b>
<b>Changes in Net Position</b>	<b><u>\$ (21,656,949)</u></b>	<b><u>\$ (13,814,902)</u></b>	<b><u>56.8%</u></b>

**DOWNEY UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

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**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		Percentage	Net Cost of Services		Percentage
	2019	2018	Change 2019-2018	2019	2018	Change 2019-2018
Instruction-related	\$ 244,894,949	\$ 231,984,672	5.6%	\$ 206,134,884	\$ 195,268,034	5.6%
Pupil services	35,997,020	34,322,096	4.9%	19,745,625	18,763,519	5.2%
Administration	16,327,201	12,767,999	27.9%	15,176,162	11,803,299	28.6%
Plant services	31,425,631	24,697,313	27.2%	30,865,704	24,000,933	28.6%
All other services	13,100,090	5,575,497	135.0%	12,959,342	5,330,691	143.1%
<b>Total</b>	<b>\$ 341,744,891</b>	<b>\$ 309,347,577</b>	<b>10.5%</b>	<b>\$ 284,881,717</b>	<b>\$ 255,166,476</b>	<b>11.6%</b>

**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 salary increases with all the employee unions. Together, the District and the Downey Education Association Teachers' Union negotiated a 2.75 percent on-going and 1.25 percent one-time increase for all unit members. In addition, the District and the California School Employees' Association Unit I and Unit II, negotiated a three percent on-going increase for all unit members. 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 21<sup>st</sup> Century education that ensures they are college and career ready, globally competitive and citizens of strong character.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

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**Table 4**

	Balances and Activity			
	July 1, 2018	Revenues and Other Sources	Expenses and Other Uses	June 30, 2019
General Fund	\$ 36,268,910	\$ 285,432,772	\$ 288,087,371	\$ 33,614,311
Building Fund	3,774,653	136,131,426	22,958,280	116,947,799
Adult Education Fund	3,013,299	10,228,545	9,349,110	3,892,734
Cafeteria Fund	15,689,961	13,037,167	13,589,515	15,137,613
Deferred Maintenance Fund	6,953,956	2,696,303	1,884,525	7,765,734
Capital Facilities Fund	314,480	180,328	13,476	481,332
Special Reserve Fund for Capital Outlay Projects	11,027,074	1,387,215	54,887	12,359,402
Bond Interest and Redemption Fund	11,911,556	18,018,664	13,309,101	16,621,119
<b>Total</b>	<b>\$ 88,953,889</b>	<b>\$ 467,112,420</b>	<b>\$ 349,246,265</b>	<b>\$ 206,820,044</b>

**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, 2019, the District has continued modernization of various schools as follows: completed modernization projects at the two high schools, started construction at Sussman and Griffiths Middle Schools, continued design for the Doty Middle School modernization, continued construction at Stauffer Middle School, and continued design for a new gymnasium at Stauffer Middle School. Construction of a new marquee sign was completed at Rio Hondo Elementary School. Design was completed for a new kindergarten playground at Carpenter Elementary School. Modernization designs for five other elementary schools were approved by the Division of the State Architect. In addition, installation of security equipment continued at all elementary, middle, and high school sites, as well as the District Office.

# DOWNEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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**Table 5**

	Governmental Activities	
	2019	2018
Land and construction in progress	\$ 67,689,607	\$ 47,949,176
Site improvements	9,628,289	10,463,701
Building	193,902,518	200,210,375
Machinery and equipment	7,292,690	6,538,843
<b>Total</b>	<b>\$ 278,513,104</b>	<b>\$ 265,162,095</b>

We present more detailed information in Note 5 to the financial statements.

### **Long-Term Obligations**

At the end of the 2018-2019 fiscal year, the District had a \$319.2 million balance in long-term obligations. There is more detailed information in Note 9 to the financial statements.

**Table 6**

	Governmental Activities	
	2019	2018
General obligation and revenue bonds	\$ 215,976,036	\$ 90,626,067
Premium on issuance	5,512,371	1,148,762
Accumulated vacation	2,464,744	2,447,275
Retirement Incentive Plans	6,148,998	1,882,692
Claims liability	13,430,540	12,736,017
Aggregate net other postemployment benefits liability (OPEB)	75,685,634	71,667,762
<b>Total</b>	<b>\$ 319,218,323</b>	<b>\$ 180,508,575</b>

### **Net Pension Liability (NPL)**

At year-end, the District has a net pension liability of \$280.3 million versus \$272.1 million last year, an increase \$8.2 million.

# **DOWNEY UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019**

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### ***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES***

In considering the District Budget for the 2019-2020 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 2018-2019 LCFF provided District apportionment revenue in the amount of \$220,117,099; the annual LCFF entitlement per ADA for the District is \$10,383.25.
3. The District received \$3.9 million in one-time funding for the settlement of outstanding mandated cost reimbursements.
4. In the 2018-2019 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 \$10.1 million; the 2019-2020 adopted budget included an equivalent entry in the amount of \$9.97 million.
5. Zero increase for most other State and Federal funding.
6. Continued lack of Federal efforts to fund its appropriate share of Special Education.
7. Increase in student enrollment for the 2018-2019 school year was 41 students.
8. The cost of healthcare, increased from \$27.5 million in the prior year to \$28.9 million in 2018-2019.
9. The cost of the CalPERS and CalSTRS retirement systems, increased from \$32.1 million in the prior year to \$36.6 million in 2018-2019. This increase includes a \$111 thousand increase in the State CalSTRS on behalf contribution.
10. 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.



# DOWNEY UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2019

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 269,776,144
Receivables	10,933,035
Prepaid expenses	534,957
Stores inventories	383,822
Other current assets	21,902
<b>Total Current Assets</b>	<b>281,649,860</b>
Capital assets:	
Land and construction in process	67,689,607
Other capital assets	339,353,565
Less: Accumulated depreciation	(128,530,068)
<b>Total Capital Assets</b>	<b>278,513,104</b>
<b>Total Assets</b>	<b>560,162,964</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	142,549
Deferred outflows of resources related to aggregate net other postemployment benefits (OPEB) liability	1,254,823
Deferred outflows of resources related to pensions	80,171,137
<b>Total Deferred Outflows of Resources</b>	<b>81,568,509</b>
<b>LIABILITIES</b>	
Accounts payable	20,262,017
Accrued interest payable	2,444,952
Unearned revenue	1,181,949
Long-term obligations:	
Current portion of long-term obligations other than pensions	11,656,338
Noncurrent portion of long-term obligations other than pensions	307,561,985
<b>Total Long-Term Obligations</b>	<b>319,218,323</b>
Aggregate net pension liability	280,269,722
<b>Total Liabilities</b>	<b>623,376,963</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to OPEB	1,598,167
Deferred inflows of resources related to pensions	15,184,713
<b>Total Deferred Inflows of Resources</b>	<b>16,782,880</b>
<b>NET POSITION</b>	
Net investment in capital assets	175,062,840
Restricted for:	
Debt service	14,176,167
Capital projects	481,332
Educational programs	7,898,671
Other activities	66,691,547
Unrestricted	(262,738,927)
<b>Total Net Position</b>	<b>\$ 1,571,630</b>

The accompanying notes are an integral part of these financial statements.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 213,900,175	\$ 26,884	\$ 34,999,381	\$ (178,873,910)
Instruction-related activities:				
Supervision of instruction	8,548,762	169,012	2,125,392	(6,254,358)
Instructional library, media, and technology	3,014,310	-	428,091	(2,586,219)
School site administration	19,431,702	79	1,011,226	(18,420,397)
Pupil services:				
Home-to-school transportation	3,671,714	-	159,716	(3,511,998)
Food services	13,797,409	1,700,620	9,922,650	(2,174,139)
All other pupil services	18,527,897	1,153,198	3,315,211	(14,059,488)
General administration:				
Data processing	5,130,537	76,793	-	(5,053,744)
All other general administration	11,196,664	-	1,074,246	(10,122,418)
Plant services	31,425,631	-	559,927	(30,865,704)
Ancillary services	1,271,171	-	48,360	(1,222,811)
Enterprise services	5,000,822	-	-	(5,000,822)
Interest on long-term obligations	6,420,013	-	-	(6,420,013)
Other outgo	408,084	175	92,213	(315,696)
<b>Total Governmental Activities</b>	<b>\$ 341,744,891</b>	<b>\$ 3,126,761</b>	<b>\$ 53,736,413</b>	<b>(284,881,717)</b>
General revenues and subventions:				
Property taxes, levied for general purposes				41,578,891
Property taxes, levied for debt service				13,372,788
Taxes levied for other specific purposes				339,602
Federal and State aid not restricted to specific purposes				188,560,542
Interest and investment earnings				2,711,307
Miscellaneous				16,661,638
<b>Subtotal, General Revenues and Subventions</b>				<b>263,224,768</b>
<b>Change in Net Position</b>				<b>(21,656,949)</b>
<b>Net Position - Beginning</b>				<b>23,228,579</b>
<b>Net Position - Ending</b>				<b>\$ 1,571,630</b>

