Financial Statements
June 30, 2021

Downey Unified School District

DUSD

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Independent Auditor's Report

Governing Board
Downey Unified School District
Downey, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Downey Unified School District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Downey Unified School District, as of June 30, 2021, 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.

Emphasis of Matter – Change in Accounting Principle
As discussed in Notes 1 and 16 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position (deficit) and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison information on pages 69 and 70, schedule of changes in the District's total OPEB liability and related ratios on page 71, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 72, schedule of the District's proportionate share of the net pension liability on page 73 and the schedule of District contributions on page 74, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 5, 2022, on our consideration of Downey Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Downey Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Downey Unified School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
January 5, 2022

Downey Unified School District

Gallegos Administration Center

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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, 2021, with comparative information for the year ended June 30, 2020. 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 $704.7 million. The net capital assets are $396.7 million, which accounts for 56.3% of our total assets.
- The District's overall revenues in the *Statement of Activities* were $418.4 million and expenditures were $408.5 million.
- Total District-wide liabilities for the District are $825.2 million, which includes long-term liabilities of $762.7 million. These long-term liabilities include general obligation bonds, compensated absences, claims liability, other postemployment benefits, pensions, and retirement incentive plans.
- The Internal Service Fund had operating revenues totaling $28.0 million and operating expenditures of $26.5 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.

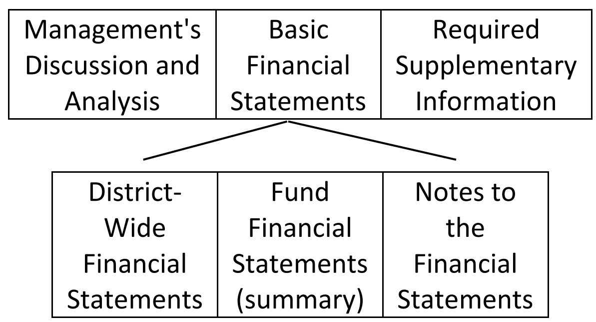
The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

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.

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



District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

The District has two 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position as a whole is $(3.0) million for the year ended June 30, 2021. This is comprised of total assets and deferred outflows of resources of $833.6 million less liabilities and deferred inflows of resources of $836.6 million. (See Table 1)

Table 1

	Governmental Activities	
	2021	2020
Assets		
Current and other assets	$ 308,032,394	$ 254,843,046
Capital assets	396,676,992	335,078,234
Total assets	704,709,386	589,921,280
Deferred outflows of resources	128,844,696	120,646,763
Liabilities		
Current liabilities	62,521,074	55,147,228
Long-term liabilities	762,711,859	648,906,776
Total liabilities	825,232,933	704,054,004
Deferred inflows of resources	11,313,143	19,493,195
Net Position		
Net investment in capital assets	174,593,302	181,378,895
Restricted	130,462,943	88,765,347
Unrestricted (deficit)	(308,048,239)	(283,123,398)
Total net position (deficit)	$ (2,991,994)	$ (12,979,156)

Changes in Net Position

The District's total revenues of $418.4 million was more than expenditures by $10.0 million. District revenues consist of General Revenues including property taxes and Federal and State aid not restricted for specific purposes that together makes up 58% of the District's total revenues. Operating and Capital Grants make up another 36% of the total revenues. The remainder is comprised of charges for services and sales and other miscellaneous revenues that include investment interest.

The District's total expenditures are related predominately to the care and education of its students (approximately 79% in direct instruction and pupil services). The administrative costs of the District account for about 5% of total costs. See Table 2 for the Changes in Net Position Statement.

Table 2

	Governmental Activities	
	2021	2020*
Revenues		
Program revenues		
Charges for services and sales	$ 8,857,621	$ 11,190,152
Operating grants and contributions	124,196,014	77,298,348
Capital grants and contributions	24,465,615	223,003
General revenues		
Federal and State aid not restricted	183,039,379	189,668,797
Property taxes	60,684,315	56,331,817
Other general revenues	17,207,021	27,069,377
Total revenues	418,449,965	361,781,494
Expenses		
Instruction-related	284,725,130	261,110,567
Pupil services	38,977,494	39,770,841
Administration	21,667,779	13,985,791
Plant services	26,178,428	26,373,072
All other services	36,913,972	36,822,016
Total expenses	408,462,803	378,062,287
Change in net position	$ 9,987,162	$ (16,280,793)

*The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

GOVERNMENTAL ACTIVITIES

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

Net Costs of Governmental Activities

Table 3

	Total Cost of Services		Net Cost of Services	
	2021	2020*	2021	2020*
Instruction-related	$ 284,725,130	$ 261,110,567	$ 171,767,974	$ 213,593,833
Pupil services	38,977,494	39,770,841	21,865,130	24,183,252
Administration	21,667,779	13,985,791	13,736,820	13,487,891
Plant services	26,178,428	26,373,072	24,322,734	26,221,538
All other services	36,913,972	36,822,016	19,250,895	11,864,270
Total	$ 408,462,803	$ 378,062,287	$ 250,943,553	$ 289,350,784

* The total and net cost of services for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

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 successfully negotiated for a 3.0% one time salary increases with all the employee unions for in person essential work and one time stipends for return to in person instruction. The District projects deficit spending over the next three years, and even with deficit spending, the District is confident that it will maintain a healthy fund balance. However, in order to maintain fiscal solvency, budget reductions will be required over the next three years. The LCFF funding model and the Local Control Accountability Plan continue to enable all stakeholders to participate in providing Downey USD students with a 21st Century education that ensures they are college and career ready, globally competitive and citizens of strong character.

Table 4

	Balances and Activity			
Governmental Fund	June 30, 2020 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2021
General	$ 38,396,003	$ 331,163,038	$ 310,628,778	$ 58,930,263
Special Education Pass-Through	-	21,977,346	21,977,346	-
Building	56,468,435	62,879,173	71,572,104	47,775,504
Student Activity	1,730,007	884,413	1,280,167	1,334,253
Adult Education	4,207,081	11,184,401	9,335,992	6,055,490
Cafeteria	12,909,657	10,152,931	11,748,185	11,314,403
Deferred Maintenance	7,543,615	3,709,086	2,965,366	8,287,335
Capital Facilities	1,886,884	425,854	69,625	2,243,113
County School Facilities	221,385	24,465,615	-	24,687,000
Special Reserve Fund for Capital Outlay Projects	12,171,900	3,673,833	59,900	15,785,833
Bond Interest and Redemption	12,128,102	29,122,640	27,409,586	13,841,156
Total	$ 147,663,069	$ 499,638,330	$ 457,047,049	$ 190,254,350

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 69.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2021, the District has completed the major modernization and new construction at Sussman, Griffiths, and Doty Middle Schools, started construction on the new gymnasium at Stauffer Middle School , and have submitted the design to DSA for a new two story classroom building at Stauffer Middle School.

Table 5

	Governmental Activities	
	2021	2020
Land and construction in progress	$ 183,973,666	$ 116,885,324
Buildings and improvements	206,441,378	211,444,445
Equipment	6,261,948	6,748,465
Total	$ 396,676,992	$ 335,078,234

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

Long-Term Liabilities

At the end of the 2020-2021 fiscal year, the District had a $762.7 million balance in long-term liabilities. There is more detailed information in Note 8, Note 9 and Note 13 to the financial statements.