The accompanying notes are an integral part of these financial statements.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2019**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Deposits and investments	\$ 40,632,699	\$ 119,705,203	\$ 55,684,640	\$ 216,022,542
Receivables	8,186,829	664,225	1,841,436	10,692,490
Prepaid expenditures	507,615	-	27,342	534,957
Stores inventories	333,188	-	50,634	383,822
Other current assets	21,902	-	-	21,902
<b>Total Assets</b>	<u>\$ 49,682,233</u>	<u>\$ 120,369,428</u>	<u>\$ 57,604,052</u>	<u>\$ 227,655,713</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 14,957,655	\$ 3,421,629	\$ 1,274,436	\$ 19,653,720
Unearned revenue	1,110,267	-	71,682	1,181,949
<b>Total Liabilities</b>	<u>16,067,922</u>	<u>3,421,629</u>	<u>1,346,118</u>	<u>20,835,669</u>
<b>Fund Balances:</b>				
Nonspendable	890,803	-	83,046	973,849
Restricted	7,898,671	116,947,799	43,838,688	168,685,158
Assigned	2,566,511	-	12,336,200	14,902,711
Unassigned	22,258,326	-	-	22,258,326
<b>Total Fund Balances</b>	<u>33,614,311</u>	<u>116,947,799</u>	<u>56,257,934</u>	<u>206,820,044</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 49,682,233</u>	<u>\$ 120,369,428</u>	<u>\$ 57,604,052</u>	<u>\$ 227,655,713</u>

The accompanying notes are an integral part of these financial statements.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

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<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 206,820,044</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position is Different Because:</b>	
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	\$ 407,043,172
Accumulated depreciation is	<u>(128,530,068)</u>
Net Capital Assets	278,513,104
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.	
	(2,444,952)
An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation and other programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. Internal Service Fund net position is:	
	39,955,310
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) are included with governmental activities.	
	142,549
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:	
Pension contributions subsequent to measurement date	27,085,207
Net change in proportionate share of net pension liability	7,562,611
Differences between projected and actual earnings on pension plan investments	602,862
Differences between expected and actual experience in the measurement of the total pension liability	5,459,551
Changes of assumptions	<u>39,460,906</u>
Total Deferred Outflows of Resources Related to Pensions	80,171,137
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of amounts paid by the District for OPEB as the benefits come due subsequent to the measurement date.	
	1,254,823

The accompanying notes are an integral part of these financial statements.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION, CONTINUED  
JUNE 30, 2019**

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Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:

Net change in proportionate share of net pension liability	\$ (4,219,309)	
Differences between projected and actual earnings on pension plan investments	(7,961,954)	
Differences between expected and actual experience in the measurement of the total pension liability	<u>(3,003,450)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (15,184,713)

Deferred inflows of resources related to OPEB represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to OPEB at year-end consist of changes of assumptions. (1,598,167)

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. (280,269,722)

Long-term obligations at year-end consist of:

General obligation bonds	(215,028,241)
Unamortized premium	(5,512,371)
Accumulated vacation	(2,464,744)
Aggregate net other postemployment benefits (OPEB) liability	(75,685,634)
Retirement incentive plans	(6,148,998)

In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:

	<u>(947,795)</u>	
Total Long-Term Obligations		<u>(305,787,783)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u><u>\$ 1,571,630</u></u></b>

The accompanying notes are an integral part of these financial statements.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 220,117,099	\$ -	\$ -	\$ 220,117,099
Federal sources	13,305,820	-	12,768,633	26,074,453
Other State sources	37,952,769	-	2,993,310	40,946,079
Other local sources	14,057,084	1,133,442	20,746,952	35,937,478
<b>Total Revenues</b>	<b>285,432,772</b>	<b>1,133,442</b>	<b>36,508,895</b>	<b>323,075,109</b>
<b>EXPENDITURES</b>				
Current				
Instruction	195,382,436	-	5,811,811	201,194,247
Instruction-related activities:				
Supervision of instruction	7,454,820	-	794,190	8,249,010
Instructional library, media, and technology	2,847,210	-	1,848	2,849,058
School site administration	16,050,573	-	2,011,680	18,062,253
Pupil services:				
Home-to-school transportation	3,143,499	-	-	3,143,499
Food services	156,437	-	12,582,667	12,739,104
All other pupil services	16,941,112	-	293,019	17,234,131
General administration:				
Data processing	4,516,752	-	-	4,516,752
All other general administration	9,745,700	-	847,017	10,592,717
Plant services	25,441,360	466	1,784,511	27,226,337
Facility acquisition and construction	-	21,975,390	764,770	22,740,160
Ancillary services	1,257,995	-	-	1,257,995
Other outgo	408,084	-	-	408,084
Enterprise services	92,451	-	-	92,451
Debt service				
Principal	-	-	9,725,000	9,725,000
Interest and other	-	982,424	3,584,101	4,566,525
<b>Total Expenditures</b>	<b>283,438,429</b>	<b>22,958,280</b>	<b>38,200,614</b>	<b>344,597,323</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,994,343</b>	<b>(21,824,838)</b>	<b>(1,691,719)</b>	<b>(21,522,214)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	4,568,942	4,568,942
Other sources - bond proceeds	-	134,997,984	4,470,385	139,468,369
Transfers out	(4,648,942)	-	-	(4,648,942)
<b>Net Financing Sources (Uses)</b>	<b>(4,648,942)</b>	<b>134,997,984</b>	<b>9,039,327</b>	<b>139,388,369</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,654,599)</b>	<b>113,173,146</b>	<b>7,347,608</b>	<b>117,866,155</b>
<b>Fund Balances - Beginning</b>	<b>36,268,910</b>	<b>3,774,653</b>	<b>48,910,326</b>	<b>88,953,889</b>
<b>Fund Balances - Ending</b>	<b>\$ 33,614,311</b>	<b>\$ 116,947,799</b>	<b>\$ 56,257,934</b>	<b>\$ 206,820,044</b>

The accompanying notes are an integral part of these financial statements.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019**

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**Total Net Change in Fund Balances - Governmental Funds** **\$ 117,866,155**  
**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	\$ 21,723,875	
Depreciation expense	(8,372,866)	
Net Expense Adjustment		13,351,009

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 less than amounts earned during the year by \$4,266,306. (4,266,306)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by \$17,469. (17,469)

Proceeds received from issuance of debt are a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:  
 Sale of general obligation bonds (134,997,984)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:  
 General obligation bonds 9,725,000

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows, and net pension liability during the year. (12,915,836)

The accompanying notes are an integral part of these financial statements.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, CONTINUED FOR THE YEAR ENDED JUNE 30, 2019**

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In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.	\$ (5,759,814)
Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:	
Amortization of debt premium	\$ 106,776
Amortization of deferred charge on refunding	(16,411)
Combined adjustment	<u>90,365</u>
Governmental funds report the effect of premiums on issuance of debt when the debt is first issued, whereas the amounts are deferred and amortized over the life of the debt in the Statement of Activities.	(4,470,385)
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds increased by \$76,985, and second, an increase of \$884,445 of additional accumulated interest was accreted on the District's 'capital appreciation' general obligation bonds.	(961,430)
An Internal Service Fund is used by the District's management to charge the costs to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	<u>699,746</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (21,656,949)</u></u></b>

The accompanying notes are an integral part of these financial statements.



# DOWNEY UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2019

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	<u>Governmental Activities Internal Service Fund</u>
<b>ASSETS</b>	
Deposits and investments	\$ 53,753,602
Receivables	240,545
<b>Total Assets</b>	<u>53,994,147</u>
<b>LIABILITIES</b>	
Accounts payable	608,297
Claim liabilities	13,430,540
<b>Total Liabilities</b>	<u>14,038,837</u>
<b>NET POSITION</b>	
Restricted	39,955,310
<b>Total Net Position</b>	<u>\$ 39,955,310</u>

The accompanying notes are an integral part of these financial statements.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<b>Governmental Activities <u>Internal Service Fund</u></b>
<b>OPERATING REVENUES</b>	
Charges to other funds and miscellaneous revenues	\$ 25,098,298
<b>OPERATING EXPENSES</b>	
Payroll costs	1,081,601
Professional, contract services, and claims	24,393,808
<b>Total Operating Expenses</b>	<u>25,475,409</u>
<b>Operating Loss</b>	<u>(377,111)</u>
<b>NONOPERATING REVENUES</b>	
Interest income	996,857
<b>Income Before Transfers</b>	<u>619,746</u>
Transfers in	80,000
<b>Change in Net Position</b>	<u>699,746</u>
<b>Total Net Position - Beginning</b>	<u>39,255,564</u>
<b>Total Net Position - Ending</b>	<u><u>\$ 39,955,310</u></u>

The accompanying notes are an integral part of these financial statements.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from user charges	\$ 25,098,298
Cash payments to suppliers for goods and services	(1,081,601)
Cash payments for claims	(23,317,805)
Net Cash Provided by Operating Activities	<u>698,892</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	<u>80,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>1,029,766</u>
Net change in cash and cash equivalents	1,808,658
Cash and cash equivalents - Beginning	51,944,944
Cash and cash equivalents - Ending	<u><u>\$ 53,753,602</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating loss	\$ (377,111)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Changes in assets and liabilities:	
Accounts payable	381,480
Claims liability	694,523
<b>NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>	<u><u>\$ 698,892</u></u>

The accompanying notes are an integral part of these financial statements.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 2,534,341
<b>LIABILITIES</b>	
Due to employees	\$ 923,177
Due to student groups	1,611,164
<b>Total Liabilities</b>	<u>\$ 2,534,341</u>

The accompanying notes are an integral part of these financial statements.

# **DOWNEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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### ***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*, 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. 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.

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 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.

**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).

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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**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).

**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 obligations.

**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 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 are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for associated student body (ASB) activities and voluntary payroll withholdings of the District employees.

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### **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 a 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 a 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.



# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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**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. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State 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 revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

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

**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, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, 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.

# **DOWNEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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### **Investments**

Investments held at June 30, 2019, 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 Expenses (Expenditures)**

Prepaid expenses (expenditures) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures incurred.

### **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 when used.

### **Capital Assets and Depreciation**

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

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

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

# **DOWNEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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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 Obligations**

All payables, accrued liabilities, and long-term obligations 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 obligations 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 obligations are recognized as liabilities in the governmental fund financial statements when due.

### **Debt Issuance Costs, Premiums and Discounts**

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, 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.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. 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.

### **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.

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.

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (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.

### 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.

### Fund Balances - Governmental Funds

As of June 30, 2019, 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. The District currently does not have any committed funds.

**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.

# **DOWNEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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### **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, deferred outflows of resources, 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 \$89,247,717 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.

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

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

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

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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

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

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

### **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.

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

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

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

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.

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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

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

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

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.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.



# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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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.

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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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.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

### ***NOTE 2 - DEPOSITS AND INVESTMENTS***

#### **Summary of Deposits and Investments**

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 269,776,144
Fiduciary funds	2,534,341
Total Deposits and Investments	<u>\$ 272,310,485</u>

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	\$ 1,611,164
Cash in revolving	130,070
Investments	270,569,251
Total Deposits and Investments	<u>\$ 272,310,485</u>

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 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 District is an involuntary participant in the Los Angeles County Investment Pool. 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.

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

### 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. The District maintains an investment of \$270,569,251 with the Los Angeles County Investment Pool with an average weighted maturity of 547 days.

### 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	Fair Value	Weighted Average Days to Maturity
Los Angeles County Investment Pool	\$ 270,309,718	547

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 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, 2019, the District's bank balance of \$2,811,343 includes \$1,796,575 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 - FAIR VALUE MEASUREMENTS

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

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

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

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

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Fair Value	Uncategorized
Los Angeles County Investment Pool	\$ 270,309,718	\$ 270,309,718

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

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	\$ 5,478,265	\$ -	\$ 1,456,744	\$ -	\$ 6,935,009
State Government					
Categorical aid	989,158	-	202,747	-	1,191,905
Lottery	1,059,395	-	-	-	1,059,395
Other State	64,507	-	-	-	64,507
Local Government					
Interest	373,212	664,225	167,481	240,545	1,445,463
Other Local Sources	222,292	-	14,464	-	236,756
Total	<u>\$ 8,186,829</u>	<u>\$ 664,225</u>	<u>\$ 1,841,436</u>	<u>\$ 240,545</u>	<u>\$ 10,933,035</u>

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 - CAPITAL ASSETS**

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 19,311,663	\$ -	\$ -	\$ 19,311,663
Construction in process	28,637,513	19,916,763	176,332	48,377,944
Total Capital Assets Not Being Depreciated	47,949,176	19,916,763	176,332	67,689,607
Capital Assets Being Depreciated				
Site improvements	24,964,476	160,743	-	25,125,219
Buildings	287,102,270	74,904	-	287,177,174
Machinery and equipment	25,348,807	1,747,797	45,432	27,051,172
Total Capital Assets Being Depreciated	337,415,553	1,983,444	45,432	339,353,565
Less Accumulated Depreciation				
Site improvements	14,500,775	996,155	-	15,496,930
Buildings and improvements	86,891,895	6,382,761	-	93,274,656
Machinery and equipment	18,809,964	993,950	45,432	19,758,482
Total Accumulated Depreciation	120,202,634	8,372,866	45,432	128,530,068
Governmental Activities Capital Assets, Net	<u>\$ 265,162,095</u>	<u>\$ 13,527,341</u>	<u>\$ 176,332</u>	<u>\$ 278,513,104</u>

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

<b>Governmental Activities</b>	
Instruction	\$ 6,068,734
Pupil transportation	95,485
Food services	389,582
All other pupil services	520,299
Data processing	138,123
All other general administration	323,673
Plant services	836,970
Total Allocated Depreciation	<u>\$ 8,372,866</u>

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 - INTERFUND TRANSACTIONS**

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	Transfer To	Transfer From General Fund
Non-Major Governmental Funds		\$ 4,568,942
Internal Service Fund		80,000
Total		\$ 4,648,942
The General Fund transferred to the Adult Education Non-Major Governmental Fund to support the Adult Education program.		\$ 1,000,000
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund to contribute to the maintenance of District Facilities.		2,568,942
The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects to fund additional projects in the District's Facilities Master Plan.		1,000,000
The General Fund transferred to the Internal Service Fund to pay insurance obligations.		80,000
Total		\$ 4,648,942

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Salaries and benefits	\$ 7,384,387	\$ 73,452	\$ 569,889	\$ 6,313	\$ 8,034,041
LCFF apportionment	3,277,253	-	-	-	3,277,253
Construction	-	3,348,177	476,944	-	3,825,121
Vendor payables	4,296,015	-	227,603	601,984	5,125,602
Total	\$ 14,957,655	\$ 3,421,629	\$ 1,274,436	\$ 608,297	\$ 20,262,017



**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 - UNEARNED REVENUE**

Unearned revenue at June 30, 2019, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal categorical aid	\$ 170,713	\$ 27,248	\$ 197,961
State categorical aid	259,051	-	259,051
Other local	680,503	44,434	724,937
Total	<u>\$ 1,110,267</u>	<u>\$ 71,682</u>	<u>\$ 1,181,949</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	\$ 90,626,067	\$ 135,074,969	\$ 9,725,000	\$ 215,976,036	\$ 10,050,000
Premium on issuance	1,148,762	4,470,385	106,776	5,512,371	-
Compensated absences	2,447,275	17,469	-	2,464,744	-
Retirement incentive plans	1,882,692	4,893,870	627,564	6,148,998	1,606,338
Claims liability	12,736,017	694,523	-	13,430,540	-
Aggregate net OPEB liability	71,667,762	7,290,861	3,272,989	75,685,634	-
Total	<u>\$ 180,508,575</u>	<u>\$ 152,442,077</u>	<u>\$ 13,732,329</u>	<u>\$ 319,218,323</u>	<u>\$ 11,656,338</u>

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. The aggregate net other postemployment benefits liability is paid in each fund where the benefits are earned.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Bonded Debt**

The outstanding bonds are as follows:

Bonds	Original Issue	Bonds Outstanding July 1, 2018	Issuance	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2019	Due in One year
1999 Series A	\$ 9,230,000	\$ 4,806,067	\$ -	\$ 76,985	\$ 495,000	\$ 4,388,052	\$ 535,000
2007 Refunding	21,030,000	16,720,000	-	-	1,720,000	15,000,000	1,790,000
2011 Refunding	12,105,000	7,000,000	-	-	1,100,000	5,900,000	1,145,000
2012 Refunding	17,620,000	12,510,000	-	-	825,000	11,685,000	875,000
2014 Series A	50,000,000	40,035,000	-	-	5,100,000	34,935,000	-
2015 Refunding	3,015,000	2,960,000	-	-	5,000	2,955,000	5,000
2016 Refunding	7,380,000	6,595,000	-	-	480,000	6,115,000	500,000
2014 Series B	125,000,000	-	125,000,000	-	-	125,000,000	5,200,000
2014 Series B-1	9,997,984	-	9,997,984	-	-	9,997,984	-
<b>Total</b>		<b>\$ 90,626,067</b>	<b>\$ 134,997,984</b>	<b>\$ 76,985</b>	<b>\$ 9,725,000</b>	<b>\$ 215,976,036</b>	<b>\$ 10,050,000</b>

**Debt Service Requirements to Maturity**

**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, 2019, the principal balance outstanding was \$4,388,052. The maturities are summarized as follows:

**1999 Series A**

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2020	\$ 535,000	\$ -	\$ 169,618	\$ 704,618
2021	570,000	-	138,475	708,475
2022	605,000	-	105,125	710,125
2023	640,000	-	69,745	709,745
2024	640,557	44,443	32,190	717,190
2025-2028	1,397,495	682,505	3,480	2,083,480
<b>Total</b>	<b>\$ 4,388,052</b>	<b>\$ 726,948</b>	<b>\$ 518,633</b>	<b>\$ 5,633,633</b>

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**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, 2019, the principal balance outstanding is \$15,000,000. The maturities are summarized as follows:

**2007 Refunding**

<u>Fiscal Year</u>	<u>Principal</u>	Current Interest to <u>Maturity</u>	<u>Total</u>
2020	\$ 1,790,000	\$ 755,858	\$ 2,545,858
2021	1,885,000	659,380	2,544,380
2022	1,990,000	556,975	2,546,975
2023	2,095,000	447,675	2,542,675
2024	2,205,000	331,575	2,536,575
2025-2027	5,035,000	295,890	5,330,890
Total	<u>\$ 15,000,000</u>	<u>\$ 3,047,353</u>	<u>\$ 18,047,353</u>

**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, 2019, the principal balance outstanding is \$5,900,000. The maturities are summarized as follows:

**2011 Refunding**

<u>Fiscal Year</u>	<u>Principal</u>	Current Interest to <u>Maturity</u>	<u>Total</u>
2020	\$ 1,145,000	\$ 256,138	\$ 1,401,138
2021	1,200,000	197,512	1,397,512
2022	1,275,000	142,012	1,417,012
2023	250,000	110,262	360,262
2024	275,000	97,137	372,137
2025-2029	1,605,000	250,330	1,855,330
2030-2032	150,000	10,125	160,125
Total	<u>\$ 5,900,000</u>	<u>\$ 1,063,516</u>	<u>\$ 6,963,516</u>