Table 6

	Governmental Activities	
	2021	2020
Long-Term Liabilities		
General obligation bonds	$ 261,025,206	$ 206,338,297
Unamortized debt premiums	10,927,200	5,315,673
Retirement incentive plans	2,936,322	4,542,660
Compensated absences	3,034,815	2,872,700
Claims liability	15,326,469	13,534,001
Aggregate net OPEB liability	149,011,924	126,176,599
Aggregate net pension liabilities	320,449,923	290,126,846
Total	$ 762,711,859	$ 648,906,776

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The key assumptions in our revenue forecast are:

1. The LCFF State apportionment revenue based on student enrollment, average daily attendance (ADA), and targeted populations will result in increased revenue for the District.
2. The fiscal year 2020-2021 LCFF provided District apportionment revenue in the amount of $226,024,417; the annual LCFF entitlement per ADA for the District is $10,622.86.
3. In the 2020-2021 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 $13.4 million; the 2021-2022 adopted budget included an equivalent entry in the amount of $10.1 million.
4. Zero increase for most other State and Federal funding.
5. Continued lack of Federal efforts to fund its appropriate share of Special Education.
6. Increase in student enrollment for the 2020-2021 school year was 165 students.
7. The cost of healthcare increased from $30.3 million in the prior year to $32.3 million in 2020-2021.
8. The cost of the CalPERS and CalSTRS retirement systems, increased from $39.9 million in the prior year to $42.8 million in 2020-2021. This increase includes a $2.7 million increase in the State CalSTRS on behalf contribution.
9. The District continued with the modernization projects funded by the $248 million bond passed in November 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

	Governmental Activities
Assets	
Deposits and investments	$ 237,908,876
Receivables	68,980,559
Prepaid expense	183,457
Stores inventories	937,600
Other current assets	21,902
Capital assets not depreciated	183,973,666
Capital assets, net of accumulated depreciation	212,703,326
Total assets	704,709,386
Deferred Outflows of Resources	
Deferred charge on refunding	387,464
Deferred outflows of resources related to OPEB	51,297,468
Deferred outflows of resources related to pensions	77,159,764
Total deferred outflows of resources	128,844,696
Liabilities	
Accounts payable	53,951,717
Interest payable	3,485,654
Unearned revenue	5,083,703
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	6,538,774
Long-term liabilities other than OPEB and pensions due in more than one year	286,711,238
Aggregate net other postemployment benefits liability (OPEB)	149,011,924
Aggregate net pension liabilities	320,449,923
Total liabilities	825,232,933
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	2,334,051
Deferred inflows of resources related to pensions	8,979,092
Total deferred inflows of resources	11,313,143
Net Position	
Net investment in capital assets	174,593,302
Restricted for	
Debt service	10,355,502
Capital projects	26,930,113
Educational programs	22,828,723
Other restrictions	70,348,605
Unrestricted (deficit)	(308,048,239)
Total net position (deficit)	$ (2,991,994)

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities					
Instruction	$ 252,048,439	$ 6,042,394	$ 75,259,115	$ 24,465,615	$ (146,281,315)
Instruction-related activities					
Supervision of instruction	8,800,779	346,576	2,686,842	-	(5,767,361)
Instructional library, media, and technology	2,183,332	-	591,787	-	(1,591,545)
School site administration	21,692,580	134,972	3,429,855	-	(18,127,753)
Pupil services					
Home-to-school transportation	2,814,412	1,485	170,695	-	(2,642,232)
Food services	12,078,817	3,304	8,745,744	-	(3,329,769)
All other pupil services	24,084,265	256,012	7,935,124	-	(15,893,129)
Administration					
Data processing	7,939,084	194	5,186,824	-	(2,752,066)
All other administration	13,728,695	89	2,743,852	-	(10,984,754)
Plant services	26,178,428	-	1,855,694	-	(24,322,734)
Ancillary services	2,243,242	35	935,905	-	(1,307,302)
Enterprise services	514,469	-	547	-	(513,922)
Interest on long-term liabilities	9,913,683	-	-	-	(9,913,683)
Other outgo	24,242,578	2,072,560	14,654,030	-	(7,515,988)
Total governmental activities	$ 408,462,803	$ 8,857,621	$ 124,196,014	$ 24,465,615	(250,943,553)
General Revenues and Subventions					
Property taxes, levied for general purposes					47,532,218
Property taxes, levied for debt service					12,708,537
Taxes levied for other specific purposes					443,560
Federal and State aid not restricted to specific purposes					183,039,379
Interest and investment earnings					(21,999)
Miscellaneous					17,229,020
Subtotal, general revenues and subventions					260,930,715
Change in Net Position					9,987,162
Net Position (Deficit) - Beginning, as restated					(12,979,156)
Net Position (Deficit) - Ending					$ (2,991,994)

	General Fund	Special Education Pass-Through Fund	Building Fund	Total Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	$ 42,327,655	$ 591,229	$ 53,839,948	$ 82,248,941	$ 179,007,773
Receivables	55,879,943	10,434,082	46,718	2,540,045	68,900,788
Prepaid expenditures	183,457	-	-	-	183,457
Stores inventories	883,639	-	-	53,961	937,600
Other current assets	21,902	-	-	-	21,902
Total assets	$ 99,296,596	$ 11,025,311	$ 53,886,666	$ 84,842,947	$ 249,051,520
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 35,478,744	$ 11,025,311	$ 6,111,162	$ 1,098,250	$ 53,713,467
Unearned revenue	4,887,589	-	-	196,114	5,083,703
Total liabilities	40,366,333	11,025,311	6,111,162	1,294,364	58,797,170
Fund Balances					
Nonspendable	1,117,096	-	-	59,031	1,176,127
Restricted	22,828,723	-	47,775,504	67,703,719	138,307,946
Assigned	1,037,925	-	-	15,785,833	16,823,758
Unassigned	33,946,519	-	-	-	33,946,519
Total fund balances	58,930,263	-	47,775,504	83,548,583	190,254,350
Total liabilities and fund balances	$ 99,296,596	$ 11,025,311	$ 53,886,666	$ 84,842,947	$ 249,051,520

Total Fund Balance - Governmental Funds		$ 190,254,350
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 542,601,087	
Accumulated depreciation is	(145,924,095)	
Net capital assets		396,676,992
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(3,485,654)
An internal service fund is used by management to charge the costs of the workers' compensation insurance program and other programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		43,416,155
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings (deferred charge on refunding)	387,464	
Aggregate net other postemployment benefits liability (OPEB)	51,297,468	
Aggregate net pension liabilities	77,159,764	
Total deferred outflows of resources		128,844,696
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Aggregate net other postemployment benefits liability (OPEB)	(2,334,051)	
Aggregate net pension liabilities	(8,979,092)	
Total deferred inflows of resources		(11,313,143)

Aggregate net pension liabilities is not due and payable in the current period, and is not reported as a liability in the funds.		$ (320,449,923)
The District's aggregate net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(149,011,924)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds (including premiums)	$ (270,246,658)	
Retirement incentive plans	(2,936,322)	
Compensated absences	(3,034,815)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(1,705,748)	
Total long-term liabilities		(277,923,543)
Total net position - governmental activities		$ (2,991,994)

	General Fund	Special Education Pass-Through Fund	Building Fund
Revenues			
Local Control Funding Formula	$ 226,024,417	$ -	$ -
Federal sources	33,902,058	5,202,681	-
Other State sources	59,408,886	16,774,665	-
Other local sources	11,827,677	-	(120,827)
Total revenues	331,163,038	21,977,346	(120,827)
Expenditures			
Current			
Instruction	210,788,341	-	-
Instruction-related activities			
Supervision of instruction	7,529,438	-	-
Instructional library, media, and technology	1,948,176	-	-
School site administration	18,293,456	-	-
Pupil services			
Home-to-school transportation	2,435,594	-	-
Food services	50,546	-	-
All other pupil services	20,604,822	-	-
Administration			
Data processing	7,606,044	-	-
All other administration	12,088,504	-	-
Plant services	19,740,820	-	-
Ancillary services	885,960	-	-
Other outgo	2,265,232	21,977,346	-
Enterprise services	502,571	-	-
Facility acquisition and construction	90,680	-	70,757,805
Debt service			
Principal	-	-	-
Interest and other	-	-	814,299
Total expenditures	304,830,184	21,977,346	71,572,104
Excess (Deficiency) of Revenues Over Expenditures	26,332,854	-	(71,692,931)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Other sources - proceeds from sale of bonds	-	-	63,000,000
Other sources - proceeds from debt refunding	-	-	-
Transfers out	(5,798,594)	-	-
Other uses - payment to escrow agent	-	-	-
Net Financing Sources (Uses)	(5,798,594)	-	63,000,000
Net Change in Fund Balances	20,534,260	-	(8,692,931)
Fund Balance - Beginning, as restated	38,396,003	-	56,468,435
Fund Balance - Ending	$ 58,930,263	$ -	$ 47,775,504