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

### 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, 2019, the principal balance outstanding is \$11,685,000. The maturities are summarized as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ 875,000	\$ 539,400	\$ 1,414,400
2021	910,000	503,700	1,413,700
2022	950,000	466,500	1,416,500
2023	2,050,000	396,250	2,446,250
2024	2,175,000	290,625	2,465,625
2025-2026	4,725,000	239,375	4,964,375
Total	<u>\$ 11,685,000</u>	<u>\$ 2,435,850</u>	<u>\$ 14,120,850</u>

### 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, 2019, the principal balance outstanding is \$34,935,000. Unamortized premium received on issuance of the bonds amounted to \$1,106,215 as of June 30, 2019. The maturities are summarized as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ -	\$ 1,294,075	\$ 1,294,075
2021	-	1,294,075	1,294,075
2022	-	1,294,075	1,294,075
2023	-	1,294,075	1,294,075
2024	-	1,294,075	1,294,075
2025-2029	1,730,000	6,397,775	8,127,775
2030-2034	4,925,000	5,873,731	10,798,731
2035-2039	8,280,000	4,800,794	13,080,794
2040-2044	13,045,000	2,786,100	15,831,100
2045-2046	6,955,000	283,700	7,238,700
Total	<u>\$ 34,935,000</u>	<u>\$ 26,612,475</u>	<u>\$ 61,547,475</u>

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### 2015 General Obligation Refunding Bonds

In September 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, 2019, the principal balance outstanding is \$2,955,000.

The maturities are summarized as follows:

### 2015 Refunding

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2020	\$ 5,000	\$ 89,756	\$ 94,756
2021	5,000	89,604	94,604
2022	5,000	89,452	94,452
2023	5,000	89,300	94,300
2024	5,000	89,148	94,148
2025-2027	2,930,000	211,736	3,141,736
Total	<u>\$ 2,955,000</u>	<u>\$ 658,996</u>	<u>\$ 3,613,996</u>

### 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, 2019, the principal balance outstanding is \$6,115,000.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

The maturities are summarized as follows:

**2016 Refunding**

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ 500,000	\$ 188,086	\$ 688,086
2021	520,000	172,229	692,229
2022	530,000	155,823	685,823
2023	550,000	139,023	689,023
2024	565,000	121,597	686,597
2025-2029	3,115,000	327,424	3,442,424
2030	335,000	5,258	340,258
Total	\$ 6,115,000	\$ 1,109,440	\$ 7,224,440

**2014 General Obligation Bonds, Series B**

In January 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, 2019, the principal balance outstanding is \$125,000,000. Unamortized premium received on issuance of the bonds amounted to \$4,406,156 as of June 30, 2019. The maturities are summarized as follows:

**2014 General Obligation Bonds, Series B**

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ 5,200,000	\$ 2,474,279	\$ 7,674,279
2021	2,900,000	4,801,025	7,701,025
2022	-	4,656,025	4,656,025
2023	-	4,656,025	4,656,025
2024	-	4,656,025	4,656,025
2025-2029	1,385,000	23,280,125	24,665,125
2030-2034	6,060,000	22,466,125	28,526,125
2035-2039	14,105,000	20,466,675	34,571,675
2040-2044	32,520,000	16,720,200	49,240,200
2045-2049	62,830,000	8,297,000	71,127,000
Total	\$ 125,000,000	\$ 112,473,504	\$ 237,473,504

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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**2014 General Obligation Bonds, Series B-1**

In January 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, 2019, the principal balance outstanding is \$9,997,984. The maturities are summarized as follows:

**2014 General Obligation Bonds, Series B-1**

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Total
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025-2029	-	-	-
2030-2034	4,600,600	2,099,400	6,700,000
2035-2039	4,520,716	3,864,284	8,385,000
2040	876,668	1,038,332	1,915,000
Total	\$ 9,997,984	\$ 7,002,016	\$ 17,000,000

**Compensated Absences**

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to \$2,464,744.

**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, 2019, the remaining balance of the payments is \$1,255,128.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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 30,2019, the remaining balance of the payments is \$4,893,870.

Fiscal Year	2016	2019	Total
	PARS Payments	PARS Payments	
2020	\$ 627,564	\$ 978,774	\$ 1,606,338
2021	627,564	978,774	1,606,338
2022	-	978,774	978,774
2023	-	978,774	978,774
2024	-	978,774	978,774
Total	<u>\$ 1,255,128</u>	<u>\$ 4,893,870</u>	<u>\$ 6,148,998</u>

**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, 2019, amounted to \$13,430,540.

**Aggregate Net Other Postemployment Benefits (OPEB) Liability**

For the fiscal year ended June 30, 2019, 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
District Plan	\$ 74,139,970	\$ 1,254,823	\$ 1,598,167	\$ 5,759,814
Medicare Premium Payment (MPP) Program	1,545,664	-	-	(154,226)
Total	<u>\$ 75,685,634</u>	<u>\$ 1,254,823</u>	<u>\$ 1,598,167</u>	<u>\$ 5,605,588</u>



# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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The details of each plan are as follows:

### **District Plan**

#### **Plan Administration**

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

#### *Plan Membership*

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

Inactive employees or beneficiaries currently receiving benefits payments	114
Active employees	2,039
	<hr/>
	2,153
	<hr/> <hr/>

#### *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 2017-2018, the District paid \$1,398,598 in benefits.

#### **Total OPEB Liability of the District**

The District's total OPEB liability of \$74,139,970 was measured as of June 30, 2018, and determined by an actuarial valuation as of June 30, 2017.

#### *Actuarial Assumptions*

The total OPEB liability in the June 30, 2018 actuarial measurement 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	3.80 percent
Healthcare cost trend rates	4.00 percent

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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, 2017 valuation were based on the results of an actual experience study as of April 2017.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2017	\$ 69,967,872
Service cost	4,571,791
Interest	2,719,070
Changes of assumptions or other inputs	(1,720,165)
Benefit payments	(1,398,598)
Net change in total OPEB liability	4,172,098
Balance at June 30, 2018	<u>\$ 74,139,970</u>

There were no changes in benefit terms since the previous valuation. Changes of assumptions include a change in discount rate from 3.5 percent to 3.8 percent utilized in 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 (2.8%)	\$ 79,378,039
Current discount rate (3.8%)	74,139,970
1% increase (4.8%)	69,034,358

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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*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:

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (3.0%)	\$ 56,581,478
Current healthcare cost trend rate (4.0%)	74,139,970
1% increase (5.0%)	96,099,776

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

At June 30, 2018, the District reported deferred outflows of resources for the amount paid by the District for OPEB as the benefits come due subsequent to measurement date of \$1,254,823. At June 30, 2018, the District reported deferred inflows of resources for changes of assumption of \$1,598,167.

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

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2020	\$ 121,998
2021	121,998
2022	121,998
2023	121,998
2034	121,998
Thereafter	988,177
	<u>\$ 1,598,167</u>

**Medicare Premium Payment (MPP) Program**

**Plan Description**

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

# **DOWNEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program 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, benefit payments 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, 2019, the District reported a liability of \$1,545,664 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018 and 2017, respectively, was 0.4038 percent and 0.4041 percent, resulting in a decrease in the proportionate share of 0.0003 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of (\$154,226).

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
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	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

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

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

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

### Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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*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:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.87%)	\$ 1,709,583
Current discount rate (3.87%)	1,545,664
1% increase (4.87%)	1,397,659

*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:

<u>Medicare Costs Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (2.7% Part A and 3.1% Part B)	\$ 1,409,490
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	1,545,664
1% increase (4.7% Part A and 5.1% Part B)	1,692,118

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**NOTE 10 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>				
Revolving cash	\$ 50,000	\$ -	\$ 5,070	\$ 55,070
Stores inventories	333,188	-	50,634	383,822
Prepaid expenditures	507,615	-	27,342	534,957
Total Nonspendable	<u>890,803</u>	<u>-</u>	<u>83,046</u>	<u>973,849</u>
<b>Restricted</b>				
Legally restricted programs	7,898,671	-	15,081,954	22,980,625
Adult education program	-	-	3,888,549	3,888,549
Deferred maintenance program	-	-	7,765,734	7,765,734
Capital projects	-	116,947,799	481,332	117,429,131
Debt services	-	-	16,621,119	16,621,119
Total Restricted	<u>7,898,671</u>	<u>116,947,799</u>	<u>43,838,688</u>	<u>168,685,158</u>
<b>Assigned</b>				
Mitigation of future reductions	2,566,511	-	-	2,566,511
Capital outlay projects	-	-	12,336,200	12,336,200
Total Assigned	<u>2,566,511</u>	<u>-</u>	<u>12,336,200</u>	<u>14,902,711</u>
<b>Unassigned</b>				
Reserve for economic uncertainties	13,869,385	-	-	13,869,385
Remaining unassigned	8,388,941	-	-	8,388,941
Total Unassigned	<u>22,258,326</u>	<u>-</u>	<u>-</u>	<u>22,258,326</u>
Total	<u>\$ 33,614,311</u>	<u>\$ 116,947,799</u>	<u>\$ 56,257,934</u>	<u>\$ 206,820,044</u>

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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**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 Revenue
2020	\$ 213,052
2021	219,444
2022	226,028
2023	232,806
2024	239,788
2025-2029	1,283,494
2030-2034	1,303,560
2035-2039	1,303,560
2040-2044	1,303,560
2045-2049	1,303,560
2050-2054	1,303,560
2055-2059	1,303,560
2060	217,260
Total	<u><u>\$ 10,453,232</u></u>