	Non-Major Governmental Funds	Total Governmental Funds
Revenues		
Local Control Funding Formula	$ -	$ 226,024,417
Federal sources	13,270,248	52,374,987
Other State sources	27,048,395	103,231,946
Other local sources	21,251,745	32,958,595
Total revenues	61,570,388	414,589,945
Expenditures		
Current		
Instruction	6,418,867	217,207,208
Instruction-related activities		
Supervision of instruction	295,911	7,825,349
Instructional library, media, and technology	-	1,948,176
School site administration	2,194,027	20,487,483
Pupil services		
Home-to-school transportation	-	2,435,594
Food services	11,233,973	11,284,519
All other pupil services	269,338	20,874,160
Administration		
Data processing	-	7,606,044
All other administration	366,422	12,454,926
Plant services	3,018,111	22,758,931
Ancillary services	1,280,167	2,166,127
Other outgo	-	24,242,578
Enterprise services	-	502,571
Facility acquisition and construction	382,419	71,230,904
Debt service		
Principal	7,990,000	7,990,000
Interest and other	7,907,580	8,721,879
Total expenditures	41,356,815	439,736,449
Excess (Deficiency) of Revenues Over Expenditures	20,213,573	(25,146,504)
Other Financing Sources (Uses)		
Transfers in	5,718,594	5,718,594
Other sources - proceeds from sale of bonds	4,693,706	67,693,706
Other sources - proceeds from debt refunding	11,636,085	11,636,085
Transfers out	-	(5,798,594)
Other uses - payment to escrow agent	(11,512,006)	(11,512,006)
Net Financing Sources (Uses)	10,536,379	67,737,785
Net Change in Fund Balances	30,749,952	42,591,281
Fund Balance - Beginning, as restated	52,798,631	147,663,069
Fund Balance - Ending	$ 83,548,583	$ 190,254,350

Total Net Change in Fund Balances - Governmental Funds		$ 42,591,281
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation expense in the period.		
Capital outlays	$ 70,314,537	
Depreciation expense	(8,715,779)	
Net expense adjustment		61,598,758
The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was		(431,909)
In the Statement of Activities, certain operating expenses, such as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.		(162,115)
In the Statement of Activities, certain operating expenses, such as special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Retirement incentive benefits paid were more than amounts earned during the year.		1,606,338
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and aggregate net pension liabilities during the year.		(21,917,234)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and aggregate net OPEB liability during the year.	$ (15,124,507)
Proceeds received from General Obligation bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	(73,475,000)
Deferred charge on refunding (the difference between the reacquisition price and the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.	282,006
Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium on issuance recognized	(5,854,791)
Premium amortization	243,264
Deferred charge on refunding amortization	(20,682)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	19,220,000
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(168,178)
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	1,599,931
Change in net position of governmental activities	$ 9,987,162

	Governmental Activities Internal Service Fund
Assets	
Current assets	
Deposits and investments	$ 58,901,103
Receivables	79,771
Total current assets	58,980,874
Liabilities	
Current liabilities	
Accounts payable	238,250
Noncurrent liabilities	
Claims liabilities	15,326,469
Total liabilities	15,564,719
Net Position	
Restricted for insurance claims	$ 43,416,155

	Governmental Activities Internal Service Fund
Operating Revenues	
Charges to other funds and miscellaneous revenues	$ 28,027,556
Operating Expenses	
Payroll costs	1,669,532
Other operating cost	24,787,232
Total operating expenses	26,456,764
Operating Income	1,570,792
Nonoperating Revenues (Expenses)	
Fair market value adjustments	(342,081)
Interest income	291,220
Total nonoperating revenues (expenses)	(50,861)
Income before transfers	1,519,931
Transfers in	80,000
Change in Net Position	1,599,931
Total Net Position - Beginning	41,816,224
Total Net Position - Ending	$ 43,416,155

	Governmental Activities Internal Service Fund
Operating Activities	
Cash receipts from customers	$ 27,084,412
Other operating cash receipts	943,144
Cash payments to suppliers for goods and services	(1,669,532)
Cash payments for claims	(23,256,932)
Net Cash From Operating Activities	3,101,092
Noncapital Financing Activities	
Transfers from other funds	80,000
Investing Activities	
Interest on investments	317,198
Change in fair value of investments	(342,081)
Net Cash From Investing Activities	(24,883)
Net Change in Cash and Cash Equivalents	3,156,209
Cash and Cash Equivalents, Beginning	55,744,894
Cash and Cash Equivalents, Ending	$ 58,901,103
Reconciliation of Operating Income to Net Cash From Operating Activities	
Operating income	$ 1,570,792
Changes in assets and liabilities	
Claims liabilities	1,792,468
Accounts payable	(262,168)
Net Cash From Operating Activities	$ 3,101,092

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

Tax Exempt Status

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

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

Component Units

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

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

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

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

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

Non-Major Governmental Funds

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

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

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

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

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

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

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function. 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, the internal service fund, and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of 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 fund is presented in a single column on the face of the Proprietary Fund statements.

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

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

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

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

Unearned Revenue

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

Expenses/Expenditures

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

Cash and Cash Equivalents

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

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The District’s investment in the County Treasury is measured at fair value on a recurring basis, which is determined by the fair value per share, or the underlying portfolio determined by the program sponsor. Positions in this investment pool is not required to be categorized within the fair value hierarchy.

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

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

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2021, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 3% of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first 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 $130,462,943 of net position restricted by enabling legislation.

Interfund Activity

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

Operating Revenues and Expenses

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

Estimates

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

Property Tax

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

Change in Accounting Principles

Implementation of GASB Statement No. 84

As of July 1, 2020, the District adopted GASB No. 84, Fiduciary Activities. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements and this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activities from fiduciary to governmental. The effect of the implementation of this standard on beginning fund balance and net position (deficit) is disclosed in Note 16.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	$ 179,007,773
Proprietary funds	58,901,103
Total deposits and investments	$ 237,908,876

Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	$ 1,334,253
Cash in revolving	380,070
Investments	236,194,553
Total deposits and investments	$ 237,908,876

Policies and Practices

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

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

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

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

General Authorizations

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

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

Interest Rate Risk

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

Weighted Average Maturity

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

Investment Type	Reported Amount	Weighted Average Days to Maturity
Los Angeles County Investment Pool	$ 236,194,553	1,045

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments held in the Los Angeles County Investment Pool 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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District's bank balance of $2,771,024 includes $1,844,435 that was exposed to custodial credit risk because it was uninsured. However, balances are collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Receivables

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Education Pass-Through Fund	Building Fund	Total Non-Major Governmental Funds	Total	Internal Service Fund
Federal Government						
Categorical aid	$ 5,566,274	$ 5,420,792	$ -	$ 2,243,528	$ 13,230,594	$ -
State Government						
LCFF apportionment	38,213,265	-	-	-	38,213,265	-
Categorical aid	9,498,789	5,013,290	-	92,460	14,604,539	-
Lottery	1,469,110	-	-	-	1,469,110	-
Local Government						
Interest	151,592	-	46,718	79,275	277,585	66,030
Other local sources	980,913	-	-	124,782	1,105,695	13,741
Total	$ 55,879,943	$ 10,434,082	$ 46,718	$ 2,540,045	$ 68,900,788	$ 79,771

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	$ 19,311,663	$ -	$ -	$ 19,311,663
Construction in progress	97,573,661	69,794,650	(2,706,308)	164,662,003
Total capital assets not being depreciated	116,885,324	69,794,650	(2,706,308)	183,973,666
Capital assets being depreciated				
Land improvements	26,130,873	383,810	-	26,514,683
Buildings and improvements	301,841,918	2,187,994	-	304,029,912
Machinery and equipment	27,442,031	654,391	(13,596)	28,082,826
Total capital assets being depreciated	355,414,822	3,226,195	(13,596)	358,627,421
Total capital assets	472,300,146	73,020,845	(2,719,904)	542,601,087
Accumulated depreciation				
Land improvements	(16,550,900)	(1,058,636)	-	(17,609,536)
Buildings and improvements	(99,977,446)	(6,516,235)	-	(106,493,681)
Machinery and equipment	(20,693,566)	(1,140,908)	13,596	(21,820,878)
Total accumulated depreciation	(137,221,912)	(8,715,779)	13,596	(145,924,095)
Governmental activities capital assets, net	$ 335,078,234	$ 64,305,066	$ (2,706,308)	$ 396,676,992

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

Governmental Activities	
Instruction	$ 6,482,677
Home-to-school transportation	72,387
Food services	310,667
All other pupil services	619,446
Data processing	353,102
All other administration	204,193
Plant services	673,307
Total depreciation expenses governmental activities	$ 8,715,779

Note 5 - Interfund Transactions

Operating Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following:

Transfer To	Transfer From General Fund
Non-Major Governmental Funds	$ 5,718,594
Internal Service Fund	80,000
Total	$ 5,798,594

The General Fund transferred to the Adult Education Non-Major Governemtal Fund to support the Adult Education program.	$ 500,000
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund to contribute to the maintenance of District Facilities.	2,398,594
The General Fund transferred restricted routine repair and maintenance funds to the Deferred Maintenance Non-Major Governmental Fund to contribute to the maintenance of District Facilities.	1,320,000
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund to fund additional projects in the District's Facilities Master Plan.	1,500,000
The General Fund transferred to the Internal Service Fund to pay insurance obligations.	80,000
Total	$ 5,798,594

Note 6 - Accounts Payable

Accounts payable at June 30, 2021, consisted of the following:

	General Fund	Special Education Pass-Through Fund	Building Fund	Non-Major Governmental Funds	Total	Internal Service Fund
Vendor payables	$ 2,766,825	$ -	$ -	$ 315,175	$ 3,082,000	$ 231,537
LCFF apportionment	16,239,876	-	-	-	16,239,876	-
Salaries and benefits	16,472,043	-	48,855	569,813	17,090,711	6,713
Pass through to subrecipients	-	11,025,311	-	-	11,025,311	-
Construction payables	-	-	6,062,307	213,262	6,275,569	-
Total	$ 35,478,744	$ 11,025,311	$ 6,111,162	$ 1,098,250	$ 53,713,467	$ 238,250

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2021, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal categorical aid	$ 466,188	$ -	$ 466,188
State categorical aid	3,654,069	-	3,654,069
Other local	767,332	196,114	963,446
Total	$ 4,887,589	$ 196,114	$ 5,083,703

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

Summary

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

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 206,338,297	$ 73,906,909	$ (19,220,000)	$ 261,025,206	$ 5,560,000
Unamortized debt premiums	5,315,673	5,854,791	(243,264)	10,927,200	-
Retirement incentive plans	4,542,660	-	(1,606,338)	2,936,322	978,774
Compensated absences	2,872,700	162,115	-	3,034,815	-
Claims liability	13,534,001	21,567,926	(19,775,458)	15,326,469	-
Total	$ 232,603,331	$ 101,491,741	$ (40,845,060)	$ 293,250,012	$ 6,538,774

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund from local tax revenues. Compensated absences are 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.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2021
4/1/1999	8/1/2027	4.60-6.10%	$ 9,230,000	$ 3,934,523	$ -	$ 86,217	$ (570,000)	$ 3,450,740
4/12/2007	8/1/2026	4.50-5.25%	21,030,000	13,210,000	-	-	(1,885,000)	11,325,000
5/24/2011	8/1/2021	2.00-5.25%	12,105,000	4,755,000	-	-	(3,480,000)	1,275,000
1/25/2012	8/1/2021	4.00-5.00%	17,620,000	10,810,000	-	-	(9,860,000)	950,000
10/15/2015	8/1/2045	3.00-4.00%	50,000,000	34,935,000	-	-	-	34,935,000
12/15/2015	2/1/2027	3.04%	3,015,000	2,950,000	-	-	(5,000)	2,945,000
5/4/2016	8/1/2029	3.14%	7,380,000	5,615,000	-	-	(520,000)	5,095,000
2/5/2019	8/1/2048	3.25-5.00%	125,000,000	119,800,000	-	-	(2,900,000)	116,900,000
2/5/2019	8/1/2039	2.80-3.85%	9,997,984	10,328,774	-	345,692	-	10,674,466
5/6/2021	8/1/2048	2.00-4.00%	63,000,000	-	63,000,000	-	-	63,000,000
5/6/2021	8/1/2031	4.00%	10,475,000	-	10,475,000	-	-	10,475,000
				$206,338,297	$ 73,475,000	$ 431,909	$ (19,220,000)	$261,025,206

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 4.60 to 6.10%. The bonds include current interest and capital accretion type bonds. As of June 30, 2021, the principal balance outstanding was $3,450,740.

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 4.50 to 5.25% and mature through 2027. As of June 30, 2021, the principal balance outstanding is $11,325,000.

2011 General Obligation Refunding Bonds

In May 2011, the District issued $12,105,000 of General Obligation Refunding Bonds. The net proceeds from the issuance provided for the partial refunding of $3,665,000 of the 1996 Series C, $1,275,000 of the 1996 Series E, and $7,680,000 of the 2002 Series A bonds. In May 2021, the District issued the 2021 General Obligation refunding bonds, which refunded a portion of the outstanding current interest bonds in the 2011 General Obligation Refunding Bonds. The remaining bonds mature through 2022. The interest rates on the bonds range from 2.00 to 5.25%. As of June 30, 2021, the principal balance outstanding is $1,275,000.

2012 General Obligation Refunding Bonds

In January 2012, the District issued $17,620,000 of General Obligation Refunding Bonds. The net proceeds from the issuance provided for the partial refunding of $4,655,000 of the 2002 Series A, $3,055,000 of the 2002 Series B, and $12,100,000 of the 2002 Series C bonds. In May 2021, the District issued the 2021 General Obligation refunding bonds, which refunded a portion of the outstanding current interest bonds in the 2012 General Obligation Refunding Bonds. The remaining bonds mature through 2022. The interest rates on the bonds range from 4.00 to 5.00%. As of June 30, 2021, the principal balance outstanding is $950,000.

2014 General Obligation Bonds, Series A

In October 2015, the District issued $50,000,000 of General Obligation, Series A. 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 3.00 to 4.00%. As of June 30, 2021, the principal balance outstanding is $34,935,000. Unamortized premium received on issuance of the bonds amounted to $1,021,122 as of June 30, 2021.

2015 General Obligation Refunding Bonds

In December 2015, the District issued $3,015,000 of General Obligation Refunding Bonds. The bonds mature through 2027, with an interest rate of 3.040%. 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. As of June 30, 2021, the principal balance outstanding is $2,945,000.

2016 General Obligation Refunding Bonds

In May 2016, the District issued $7,380,000, of General Obligation Refunding Bonds. The bonds mature through 2030, with an interest rate of 3.14%. 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. As of June 30, 2021, the principal balance outstanding is $5,095,000.

2014 General Obligation Bonds, Series B

In February 2019, the District issued $125,000,000 of General Obligation, Series B. 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 5.00%. As of June 30, 2021, the principal balance outstanding is $116,900,000. Unamortized premium received on issuance of the bonds amounted to $4,097,853 as of June 30, 2021.

2014 General Obligation Bonds, Series B-1

In February 2019, the District issued $9,997,984 of General Obligation, Series B-1 capital appreciation bonds. 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%. As of June 30, 2021, the principal balance outstanding is $10,674,466.

2014 General Obligation Bonds, Series C

In May 2021, the District issued $63,000,000 of General Obligation, Series C current interest bonds. 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 2.00 to 4.00%. As of June 30, 2021, the principal balance outstanding is $63,000,000. Unamortized premium received on issuance of the bonds amounted to $4,664,733 as of June 30, 2021.