**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, 2019, 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.



**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**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, 2017 to June 30, 2019:

	Health Care	Workers' Compensation	Dental	Vision	Total
Liability Balance, July 1, 2017	\$ 3,920,245	\$ 5,254,970	\$ 725,057	\$ 148,647	\$ 10,048,919
Claims and changes in estimates	15,564,219	3,820,314	2,859,511	334,026	22,578,070
Claims payments	<u>(14,176,986)</u>	<u>(2,613,342)</u>	<u>(2,725,133)</u>	<u>(375,511)</u>	<u>(19,890,972)</u>
Liability Balance, July 1, 2018	5,307,478	6,461,942	859,435	107,162	12,736,017
Claims and changes in estimates	16,575,585	2,599,743	2,561,308	360,654	22,097,290
Claims payments	<u>(16,575,585)</u>	<u>(1,905,220)</u>	<u>(2,561,308)</u>	<u>(360,654)</u>	<u>(21,402,767)</u>
Liability Balance, June 30, 2019	<u>\$ 5,307,478</u>	<u>\$ 7,156,465</u>	<u>\$ 859,435</u>	<u>\$ 107,162</u>	<u>\$ 13,430,540</u>
Assets available to pay claims at June 30, 2019					<u>\$ 53,994,147</u>

**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, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 206,770,104	\$ 60,200,482	\$ 15,184,713	\$ 25,210,734
CalPERS	73,499,618	19,970,655	-	14,790,309
Total	<u>\$ 280,269,722</u>	<u>\$ 80,171,137</u>	<u>\$ 15,184,713</u>	<u>\$ 40,001,043</u>

# **DOWNEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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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, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/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.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

**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, 2019, are presented above, and the District's total contributions were \$20,339,022.

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

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

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 206,770,104
State's proportionate share of net pension liability associated with the District	118,385,555
Total	<u><u>\$ 325,155,659</u></u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.2250 percent and 0.2232 percent, respectively, resulting in a net increase in the proportionate share of 0.0018 percent.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

For the year ended June 30, 2019, the District recognized pension expense of \$25,210,734. In addition, the District recognized pension expense and revenue of \$13,907,633 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 20,339,022	\$ -
Net change in proportionate share of net pension liability	7,097,981	4,219,309
Differences between projected and actual earnings on the pension plan investments	-	7,961,954
Differences between expected and actual experience in the measurement of the total pension liability	641,186	3,003,450
Changes of assumptions	32,122,293	-
Total	<u>\$ 60,200,482</u>	<u>\$ 15,184,713</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,728,766
2021	(1,254,437)
2022	(6,679,771)
2023	(1,756,512)
Total	<u>\$ (7,961,954)</u>

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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The deferred outflows of resources related to the net change in proportionate share of net pension liability, 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 of Resources
2020	\$ 6,523,983
2021	6,523,983
2022	6,523,983
2023	6,988,210
2024	5,906,067
Thereafter	172,475
Total	<u>\$ 32,638,701</u>

### Actuarial Methods and Assumptions

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

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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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, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 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%)	\$ 302,894,006
Current discount rate (7.10%)	206,770,104
1% increase (8.10%)	127,074,062

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 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, 2017, 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, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### 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, 2019, are presented above, and the total District contributions were \$6,746,185.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$73,499,618. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.2757 percent and 0.2752 percent, respectively, resulting in a net increase in the proportionate share of 0.0005 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$14,790,309. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,746,185	\$ -
Net change in proportionate share of net pension liability	464,630	-
Differences between projected and actual earnings on the pension plan investments	602,862	-
Differences between expected and actual experience in the measurement of the total pension liability	4,818,365	-
Changes of assumptions	7,338,613	-
Total	<u>\$ 19,970,655</u>	<u>\$ -</u>

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



**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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
2020	\$ 2,192,742
2021	524,375
2022	(1,680,428)
2023	(433,827)
Total	<u>\$ 602,862</u>

The deferred outflows of resources related to the net change in proportionate share of net pension liability, 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 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	\$ 5,740,326
2021	5,271,076
2022	1,610,206
Total	<u>\$ 12,621,608</u>

**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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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:

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

**Discount Rate**

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 107,011,929
Current discount rate (7.15%)	73,499,618
1% increase (8.15%)	45,696,358

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 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 \$10,308,453 (8.251 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the original budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule* and *Schedule of Financial Trends and 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, 2019.

### 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, 2019.

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Certification of Various Projects - All Sites	\$ 50,239	January 2020
District Office - Security	4,450	August 2019
Doty Middle School Modernization	630,285	September 2022
Doty Middle School Bungalows	88,759	September 2021
Carpenter Elementary School - Playground	10,580	February 2020
Downey High School CTE Building	17,595	August 2019
Downey High School - Security	30,504	February 2020
Gauldin Elementary School Modernization	88,561	August 2019
Griffiths Middle School Modernization	2,034,702	September 2021
Griffiths Middle School Bungalows	214,176	September 2021
Lewis Elementary School Modernization	86,560	December 2025
Old River School Fire Alarm	27,559	August 2019
Old River School Marquee	3,227	August 2019
Price Elementary School Modernization	207,985	December 2025
Rio Hondo Elementary School Marquee	12,696	August 2019
Rio Hondo Elementary School Modernization	66,605	August 2019
Rio San Gabriel Elementary School Modernization	116,548	December 2025
Stauffer Middle School Modernization	4,654,646	August 2020
Stauffer Middle School Media Center	945,803	August 2020
Stauffer Middle School Modernization	177,521	September 2022
Stauffer Middle School Classroom	1,511,445	August 2020
Sussman Middle School Modernization	1,518,843	September 2021
Sussman Middle School Bungalows	50,424	September 2021
Unsworth Elementary School Modernization	91,149	December 2025
Warren High School - Security	125,824	February 2020
Williams Elementary School Modernization	79,952	December 2025
	\$ 12,846,638	

# **DOWNEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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### ***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, 2019, the District made payments of \$1,235,281 to ASCIP for insurance plans. The payment included a premium for SELF.



**REQUIRED SUPPLEMENTARY INFORMATION**

**DOWNEY UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		<b>Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 218,490,199	\$ 220,301,099	\$ 220,117,099	\$ (184,000)
Federal sources	12,293,675	14,968,612	13,305,820	(1,662,792)
Other State sources	30,247,626	26,546,311	37,952,769	11,406,458
Other local sources	12,655,395	13,603,313	14,057,084	453,771
<b>Total Revenues <sup>1</sup></b>	<b>273,686,895</b>	<b>275,419,335</b>	<b>285,432,772</b>	<b>10,013,437</b>
<b>EXPENDITURES</b>				
Current:				
Certificated salaries	120,765,109	125,048,813	126,188,300	(1,139,487)
Classified salaries	35,271,218	36,855,369	37,526,019	(670,650)
Employee benefits	71,119,197	73,937,857	83,581,382	(9,643,525)
Books and supplies	13,905,596	14,401,115	10,175,261	4,225,854
Services and operating expenditures	21,313,504	25,819,731	25,501,779	317,952
Other outgo	(270,034)	(226,363)	(423,088)	196,725
Capital outlay	3,445,272	889,951	888,776	1,175
<b>Total Expenditures <sup>1</sup></b>	<b>265,549,862</b>	<b>276,726,473</b>	<b>283,438,429</b>	<b>(6,711,956)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>8,137,033</b>	<b>(1,307,138)</b>	<b>1,994,343</b>	<b>3,301,481</b>
<b>OTHER FINANCING USES</b>				
Transfers out	(3,648,942)	(3,648,942)	(4,648,942)	(1,000,000)
<b>NET CHANGE IN FUND BALANCE</b>	<b>4,488,091</b>	<b>(4,956,080)</b>	<b>(2,654,599)</b>	<b>2,301,481</b>
<b>Fund Balance - Beginning</b>	<b>36,268,910</b>	<b>36,268,910</b>	<b>36,268,910</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 40,757,001</b>	<b>\$ 31,312,830</b>	<b>\$ 33,614,311</b>	<b>\$ 2,301,481</b>

<sup>1</sup> On behalf payments of \$10,699,662 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

# DOWNEY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
<b>Total OPEB Liability</b>		
Service cost	\$ 4,571,791	\$ 4,633,887
Interest	2,719,070	2,311,192
Changes of assumptions	(1,720,165)	-
Benefit payments	(1,398,598)	(1,523,715)
<b>Net change in total OPEB liability</b>	4,172,098	5,421,364
<b>Total OPEB liability - beginning</b>	69,967,872	64,546,508
<b>Total OPEB liability - ending</b>	<u>\$ 74,139,970</u>	<u>\$ 69,967,872</u>
<b>Covered payroll</b>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
<b>District's total OPEB liability as a percentage of covered payroll</b>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>

<sup>1</sup> The District's 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.

See accompanying note to required supplementary information.



# DOWNEY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2019

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Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.4038%	0.4041%
District's proportionate share of the net OPEB liability	\$ 1,545,664	\$ 1,699,890
District's covered-employee payroll	N/A <sup>1</sup>	N/A <sup>1</sup>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

<sup>1</sup> 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.

See accompanying note to required supplementary information.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	<u>0.2250%</u>	<u>0.2232%</u>
District's proportionate share of the net pension liability	<u>\$ 206,770,104</u>	<u>\$ 206,398,716</u>
State's proportionate share of the net pension liability associated with the District	<u>118,385,555</u>	<u>122,103,737</u>
Total	<u>\$ 325,155,659</u>	<u>\$ 328,502,453</u>
District's covered payroll	<u>\$ 120,169,702</u>	<u>\$ 118,533,370</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>172.07%</u>	<u>174.13%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.2757%</u>	<u>0.2752%</u>
District's proportionate share of the net pension liability	<u>\$ 73,499,618</u>	<u>\$ 65,691,017</u>
District's covered payroll	<u>\$ 36,128,691</u>	<u>\$ 34,982,287</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>203.44%</u>	<u>187.78%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>

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

See accompanying note to required supplementary information.

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<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.2307%</u>	<u>0.2310%</u>	<u>0.2141%</u>
<u>\$ 186,580,167</u>	<u>\$ 155,525,424</u>	<u>\$ 125,085,872</u>
<u>106,216,761</u>	<u>82,255,805</u>	<u>75,532,250</u>
<u>\$ 292,796,928</u>	<u>\$ 237,781,229</u>	<u>\$ 200,618,122</u>
<u>\$ 115,535,909</u>	<u>\$ 103,498,727</u>	<u>\$ 97,025,571</u>
<u>161.49%</u>	<u>150.27%</u>	<u>128.92%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.2730%</u>	<u>0.2669%</u>	<u>0.2561%</u>
<u>\$ 53,909,000</u>	<u>\$ 39,338,034</u>	<u>\$ 29,076,541</u>
<u>\$ 32,741,411</u>	<u>\$ 29,075,431</u>	<u>\$ 27,004,140</u>
<u>164.65%</u>	<u>135.30%</u>	<u>107.67%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

# DOWNEY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2019

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	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 20,339,022	\$ 17,340,488
Contributions in relation to the contractually required contribution	20,339,022	17,340,488
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 124,932,568</u>	<u>\$ 120,169,702</u>
Contributions as a percentage of covered payroll	<u>16.28%</u>	<u>14.43%</u>
 <b>CalPERS</b>		
Contractually required contribution	\$ 6,746,185	\$ 5,611,147
Contributions in relation to the contractually required contribution	6,746,185	5,611,147
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 37,350,155</u>	<u>\$ 36,128,691</u>
Contributions as a percentage of covered payroll	<u>18.062%</u>	<u>15.531%</u>

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

See accompanying note to required supplementary information.

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<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 14,911,498	\$ 12,397,003	\$ 9,190,687
14,911,498	12,397,003	9,190,687
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 118,533,370</u>	<u>\$ 115,535,909</u>	<u>\$ 103,498,727</u>
<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
\$ 4,858,340	\$ 3,878,875	\$ 3,422,469
4,858,340	3,878,875	3,422,469
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 34,982,287</u>	<u>\$ 32,741,411</u>	<u>\$ 29,075,431</u>
<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### 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.

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

At June 30, 2019, the District major fund exceeded the budgeted amount in total as follows:

Funds	Expenditures and Other Uses		
	Budget*	Actual	Excess
General Fund	<u>\$ 280,375,415</u>	<u>\$ 288,087,371</u>	<u>\$ 7,711,956</u>

\* On behalf payments of \$10,699,662 relating to Senate Bill 90 are included in the actual expenditures but have not been included in the budgeted amounts.

#### 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 3.5 percent to 3.8 percent since the previous valuation.

# DOWNEY UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### **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 3.58 percent to 3.87 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**



**DOWNEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063	[1]	\$ 2,348,796
Subtotal Student Financial Assistance Cluster			<u>2,348,796</u>
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	4,686,056
Title II, Part A, Supporting Effective Instruction	84.367	14341	711,655
Title III, English Learner Student Program	84.365	14346	706,084
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	28,128
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	4,479,589
Preschool Grants, Part B, Section 619	84.173	13430	80,029
Preschool Staff Development, Part B, Section 619	84.173A	13431	960
Special Education: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	3,750
Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	243,028
Subtotal Special Education (IDEA) Cluster			<u>4,807,356</u>
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	156,654
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	149,801
Adult Basic Education and ELA	84.002A	14508	33,554
Adult Secondary Education	84.002	13978	262,350
English Literacy and Civics Education	84.002A	14109	24,871
Total U.S. Department of Education			<u>13,915,305</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health Care Services:			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	462,771
Medi-Cal Administrative Activities	93.778	10060	549,719
Subtotal Medicaid Cluster			<u>1,012,490</u>
Total U.S. Department of Health and Human Services			<u>1,012,490</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	6,283,768
Especially Needy Breakfast Program	10.553	13526	2,521,300
Meal Supplements	10.556	13392	170,399
Commodities	10.555	13396	761,419
Seamless Summer Feeding Option	10.559	13004	212,375
Subtotal Child Nutrition Cluster			<u>9,949,261</u>
Total U.S. Department of Agriculture			<u>9,949,261</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 24,877,056</b></u>

[1] This grant is funded directly by Department of Education.

See accompanying note to supplementary information.

# DOWNEY UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

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### 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

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Nancy A. Swenson	President	2022
Donald E. LaPlante	Vice President	2020
Tod M. Corrin	Clerk	2020
D. Mark Morris	Member	2020
Giovanna Perez-Saab	Member	2020
Barbara R. Samperi	Member	2022
Martha E. Sodetani	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	Associate Superintendent, Business Services
Alyda Mir	Assistant Superintendent, Certificated Human Resources

See accompanying note to supplementary information.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	5,609.45	5,618.71
Fourth through sixth	4,398.72	4,396.63
Seventh and eighth	3,369.69	3,355.87
Ninth through twelfth	7,616.11	7,578.29
Total Regular ADA	<u>20,993.97</u>	<u>20,949.50</u>
Extended Year Special Education		
Transitional kindergarten through third	30.23	30.23
Fourth through sixth	18.24	18.24
Seventh and eighth	6.36	6.36
Ninth through twelfth	49.10	49.10
Total Extended Year Special Education	<u>103.93</u>	<u>103.93</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	9.40	9.26
Fourth through sixth	13.93	13.71
Seventh and eighth	14.09	14.58
Ninth through twelfth	20.79	20.07
Total Special Education, Nonpublic, Nonsectarian Schools	<u>58.21</u>	<u>57.62</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.53	0.53
Fourth through sixth	0.73	0.73
Seventh and eighth	1.30	1.30
Ninth through twelfth	2.78	2.78
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>5.34</u>	<u>5.34</u>
Community Day School		
Seventh and eighth	9.87	10.50
Ninth through twelfth	8.61	8.28
Total Community Day School	<u>18.48</u>	<u>18.78</u>
Total ADA	<u>21,179.93</u>	<u>21,135.17</u>

See accompanying note to supplementary information.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2019**

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
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 - 6	54,000				
Grade 4		54,450	180	N/A	Complied
Grade 5		54,450	180	N/A	Complied
Grade 6		59,255	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		59,255	180	N/A	Complied
Grade 8		59,255	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,220	180	N/A	Complied
Grade 10		65,220	180	N/A	Complied
Grade 11		65,220	180	N/A	Complied
Grade 12		65,220	180	N/A	Complied

See accompanying note to supplementary information.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

	(Budget) 2020 <sup>1</sup>	2019	2018	2017
<b>GENERAL FUND</b>				
Revenues	\$ 278,748,833	\$ 285,432,772	\$ 257,138,430	\$ 254,628,800
Expenditures	280,391,047	283,438,429	256,980,377	255,574,414
Other uses and transfers out	3,883,754	4,648,942	3,897,538	3,665,141
Total Expenditures and Other Uses	284,274,801	288,087,371	260,877,915	259,239,555
<b>DECREASE</b>				
IN FUND BALANCE	\$ (5,525,968)	\$ (2,654,599)	\$ (3,739,485)	\$ (4,610,755)
ENDING FUND BALANCE	\$ 28,088,343	\$ 33,614,311	\$ 36,268,910	\$ 40,008,395
AVAILABLE RESERVES <sup>2</sup>	\$ 15,027,162	\$ 22,258,326	\$ 24,609,349	\$ 28,267,069
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	5.29%	8.02%	9.43%	10.90%
LONG-TERM OBLIGATIONS	N/A	\$ 319,218,323	\$ 180,508,575	\$ 182,803,472
<b>K-12 AVERAGE DAILY</b>				
ATTENDANCE AT P-2	21,016	21,180	21,152	21,485

The General Fund balance has decreased by \$6,394,084 over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$5,525,968 (16 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 all of the past three years and anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by \$136,414,851 over the past two years.

Average daily attendance has decreased by 305 over the past two years. An additional decline of 164 ADA is anticipated during fiscal year 2019-2020.