2021 General Obligation Refunding Bonds

In May 2021, the District issued $10,475,000 in 2021 General Obligation Refunding Bonds. Proceeds from the bonds were used to refund a portion of the District's 2011 General Obligation Refunding Bonds and 2012 General Obligation Refunding Bonds. The bonds mature through August 2031 and with an interest rate of 4.00%. 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 $1,350,205 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 1.86%. At June 30, 2021, the principal balance outstanding was $10,475,000. Unamortized premium received on issuance of the bonds amount to $1,143,492 as of June 30, 2021.

The General Obligation Bonds mature through 2049 as follows:

The capital appreciation bonds mature as follows:

Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2024	$ 38,950	$ 96,111	$ 135,061	$ 29,939	$ 165,000
2025	129,356	323,369	452,725	132,275	585,000
2026	150,843	375,844	526,687	193,313	720,000
2027-2031	1,962,319	425,824	2,388,141	766,859	3,155,000
2032-2036	4,601,553	300,835	4,902,388	2,427,612	7,330,000
2037-2041	3,565,579	269,623	3,835,204	3,334,796	7,170,000
Total	$ 10,448,600	$ 1,791,606	$ 12,240,206	$ 6,884,794	$ 19,125,000

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2022	$ 5,560,000	$ 8,975,310	$ 14,535,310
2023	6,975,000	8,846,862	15,821,862
2024	7,460,000	8,518,629	15,978,629
2025	6,660,000	8,193,802	14,853,802
2026	7,735,000	7,905,425	15,640,425
2027-2031	14,545,000	37,151,417	51,696,417
2032-2036	20,440,000	34,019,137	54,459,137
2037-2041	40,745,000	28,783,071	69,528,071
2042-2046	75,750,000	18,907,261	94,657,261
2047-2049	62,915,000	3,621,775	66,536,775
Total	$ 248,785,000	$ 164,922,689	$ 413,707,689

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, 2021, the balance was paid in full.

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, 2021, the remaining balance of the payments is $2,936,322.

Fiscal Year	2019 PARS Payments
2022	$ 978,774
2023	978,774
2024	978,774
Total	$ 2,936,322

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to $3,034,815.

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, 2021, amounted to $15,326,469.

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

For the fiscal year ended June 30, 2021, the District reported 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 Retiree Health Plan	$ 147,260,958	$ 51,297,468	$ 2,334,051	$ 14,893,628
Medicare Premium Payment (MPP) Program	1,750,966	-	-	230,879
Total	$ 149,011,924	$ 51,297,468	$ 2,334,051	$ 15,124,507

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, 2020, the measurement date, the Plan membership consisted of the following:

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

Benefits Provided

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

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2019-2020, the District paid $1,694,169 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $147,260,958 was measured as of June 30, 2020, and determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

The total OPEB liability as of June 30, 2021 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.63%
Salary increases	2.75%
Discount rate	2.20%
Healthcare cost trend rates	4.00%

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

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

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2019	$ 124,656,512
Service cost	8,410,073
Interest	4,462,125
Differences between expected and actual experience	(1,050,376)
Changes of assumptions	12,476,793
Benefit payments	(1,694,169)
Net change in total OPEB liability	22,604,446
Balance, June 30, 2020	$ 147,260,958

Changes of assumptions and other inputs include a change in the inflation rate from 2.75% to 2.63% and a change in the discount rate from 3.50% to 2.20% from the previous valuation. There were no changes in benefit terms since the previous valuation.

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

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

Discount Rate	Total OPEB Liability
1% decrease (1.20%)	$ 154,667,823
Current discount rate (2.20%)	147,260,958
1% increase (3.20%)	137,203,223

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 rate that is one percent lower or higher than the current healthcare costs trend rate:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.00%)	$ 140,711,188
Current healthcare cost trend rate (4.00%)	147,260,958
1% increase (5.00%)	151,904,403

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

At June 30, 2021, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 1,575,575	$ -
Differences between expected and actual experience	36,066,723	979,880
Changes of assumptions	13,655,170	1,354,171
Total	$ 51,297,468	$ 2,334,051

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ 3,597,005
2023	3,597,005
2024	3,597,005
2025	3,597,005
2026	3,597,005
Thereafter	29,402,817
Total	$ 47,387,842

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2021, the District reported a liability of $1,750,966 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.4132% and 0.4082%, resulting in a net increase in the proportionate share of 0.0050%.

For the year ended June 30, 2021, the District recognized OPEB expense of $230,879.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Experience Study	July 1, 2014 through June 30, 2018	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.21%	3.50%
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

For the valuation as of June 30, 2019, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) 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 294 or an average of 0.18% of the potentially eligible population (159,339).

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, 2020, 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, 2020, is 2.21%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

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

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

Discount Rate	Net OPEB Liability
1% decrease (1.21%)	$ 1,936,180
Current discount rate (2.21%)	1,750,966
1% increase (3.21%)	1,593,362

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	$ 1,587,660
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	1,750,966
1% increase (5.50% Part A and 6.40% Part B)	1,938,961

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Total Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 50,000	$ -	$ 5,070	$ 55,070
Stores inventories	883,639	-	53,961	937,600
Prepaid expenditures	183,457	-	-	183,457
Total nonspendable	1,117,096	-	59,031	1,176,127
Restricted				
Legally restricted programs	22,828,723	-	12,589,670	35,418,393
Adult education program	-	-	6,055,445	6,055,445
Capital projects	-	47,775,504	26,930,113	74,705,617
Deferred maintenance projects	-	-	8,287,335	8,287,335
Debt service	-	-	13,841,156	13,841,156
Total restricted	22,828,723	47,775,504	67,703,719	138,307,946
Assigned				
Site carryovers	1,037,925	-	-	1,037,925
Capital projects	-	-	15,785,833	15,785,833
Total assigned	1,037,925	-	15,785,833	16,823,758
Unassigned				
Reserve for economic uncertainties	15,531,439	-	-	15,531,439
Remaining unassigned	18,415,080	-	-	18,415,080
Total unassigned	33,946,519	-	-	33,946,519
Total	$ 58,930,263	$ 47,775,504	$ 83,548,583	$ 190,254,350

Note 11 - Lease Revenues

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

Year Ending June 30,	Lease Payment
2022	$ 226,028
2023	232,806
2024	239,788
2025	246,976
2026	254,382
2027-2031	1,303,560
2032-2036	1,303,560
2037-2041	1,303,560
2042-2046	1,303,560
2047-2051	1,303,560
2052-2056	1,303,560
2057-2061	999,396
Total	$ 10,020,736

Note 12 - Risk Management - Claims

Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, the District participated in the Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

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

Employee Medical Benefits

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

Claims Liabilities

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

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

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2019 to June 30, 2021:

	Workers' Compensation	Health & Welfare	Dental	Vision	Total
Liability Balance, July 1, 2019	$ 7,156,465	$ 5,307,478	$ 859,435	$ 107,162	$ 13,430,540
Claims and changes in estimates	833,371	14,798,663	1,906,089	357,914	17,896,037
Claims payments	(833,371)	(14,597,499)	(2,010,708)	(350,998)	(17,792,576)
Liability Balance, June 30, 2020	7,156,465	5,508,642	754,816	114,078	13,534,001
Claims and changes in estimates	862,650	17,873,636	2,470,351	361,289	21,567,926
Claims payments	(862,650)	(16,081,168)	(2,470,351)	(361,289)	(19,775,458)
Liability Balance, June 30, 2021	$ 7,156,465	$ 7,301,110	$ 754,816	$ 114,078	$ 15,326,469
Assets available to pay claims at June 30, 2021					$ 58,980,874

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, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 229,791,710	$ 60,581,103	$ 8,979,092	$ 32,556,410
CalPERS	90,658,213	16,578,661	-	19,052,685
Total	$ 320,449,923	$ 77,159,764	$ 8,979,092	$ 51,609,095

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, 2019, 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% of final compensation for each year of credited service.

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

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

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were $21,176,562.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 229,791,710
State’s proportionate share of the net pension liability	118,457,654
Total	$ 348,249,364

The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, was 0.2371% and 0.2307%, respectively, resulting in a net increase in the proportionate share of 0.0064%.

For the year ended June 30, 2021, the District recognized pension expense of $32,556,410. In addition, the District recognized pension expense and revenue of $16,594,755 for support provided by the State. At June 30, 2021, 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	$ 21,176,562	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	11,132,590	2,498,571
Differences between projected and actual earnings on pension plan investments	5,458,528	-
Differences between expected and actual experience in the measurement of the total pension liability	405,477	6,480,521
Changes of assumptions	22,407,946	-
Total	$ 60,581,103	$ 8,979,092

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 differences 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
2022	$ (3,330,762)
2023	1,859,820
2024	3,710,550
2025	3,218,920
Total	$ 5,458,528

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ 7,572,585
2023	8,064,384
2024	7,002,009
2025	913,771
2026	743,529
Thereafter	670,643
Total	$ 24,966,921

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 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, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed 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%) 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%)	$ 347,183,264
Current discount rate (7.10%)	229,791,710
1% increase (8.10%)	132,868,450

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, 2019, 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, 2021, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

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, 2021, are presented above, and the total District contributions were $8,515,299.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $90,658,213. The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, was 0.2955% and 0.2804%, respectively, resulting in a net increase in the proportionate share of 0.0151%.

For the year ended June 30, 2021, the District recognized pension expense of $19,052,685. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 8,515,299	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,347,330	-
Differences between projected and actual earnings on pension plan investments	1,887,216	-
Differences between expected and actual experience in the measurement of the total pension liability	4,496,369	-
Changes of assumptions	332,447	-
Total	$ 16,578,661	$ -

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
2022	$ (706,235)
2023	629,937
2024	1,094,935
2025	868,579
Total	$ 1,887,216

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ 3,546,923
2023	1,822,681
2024	744,114
2025	62,428
Total	$ 6,176,146

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
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% of scale MP-2016.

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 130,337,713
Current discount rate (7.15%)	90,658,213
1% increase (8.15%)	57,726,219

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 $13,405,891 (10.328% 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.

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, 2021.

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, 2021.

Construction Commitments

As of June 30, 2021, the District had approximately $18,700,000 in commitments with respect to unfinished capital projects.

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 and 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, 2021, the District made payments of $1,908,744 to ASCIP for insurance plans. The payment included a premium for SELF.

Note 16 - Restatement of Prior Year Net Position (Deficit) and Fund Balance

As of July 1, 2021, the Downey Unified School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. The following table describes the effects of the implementation on beginning fund balance/net position (deficit).

	Non-Major Governmental Funds	Total Governmental Funds
Beginning fund balance previously reported at June 30, 2020	$ 51,068,624	$ 145,933,062
Reclassification of student activity funds from fiduciary to special revenue fund	1,730,007	1,730,007
Fund Balance - Beginning, as restated	$ 52,798,631	$ 147,663,069

Beginning Governmental Activities Net Position (Deficit) as previously reported at June 30, 2020	$ (14,709,163)
Reclassification of student activity funds from fiduciary to special revenue fund	1,730,007
Net Position (Deficit) - Beginning, as restated	$ (12,979,156)

Required Supplementary Information
June 30, 2021

Downey Unified School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 220,869,888	$ 225,896,067	$ 226,024,417	$ 128,350
Federal sources	12,745,870	37,162,783	33,902,058	(3,260,725)
Other State sources	20,578,926	39,745,928	59,408,886	19,662,958
Other local sources	29,546,166	15,129,289	11,827,677	(3,301,612)
Total revenues	283,740,850	317,934,067	331,163,038	13,228,971
Expenditures				
Current				
Certificated salaries	131,409,784	130,617,001	134,069,213	(3,452,212)
Classified salaries	40,854,409	39,242,786	39,937,007	(694,221)
Employee benefits	83,238,429	80,365,995	82,923,437	(2,557,442)
Books and supplies	11,691,972	27,897,735	21,022,116	6,875,619
Services and operating expenditures	24,121,029	29,902,912	24,393,641	5,509,271
Other outgo	337,994	1,236,405	1,904,771	(668,366)
Capital outlay	563,425	1,294,620	579,999	714,621
Total expenditures	292,217,042	310,557,454	304,830,184	5,727,270
Excess (Deficiency) of Revenues Over Expenditures	(8,476,192)	7,376,613	26,332,854	18,956,241
Other Financing Uses				
Transfers out	(3,383,754)	(3,383,754)	(5,798,594)	(2,414,840)
Net Change in Fund Balances	(11,859,946)	3,992,859	20,534,260	16,541,401
Fund Balance - Beginning	38,396,003	38,396,003	38,396,003	-
Fund Balance - Ending	$ 26,536,057	$ 42,388,862	$ 58,930,263	$ 16,541,401

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Federal sources	$ 10,562,250	$ 5,399,258	$ 5,202,681	$ (196,577)
Other State sources	28,922,183	18,118,724	16,774,665	(1,344,059)
Total revenues	39,484,433	23,517,982	21,977,346	(1,540,636)
Expenditures				
Other outgo	39,484,433	23,517,982	21,977,346	1,540,636
Net Change in Fund Balances	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	$ -	$ -	$ -	$ -

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 8,410,073	$ 4,910,309	$ 4,571,791	$ 4,633,887
Interest	4,462,125	2,874,327	2,719,070	2,311,192
Difference between expected and actual experience	(1,050,376)	41,658,463	-	-
Changes of assumptions	12,476,793	2,328,266	(1,720,165)	-
Benefit payments	(1,694,169)	(1,254,823)	(1,398,598)	(1,523,715)
Net change in total OPEB liability	22,604,446	50,516,542	4,172,098	5,421,364
Total OPEB Liability - Beginning	124,656,512	74,139,970	69,967,872	64,546,508
Total OPEB Liability - Ending	$ 147,260,958	$ 124,656,512	$ 74,139,970	$ 69,967,872
Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.4132%	0.4082%	0.4038%	0.4041%
Proportionate share of the net OPEB liability	$ 1,750,966	$ 1,520,087	$ 1,545,664	$ 1,699,890
Covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	-0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Proportion of the net pension liability	0.2371%	0.2307%	0.2250%	0.2232%	0.2307%	0.2310%	0.2141%
Proportionate share of the net pension liability	$ 229,791,710	$ 208,399,137	$ 206,770,104	$ 206,398,716	$ 186,580,167	$ 155,525,424	$ 125,085,872
State's proportionate share of the net pension liability	118,457,654	113,695,642	118,385,555	122,103,737	106,216,761	82,255,805	75,532,250
Total	$ 348,249,364	$ 322,094,779	$ 325,155,659	$ 328,502,453	$ 292,796,928	$ 237,781,229	$ 200,618,122
Covered payroll	$ 130,694,947	$ 124,932,568	$ 120,169,702	$ 118,533,370	$ 115,535,909	$ 103,498,727	$ 97,025,571
Proportionate share of the net pension liability as a percentage of its covered payroll	175.82%	166.81%	172.07%	174.13%	161.49%	150.27%	128.92%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS							
Proportion of the net pension liability	0.2955%	0.2804%	0.2757%	0.2752%	0.2730%	0.2669%	0.2561%
Proportionate share of the net pension liability	$ 90,658,213	$ 81,727,709	$ 73,499,618	$ 65,691,017	$ 53,909,000	$ 39,338,034	$ 29,076,541
Covered payroll	$ 42,542,107	$ 37,350,155	$ 36,128,691	$ 34,982,287	$ 32,741,411	$ 29,075,431	$ 27,004,140
Proportionate share of the net pension liability as a percentage of its covered payroll	213.10%	218.81%	203.44%	187.78%	164.65%	135.30%	107.67%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Contractually required contribution	$ 21,176,562	$ 22,348,836	$ 20,339,022	$ 17,340,488	$ 14,911,498	$ 12,397,003	$ 9,190,687
Less contributions in relation to the contractually required contribution	21,176,562	22,348,836	20,339,022	17,340,488	14,911,498	12,397,003	9,190,687
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 131,124,223	$ 130,694,947	$ 124,932,568	$ 120,169,702	$ 118,533,370	$ 115,535,909	$ 103,498,727
Contributions as a percentage of covered payroll	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS							
Contractually required contribution	$ 8,515,299	$ 8,389,729	$ 6,746,185	$ 5,611,147	$ 4,858,340	$ 3,878,875	$ 3,422,469
Less contributions in relation to the contractually required contribution	8,515,299	8,389,729	6,746,185	5,611,147	4,858,340	3,878,875	3,422,469
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 41,136,710	$ 42,542,107	$ 37,350,155	$ 36,128,691	$ 34,982,287	$ 32,741,411	$ 29,075,431
Contributions as a percentage of covered payroll	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedules

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

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

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

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

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

- *Changes in Benefit Terms* - There were no changes in the benefits terms since the previous valuation.
- *Changes of Assumptions* – The inflation rate changed from 2.75% to 2.63% and the plan discount rate changed from 3.50% to 2.20% since the previous valuation.

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

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

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The plan rate of investment return assumption was changed from 3.50% to 2.21% since the previous valuation.

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

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

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

Schedule of District Contributions

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

Supplementary Information
June 30, 2021

Downey Unified School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063	[1]	$ 2,032,143	$ -
Total Student Financial Assistance Cluster			2,032,143	-
COVID-19: CARES Act Higher Education Emergency Relief Funds -Student Aid Portion	84.425E	[1]	885,500	-
COVID-19: CARES Act Higher Education Emergency Relief Funds -Institutional Portion	84.425F	[1]	1,125,313	-
Passed through California Department of Education (CDE)				
COVID-19: Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	118,387	-
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	3,194,852	-
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15547	1,533,031	-
COVID-19: CARES Act Supplemental Meal Reimbursement	84.425D	15535	464,653	-
Subtotal			7,321,736	-
Passed through California Department of Education				
Title I, Part A, Basic Grants				
Low-Income and Neglected	84.010	14329	4,392,721	-
School Improvement Funding for LEAs	84.010	15438	55,675	-
Subtotal			4,448,396	-

[1] Pass-Through Identifying Number not available

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
Passed Through California Department of Education				
Title II, Part A, Supporting Effective Instruction	84.367	14341	$ 725,644	$ -
Title III, English Learner Student Program	84.365	14346	240,678	-
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	280,734	-
IDEA Early Intervention Grants	84.181	23761	250,094	-
Special Education (IDEA) Cluster:				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	9,386,988	4,838,871
Preschool Grants, Part B, Section 619	84.173	13430	179,556	101,891
Special Education: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	2,297	-
Alternate Dispute Resolution	84.173A	13007	19,257	-
COVID-19: Alternate Dispute Resolution	84.173A	13007	9,600	-
Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	510,507	261,919
Total Special Education (IDEA) Cluster			10,108,205	5,202,681
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	150,755	-
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	231,213	-
Subtotal			381,968	-
Total U.S. Department of Education			25,789,598	5,202,681

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through California Department of Education (CDE)				
CACFP Claims - Centers and Family Day Care	10.558	13393	$ 1,409,938	$ -
Child Nutrition Cluster				
National School Lunch Program	10.555	13396	3,894,124	-
School Breakfast Program - Especially Needy Breakfast	10.553	13526	2,427,790	-
Meal Supplements	10.555	13396	20,883	-
Commodity Supplemental Food	10.555	13396	555,705	-
Total Child Nutrition Cluster			6,898,502	-
Total U.S. Department of Agriculture			8,308,440	-
U.S. Department of Treasury				
Passed Through California Department of Education (CDE)				
COVID-19: Coronavirus Relief Fund	21.019	25516	18,400,037	-
Total U.S. Department of Treasury			18,400,037	-
Total Federal Financial Assistance			$ 52,498,075	$ 5,202,681

Organization

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
D. Mark Morris	President	2024
Barbara R. Samperi	Vice President	2022
Martha E. Sodetani	Clerk	2022
Giovanna Perez-Saab	Member	2024
Jose J. Rodriguez	Member	2024
Linda Salomon Saldaña	Member	2024
Nancy A. Swenson	Member	2022

ADMINISTRATION

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

Grade Level	Number of Actual Days: Traditional Calendar	Number of Actual Days: Multitrack Calendar	Number of Days Credited Form J-13A	Total Days Offered	Status
Kindergarten	180	N/A	-	180	Complied
Grades 1 - 3					
Grade 1	180	N/A	-	180	Complied
Grade 2	180	N/A	-	180	Complied
Grade 3	180	N/A	-	180	Complied
Grades 4 - 8					
Grade 4	180	N/A	-	180	Complied
Grade 5	180	N/A	-	180	Complied
Grade 6	180	N/A	-	180	Complied
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied
Grades 9 - 12					
Grade 9	180	N/A	-	180	Complied
Grade 10	180	N/A	-	180	Complied
Grade 11	180	N/A	-	180	Complied
Grade 12	180	N/A	-	180	Complied

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2021.

	(Budget) 2022 [1]	2021	2020	2019
General Fund [3]				
Revenues	$ 316,863,958	$ 331,163,038	$ 294,760,375	$ 285,432,772
Expenditures	314,548,932	304,830,184	286,594,929	283,438,429
Other uses	3,579,087	5,798,594	3,383,754	4,648,942
Total Expenditures and Other Uses	318,128,019	310,628,778	289,978,683	288,087,371
Increase/(Decrease) in Fund Balance	(1,264,061)	20,534,260	4,781,692	(2,654,599)
Ending Fund Balance	$ 57,666,202	$ 58,930,263	$ 38,396,003	$ 33,614,311
Available Reserves [2,3]	$ 33,464,931	$ 33,946,519	$ 27,243,038	$ 22,258,326
Available Reserves as a Percentage of Total Outgo	10.52%	10.93%	9.53%	8.02%
Long-Term Liabilities	N/A	$ 762,711,859	$ 648,906,776	$ 599,488,045
K-12 Average Daily Attendance at P-2	21,184	21,247	21,247	21,180

The General Fund balance has increased by $25,315,952 over the past two years. The fiscal year 2021-2022 budget projects a decrease of $1,264,061 (2.15%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures and other uses (total outgo).

The District has incurred operating deficits in one of the past three years but anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by $163,223,814 over the past two years.

Average daily attendance has increased by 67 over the past two years. ADA is anticipated to decrease by 63 ADA for the fiscal year 2021-2022.

[1] Budget 2022 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.
[3] On behalf payments of $3,983,567 and $10,699,662 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2020 and June 30, 2019.