<sup>1</sup> Budget 2020 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

<sup>3</sup> On behalf payments of \$10,699,662 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF ASSOCIATED STUDENT BODY ACCOUNT ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>MIDDLE SCHOOLS</b>				
<b>Doty Middle School</b>				
Assets				
Deposits and investments	\$ 94,228	\$ 136,428	\$ 152,746	\$ 77,910
Liabilities				
Due to student groups	\$ 94,228	\$ 136,428	\$ 152,746	\$ 77,910
<b>Griffiths Middle School</b>				
Assets				
Deposits and investments	\$ 66,535	\$ 116,581	\$ 114,057	\$ 69,059
Liabilities				
Due to student groups	\$ 66,535	\$ 116,581	\$ 114,057	\$ 69,059
<b>Sussman Middle School</b>				
Assets				
Deposits and investments	\$ 48,713	\$ 73,376	\$ 83,391	\$ 38,698
Liabilities				
Due to student groups	\$ 48,713	\$ 73,376	\$ 83,391	\$ 38,698
<b>Stauffer Middle School</b>				
Assets				
Deposits and investments	\$ 102,777	\$ 194,837	\$ 191,337	\$ 106,277
Liabilities				
Due to student groups	\$ 102,777	\$ 194,837	\$ 191,337	\$ 106,277

See accompanying note to supplementary information.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF ASSOCIATED STUDENT BODY ACCOUNT ACTIVITY, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>HIGH SCHOOLS</b>				
<b>Columbus Continuation High School</b>				
Assets				
Deposits and investments	\$ 53,742	\$ 24,652	\$ 21,301	\$ 57,093
Liabilities				
Due to student groups	\$ 53,742	\$ 24,652	\$ 21,301	\$ 57,093
<b>Downey High School</b>				
Assets				
Deposits and investments	\$ 521,092	\$ 1,652,386	\$ 1,624,136	\$ 549,342
Liabilities				
Due to student groups	\$ 521,092	\$ 1,652,386	\$ 1,624,136	\$ 549,342
<b>Warren High School</b>				
Assets				
Deposits and investments	\$ 681,828	\$ 1,084,163	\$ 1,053,206	\$ 712,785
Liabilities				
Due to student groups	\$ 681,828	\$ 1,084,163	\$ 1,053,206	\$ 712,785
<b>Consolidated</b>				
Assets				
Deposits and investments	\$ 1,568,915	\$ 3,282,423	\$ 3,240,174	\$ 1,611,164
Liabilities				
Due to student groups	\$ 1,568,915	\$ 3,282,423	\$ 3,240,174	\$ 1,611,164

See accompanying note to supplementary information.



**DOWNEY UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2019**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 3,997,413	\$ 14,081,554	\$ 8,216,742
Receivables	408,855	1,356,925	25,936
Prepaid expenditures	4,140	-	-
Stores inventories	-	50,634	-
<b>Total Assets</b>	<b>\$ 4,410,408</b>	<b>\$ 15,489,113</b>	<b>\$ 8,242,678</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 473,240	\$ 324,252	\$ 476,944
Unearned revenue	44,434	27,248	-
<b>Total Liabilities</b>	<b>517,674</b>	<b>351,500</b>	<b>476,944</b>
<b>Fund Balances:</b>			
Nonspendable	4,185	55,659	-
Restricted	3,888,549	15,081,954	7,765,734
Assigned	-	-	-
<b>Total Fund Balances</b>	<b>3,892,734</b>	<b>15,137,613</b>	<b>7,765,734</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,410,408</b>	<b>\$ 15,489,113</b>	<b>\$ 8,242,678</b>

See accompanying note to supplementary information.

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<b>Capital Facilities Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>
\$ 480,019	\$ 12,287,793	\$ 16,621,119	\$ 55,684,640
1,313	48,407	-	1,841,436
-	23,202	-	27,342
-	-	-	50,634
<u>\$ 481,332</u>	<u>\$ 12,359,402</u>	<u>\$ 16,621,119</u>	<u>\$ 57,604,052</u>

\$ -	\$ -	\$ -	\$ 1,274,436
-	-	-	71,682
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,346,118</u>

-	23,202	-	83,046
481,332	-	16,621,119	43,838,688
-	12,336,200	-	12,336,200
<u>481,332</u>	<u>12,359,402</u>	<u>16,621,119</u>	<u>56,257,934</u>
<u>\$ 481,332</u>	<u>\$ 12,359,402</u>	<u>\$ 16,621,119</u>	<u>\$ 57,604,052</u>

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>REVENUES</b>			
Federal sources	\$ 2,819,372	\$ 9,949,261	\$ -
Other State sources	1,978,617	930,194	-
Other local sources	4,430,556	2,157,712	127,361
<b>Total Revenues</b>	<b>9,228,545</b>	<b>13,037,167</b>	<b>127,361</b>
<b>EXPENDITURES</b>			
Current			
Instruction	5,811,811	-	-
Instruction-related activities:			
Supervision of instruction	794,190	-	-
Instructional library, media, and technology	1,848	-	-
School site administration	2,011,680	-	-
Pupil services:			
Food services	-	12,582,667	-
All other pupil services	293,019	-	-
General administration:			
All other general administration	272,927	560,614	-
Plant services	163,635	-	1,620,876
Facility acquisition and construction	-	446,234	263,649
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>9,349,110</b>	<b>13,589,515</b>	<b>1,884,525</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(120,565)</b>	<b>(552,348)</b>	<b>(1,757,164)</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	1,000,000	-	2,568,942
Other sources - bond proceeds	-	-	-
<b>Net Financing Sources</b>	<b>1,000,000</b>	<b>-</b>	<b>2,568,942</b>
<b>NET CHANGE IN FUND BALANCES</b>			
	879,435	(552,348)	811,778
<b>Fund Balances - Beginning</b>	<b>3,013,299</b>	<b>15,689,961</b>	<b>6,953,956</b>
<b>Fund Balances - Ending</b>	<b>\$ 3,892,734</b>	<b>\$ 15,137,613</b>	<b>\$ 7,765,734</b>

See accompanying note to supplementary information.

<b>Capital Facilities Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	12,768,633
-	-	84,499	2,993,310
180,328	387,215	13,463,780	20,746,952
<u>180,328</u>	<u>387,215</u>	<u>13,548,279</u>	<u>36,508,895</u>
-	-	-	5,811,811
-	-	-	794,190
-	-	-	1,848
-	-	-	2,011,680
-	-	-	12,582,667
-	-	-	293,019
13,476	-	-	847,017
-	-	-	1,784,511
-	54,887	-	764,770
-	-	9,725,000	9,725,000
-	-	3,584,101	3,584,101
<u>13,476</u>	<u>54,887</u>	<u>13,309,101</u>	<u>38,200,614</u>
<u>166,852</u>	<u>332,328</u>	<u>239,178</u>	<u>(1,691,719)</u>
-	1,000,000	-	4,568,942
-	-	4,470,385	4,470,385
-	<u>1,000,000</u>	<u>4,470,385</u>	<u>9,039,327</u>
166,852	1,332,328	4,709,563	7,347,608
314,480	11,027,074	11,911,556	48,910,326
<u>\$ 481,332</u>	<u>\$ 12,359,402</u>	<u>\$ 16,621,119</u>	<u>\$ 56,257,934</u>

**DOWNEY UNIFIED SCHOOL DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option and Medi-Cal Administrative Activities funds have been recorded in the current period as revenues that have not been expended as of June 30, 2019. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amounts
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 26,074,453
Medi-Cal Billing Option	93.778	(26,616)
Medi-Cal Administrative Activities	93.778	(1,170,781)
Total Schedule of Expenditures of Federal Awards		<u>\$ 24,877,056</u>

**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.

# **DOWNEY UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019**

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### **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.

### **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**



**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Downey Unified School District (the District) as of and for the year ended June 30, 2019, 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 12, 2019.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Eide Bailly LLP*

Rancho Cucamonga, California  
December 12, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND 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 (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2019. The 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 the requirements of 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 the 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 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 compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

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

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

### ***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 items 2019-001 and 2019-002. Our opinion on each major Federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The 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 the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 items 2019-001 and 2019-002, that we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance.

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 12, 2019



## 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 as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's State government programs as noted below for the year ended June 30, 2019.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. 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 opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

### ***Unmodified Opinion***

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
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
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
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
<b>CHARTER SCHOOLS</b>	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-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 testing for Independent Study because the ADA was below the required threshold for 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 any procedures related to Juvenile Court Schools.

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

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any 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 for the Independent Study - Course Based Program.

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

*Eide Sully LLP*

Rancho Cucamonga, California  
December 12, 2019



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



**DOWNEY UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>Yes</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>Yes</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555, 10.556, 10.559</u>	<u>Child Nutrition Cluster</u>
<u>93.778</u>	<u>Medicaid Cluster</u>
<u>84.063</u>	<u>Pell Grant Program</u>

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

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**DOWNEY UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

# DOWNEY UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
50000	Federal Compliance

2019-001      50000

### REPORTING

Program Name: Federal Pell Grant Program  
CFDA Number: 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.

## **DOWNEY UNIFIED SCHOOL DISTRICT**

### **FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019**

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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.

#### **Corrective Action Plan**

##### **Reason**

The instances in which student COD records did not match the EdExpress system were a result of students not being eligible to receive their disbursement due to unsatisfactory academic progress. It is the practice of the Bursar to change the disbursement dates on the COD system once the student is deemed eligible for their respective disbursement. Downey Adult School's (DAS's) Financial Aid (FA) staff was unaware of their ability to go back and update data on the EdExpress system once a student record was "batched" through EdConnect system. Furthermore, ever since its inception of the Title IV program at DAS, staff (past and present) were unaware that records on EdExpress and COD needed to match.

Additionally, DAS staff would like to note that during a Program Compliance Review conducted by US Department of Education, the same information was tested for the same award year, and the Federal auditors did not identify this issue as a finding.