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Assets					
Deposits and investments	$ 1,334,253	$ 5,751,010	$ 10,177,599	$ 8,435,671	$ 2,240,307
Receivables	-	768,645	1,699,780	5,971	2,806
Stores inventories	-	-	53,961	-	-
Total assets	$ 1,334,253	$ 6,519,655	$ 11,931,340	$ 8,441,642	$ 2,243,113
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ -	$ 419,731	$ 465,257	$ 154,307	$ -
Unearned revenue	-	44,434	151,680	-	-
Total liabilities	-	464,165	616,937	154,307	-
Fund Balances					
Nonspendable	-	45	58,986	-	-
Restricted	1,334,253	6,055,445	11,255,417	8,287,335	2,243,113
Assigned	-	-	-	-	-
Total fund balances	1,334,253	6,055,490	11,314,403	8,287,335	2,243,113
Total liabilities and fund balances	$ 1,334,253	$ 6,519,655	$ 11,931,340	$ 8,441,642	$ 2,243,113

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets				
Deposits and investments	$ 24,636,419	$ 15,832,526	$ 13,841,156	$ 82,248,941
Receivables	50,581	12,262	-	2,540,045
Stores inventories	-	-	-	53,961
Total assets	$ 24,687,000	$ 15,844,788	$ 13,841,156	$ 84,842,947
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ -	$ 58,955	$ -	$ 1,098,250
Unearned revenue	-	-	-	196,114
Total liabilities	-	58,955	-	1,294,364
Fund Balances				
Nonspendable	-	-	-	59,031
Restricted	24,687,000	-	13,841,156	67,703,719
Assigned	-	15,785,833	-	15,785,833
Total fund balances	24,687,000	15,785,833	13,841,156	83,548,583
Total liabilities and fund balances	$ 24,687,000	$ 15,844,788	$ 13,841,156	$ 84,842,947

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Revenues					
Federal sources	$ -	$ 4,274,169	$ 8,996,079	$ -	$ -
Other State sources	-	1,872,113	596,780	-	-
Other local sources	884,413	4,538,119	560,072	(9,508)	425,854
Total revenues	884,413	10,684,401	10,152,931	(9,508)	425,854
Expenditures					
Current					
Instruction	-	6,418,867	-	-	-
Instruction-related activities					
Supervision of instruction	-	295,911	-	-	-
School site administration	-	2,194,027	-	-	-
Pupil services					
Food services	-	-	11,233,973	-	-
All other pupil services	-	269,338	-	-	-
Administration					
All other administration	-	105,104	255,356	-	5,962
Plant services	-	52,745	-	2,965,366	-
Ancillary services	1,280,167	-	-	-	-
Facility acquisition and construction	-	-	258,856	-	63,663
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total expenditures	1,280,167	9,335,992	11,748,185	2,965,366	69,625
Excess (Deficiency) of Revenues Over Expenditures	(395,754)	1,348,409	(1,595,254)	(2,974,874)	356,229
Other Financing Sources (Uses)					
Transfers in	-	500,000	-	3,718,594	-
Other sources - proceeds from sale of bonds	-	-	-	-	-
Other sources - proceeds from debt refunding	-	-	-	-	-
Other uses - payment to escrow agent	-	-	-	-	-
Net Financing Sources (Uses)	-	500,000	-	3,718,594	-
Net Change in Fund Balances	(395,754)	1,848,409	(1,595,254)	743,720	356,229
Fund Balance - Beginning, as restated	1,730,007	4,207,081	12,909,657	7,543,615	1,886,884
Fund Balance - Ending	$ 1,334,253	$ 6,055,490	$ 11,314,403	$ 8,287,335	$ 2,243,113

Downey Unified School District

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

June 30, 2021

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues				
Federal sources	$ -	$ -	$ -	$ 13,270,248
Other State sources	24,509,409	-	70,093	27,048,395
Other local sources	(43,794)	2,173,833	12,722,756	21,251,745
Total revenues	24,465,615	2,173,833	12,792,849	61,570,388
Expenditures				
Current				
Instruction	-	-	-	6,418,867
Instruction-related activities				
Supervision of instruction	-	-	-	295,911
School site administration	-	-	-	2,194,027
Pupil services				
Food services	-	-	-	11,233,973
All other pupil services	-	-	-	269,338
Administration				
All other administration	-	-	-	366,422
Plant services	-	-	-	3,018,111
Ancillary services	-	-	-	1,280,167
Facility acquisition and construction	-	59,900	-	382,419
Debt service				
Principal	-	-	7,990,000	7,990,000
Interest and other	-	-	7,907,580	7,907,580
Total expenditures	-	59,900	15,897,580	41,356,815
Excess (Deficiency) of Revenues Over Expenditures	24,465,615	2,113,933	(3,104,731)	20,213,573
Other Financing Sources (Uses)				
Transfers in	-	1,500,000	-	5,718,594
Other sources - proceeds from sale of bonds	-	-	4,693,706	4,693,706
Other sources - proceeds from debt refunding	-	-	11,636,085	11,636,085
Other uses - payment to escrow agent	-	-	(11,512,006)	(11,512,006)
Net Financing Sources (Uses)	-	1,500,000	4,817,785	10,536,379
Net Change in Fund Balances	24,465,615	3,613,933	1,713,054	30,749,952
Fund Balance - Beginning, as restated	221,385	12,171,900	12,128,102	52,798,631
Fund Balance - Ending	$ 24,687,000	$ 15,785,833	$ 13,841,156	$ 83,548,583

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation
The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Downey Unified School District (the District) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part* 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Downey Unified School District, it is not intended to and does not present the financial position, or changes in net position of the Downey Unified School District.

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

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

Food Donation
Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the District had spent food commodities totaling $555,705.

Donated Personal Protective Equipment (PPE) (unaudited)
Nonmonetary assistance of PPE received during the emergency period of the COVID-19 pandemic was approximately $174 thousand and is based on the estimated fair market value of the PPE received. The donated PPE was generally provided by donors without information about compliance or reporting requirements associated with federal financial assisting listings or Assistance Listing numbers. The donated PPE is not included in the Schedule of Expenditure of Federal Awards.

SEFA Reconciliation
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 primarily of IDEA Early Intervention Grants funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, COVID 19: CARES Act: Higher Education Emergency Relief Funds - Institutional Portion and CACFP Claims - Centers and Family Day Care funds have been recorded in the current period as revenues that have not been expended as of June 30, 2021. These unspent balances are reported as legally restricted ending balances within the General Fund.

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	Federal Financial Assistance Listing Number/Federal CFDA Number	Amount
Total Federal Revenues reported on the financial statements		$ 52,374,987
IDEA Early Intervention Grants	84.181	346,074
CACFP Claims - Centers and Family Day Care	10.558	(222,986)
Total Schedule of Expenditures of Federal Awards		$ 52,498,075

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 Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Section 43504.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

Independent Auditor's Reports
June 30, 2021

Downey Unified School District

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

Governing Board
Downey Unified School District
Downey, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Downey Unified School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 5, 2022.

Emphasis of Matter – Change in Accounting Principle
As discussed in Notes 1 and 16 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position (deficit) and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Eide Bailly LLP

Rancho Cucamonga, California
January 5, 2022

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

Governing Board
Downey Unified School District
Downey, California

Report on Compliance for Each Major Federal Program

We have audited Downey Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Downey Unified School District's major federal programs for the year ended June 30, 2021. Downey Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program
In our opinion, Downey Unified School District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
January 5, 2022

Independent Auditor's Report on State Compliance

Governing Board
Downey Unified School District
Downey, California

Report on State Compliance
We have audited Downey Unified School District's (the District) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

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

Auditor's Responsibility
Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Compliance Requirements Tested

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
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
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	No, see below

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.

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

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

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

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

Unmodified Opinion

In our opinion, Downey Unified School District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
January 5, 2022

Schedule of Findings and Questioned Costs
June 30, 2021

Downey Unified School District

Financial Statements

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

Federal Awards

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

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
COVID-19: Governor's Emergency Education Relief (GEER) Fund	84.425C
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
COVID-19: CARES Act Supplemental Meal Reimbursement	84.425D
COVID-19: CARES Act Higher Education Emergency Relief Funds - Student Aid Portion	84.425E
COVID-19: CARES Act Higher Education Emergency Relief Funds - Institutional Portion	84.425F
COVID-19: Coronavirus Relief Fund	21.019
Special Education (IDEA) Cluster	84.027, 84.027A, 84.173, 84.173A
Title I, Part A, Basic Grants Low-Income and Neglected	84.010
School Improvement Funding for LEAs	84.010

Dollar threshold used to distinguish between type A and type B programs	$1,574,942
Auditee qualified as low-risk auditee?	Yes

State Compliance

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

None reported.

None reported.

None reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior years schedule of findings and questioned costs.

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2020-001 50000

Federal Program Affected

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

Criteria or Specific Requirements

Special Tests and Provisions – Return to Title IV

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

Condition

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

Questioned Costs

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

Context

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

Effect

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

Cause

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

Repeat Finding

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

Recommendation

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

Current status

Implemented.