# DOWNEY UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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Prompted by this finding, DAS's Financial Aid staff called the EdExpress Help Line on November 13, 2019, to inquire about the ability to correct records after being batched. The EdExpress representative advised that these records should automatically update via daily imports, labeled "CRWB" Web Reponses files. DAS FA staff inquired about how often and where we would have been receiving such files; the technician instructed them to perform a search of the files in their "Activity Log" found on EdConnect. When the search was performed, the only CRWB file that was ever transmitted to DAS was from the Award Year 2012-2013. Since DAS FA staff have never received said files, the technician advised DAS FA staff to call the COD Help Desk and asked them to turn on the settings that enable receipt of said files.

On November 13, 2019, DAS FA staff spoke with COD representative and DAS FA Department and the COD representative enabled DAS FA Department to receive the "CRWB" Web Reponses which will automatically update EdExpress system with any changes made to a student record on COD. The "CRWB" Web Reponses do not back-date previously batched files, therefore, effective November 14, 2019, if the instance arises in which the Bursar modifies student records on COD, EdExpress will be automatically updated to reflect the changes. The Bursar will continue to communicate with the FA Department of any changes that were made to a student record on COD and the Financial Aid Administrator will ensure that EdExpress system matches the information on COD.

**2019-002      50000**

### **SPECIAL TESTS AND PROVISIONS - RETURN TO TITLE IV**

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

#### **Criteria or Specific Requirements**

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

# DOWNEY UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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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 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 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

# DOWNEY UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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### **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.

### **Corrective Action Plan**

*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.*

- DAS has adopted the practice of disbursing within the first seven days of each payment period, which requires updated status from the department. This ensures that withdrawn/dropped students are identified within a week of 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.*

- The student records which were tested were from the 2018-2019 Award Year; DAS has since identified the reason for irregularities and have implemented policies and procedures (see excerpt below) to ensure compliance of 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.*

- DAS continues to utilize email communication and attendance records to support the initiation, reporting, and finalizing of a student's withdrawal/drop with regard to R2T4 calculations.

### *Background of US Department of Education's (ED) Program Compliance Review*

In December of 2018, DAS was contacted by the ED, Federal Student Aid department informing us that we had been selected for a Program Compliance Review. The week of January 14<sup>th</sup>, a team of three (3) federal auditors visited DAS for four (4) days and conducted a full-scale review of DAS's administration of Federal Student Aid funds, as well as DAS's institutional operations as they pertain to Title IV law. Amongst other findings, ED auditors identified issues with DAS's R2T4 practices and timeliness and accuracy of calculations.

# DOWNEY UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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ED cited the R2T4 irregularities and delineated them in Finding #5 of the Program Review Response (PRR) which was issued to DAS staff April 2019. DAS was directed to respond to the PRR and provide corrective actions to all findings cited in the PRR.

At the request from ED, in addition to modifying institutional and financial aid policies and procedures related to R2T4, DAS FA staff also conducted a recalculation of every R2T4 student record for the Award Years 2017-2018 and 2018-2019.

### Below are actions taken per recommendations from ED Program Compliance Review:

- Bursar conducted a full file review to identify all officially or unofficially withdrawn students during both 17/18 and 18/19 award years.
- For each withdrawn student, DAS performed an R2T4 calculation using the correct LDA based on attendance records and using the correct number of **scheduled hours** in the payment period.
- DAS completed and submitted a R2T4 spreadsheet to detail the results of the full file review for each award year.

### Revised R2T4 Policy found on pages 49-52 of DAS's Financial Aid Policy and Procedures Manual effective March 2019 (excerpt):

#### **Return of Title IV Funds (R2T4)**

##### **Policy**

Title IV funds are awarded to the student with the understanding that he/she will attend school for the entire payment period for which the assistance is awarded. When a student withdraws from his/her program, he/she may no longer be eligible for the full amount of Title IV funds that he/she was originally scheduled to receive. The Financial Aid Office is required by federal statute to recalculate Federal financial aid by using the R2T4 form found on the [www.ifap.ed.gov](http://www.ifap.ed.gov) website.

The institution has 45 days from the date the institution determines that the student withdrew to return all unearned funds for which it is responsible.

This policy applies to students who withdraw (officially or unofficially) and cease to be enrolled during a payment period or a period of enrollment in which the recipient began attendance. The law specifies that DAS must determine the amount of Title IV aid the student earned as of the student's withdrawal date. In addition, for a clock-hour program, DAS will use scheduled hours to determine the percentage of the period the student completed in the R2T4 calculation process. The Title IV programs at DAS covered by this law are: Federal Pell Grants.

The regulations for the Return of Title IV Funds do not dictate an institution's refund policy. When a student withdraws from a program, the requirements for returning Title IV program funds are separate from any refund policy that the school may have in place. Therefore, the student may still owe funds to the school to cover unpaid institutional charges.



# DOWNEY UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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- The institution is required to determine the earned and unearned portions of Title IV aid as of the date the student ceased attendance.
- The calculation is based on the amount of time the student was "scheduled to be in attendance".
- For students who withdraw up through the 60 percent point (in each payment period of enrollment), a pro-rata schedule is used to determine the amount of Title IV funds the student has earned at the time of withdrawal.
- After the 60 percent point in the payment period, a student has earned 100 percent of the Title IV funds he/she was scheduled to receive during the period.
- The percentage of a payment period is equal to the clock hours scheduled to have been completed (as of the withdrawal date in the period) divided by the total clock hours in the period.

A payment period is defined as an equal to half of the academic year (26 weeks, 900 clock hours). For programs less than an academic year, the total weeks and clock hours will be divided into two equal parts, which then becomes that program's payment periods. For programs greater than one academic year, the first 900 hours are divided into two equal payment periods, and the remaining clock hours at this institution will become the final payment period.

If the student earned less than the amount disbursed, the DAS is be required to return a portion of the funds. The refund shall be based on Title IV funds that were disbursed or could have been disbursed to a student for the period for which the calculation is being performed for the payment period. The institution must return funds to the following sources, in order, up to the total net amount disbursed from each source: Federal Pell Grant.

If the student earned more aid than the amount disbursed to the school to cover institutional charges, a post-withdrawal disbursement must be made within 30 days of the date the institution determined that the student withdrew. The post-withdrawal disbursement will automatically go to the institution to cover any remaining costs related to tuition, books, supplies, and applicable fees.

A withdrawal is considered "official" if a written request to withdraw is received by the school via email, fax or in person.

A withdrawal is considered "unofficial" if written notification is not received by the school from the student, prior to withdrawal from the program.

### **Determination of Last Date of Attendance**

#### Official Withdrawal:

- DAS will utilize the last date of attendance recorded on ASAP system.
- DAS shall not consider the LDA as the day in which the notice was received.

#### Unofficial Withdrawal:

- DAS will utilize the last date of attendance recorded on ASAP system.
- DAS shall not consider the Date of Determination (DOD) as the LDA.
- In the instance a student violates their respective CTE program's attendance policy, the CTE department must notify the Financial Aid Department via email no later than ten (10) school days.

# DOWNEY UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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### Leave of Absence:

- DAS will utilize the last date of attendance recorded on ASAP system.
- DAS shall not consider the Date of Determination (DOD) as the LDA.

### **Procedure**

DAS will utilize the Last Date of Attendance (LDA) as a student's withdrawal date. Upon notification from the CTE program's clerk, the FAA will provide the Bursar with a directive to proceed with R2T4/PWD calculation via email.

1. Email will delineate the following information:
  - a. Start Date.
  - b. LDA.
  - c. Scheduled number of hours per pay period.
  - d. Total number of hours attended.

### Bursar Responsibilities:

1. Bursar will confirm the LDA on the ASAP system.
2. Performs a "Return of Title IV Funds" calculation.
3. If applicable, refunds and/or post-withdrawal disbursements are made.
4. The school then applies the school's internal refund policy.
5. The student is provided with or mailed/emailed the student's "Charges for Withdrawal" stating tuition, books and fees incurred while attending the institution.
  - a. This includes monies/funds received from all sources and monies/funds returned to all sources.
  - b. The final charges upon withdrawal determine whether the student may owe the school money. The school's "refund policy" is also consulted with and noted.

**DOWNEY UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

# DOWNEY UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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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.

### *Financial Statement Findings*

None reported.

### *Federal Awards Findings*

**2018-001      50000**

#### **SPECIAL TEST AND PROVISIONS - RETURN OF TITLE IV**

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

#### **Criteria or Specific Requirements**

Special Tests and Provisions: Return to Title IV (R2T4)

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 668.22(e)(2)

The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of (1) the calendar days in the payment period or period of enrollment for a program measured in credit hours, or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours.

#### **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 use the proper clock hours in the Return to Title IV calculations.

# DOWNEY UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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### **Questioned Costs**

No questioned costs. The District did determine the withdrawal date; however, they did not determine the withdrawal date within the 30 day requirement.

No question costs noted for the incorrect R2T4 calculation.

### **Context**

Out of seven calculations tested, there were two in which the District did not determine the withdrawal date for the student within the 30 day requirement.

Out of seven calculations tested, there were two in which the District did not calculate the R2T4 calculation using the correct clock hours.

### **Effect**

Without proper monitoring of student withdrawals, the District risks noncompliance with the above reference criteria.

Without proper calculation of student payments, the District risks noncompliance with the above reference criteria.

### **Cause**

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

The District did have a procedure in place to monitor the submission of attendance by program directors for use in the R2T4 calculation; however, the District was not adhering to their procedures.

**Repeat Finding:** No

### **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 student clock hours are promptly updated for use by the personnel calculating the R2T4 calculation.

### **Current Status**

Not implemented. See current year finding 2019-002.

### ***State Awards Findings***

None reported.