

# ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT

AUDIT REPORT  
JUNE 30, 2019



**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
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**JUNE 30, 2019**

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## **FINANCIAL SECTION**

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**INDEPENDENT AUDITORS' REPORT**

Governing Board  
Acton-Agua Dulce Unified School District  
Acton, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Acton-Agua Dulce Unified School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Acton-Agua Dulce Unified School 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 Acton-Agua Dulce Unified School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Acton-Agua Dulce Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019 on our consideration of Acton-Agua Dulce Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Acton-Agua Dulce 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 Acton-Agua Dulce Unified School District's internal control over financial reporting and compliance.



San Diego, California  
December 9, 2019

# ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

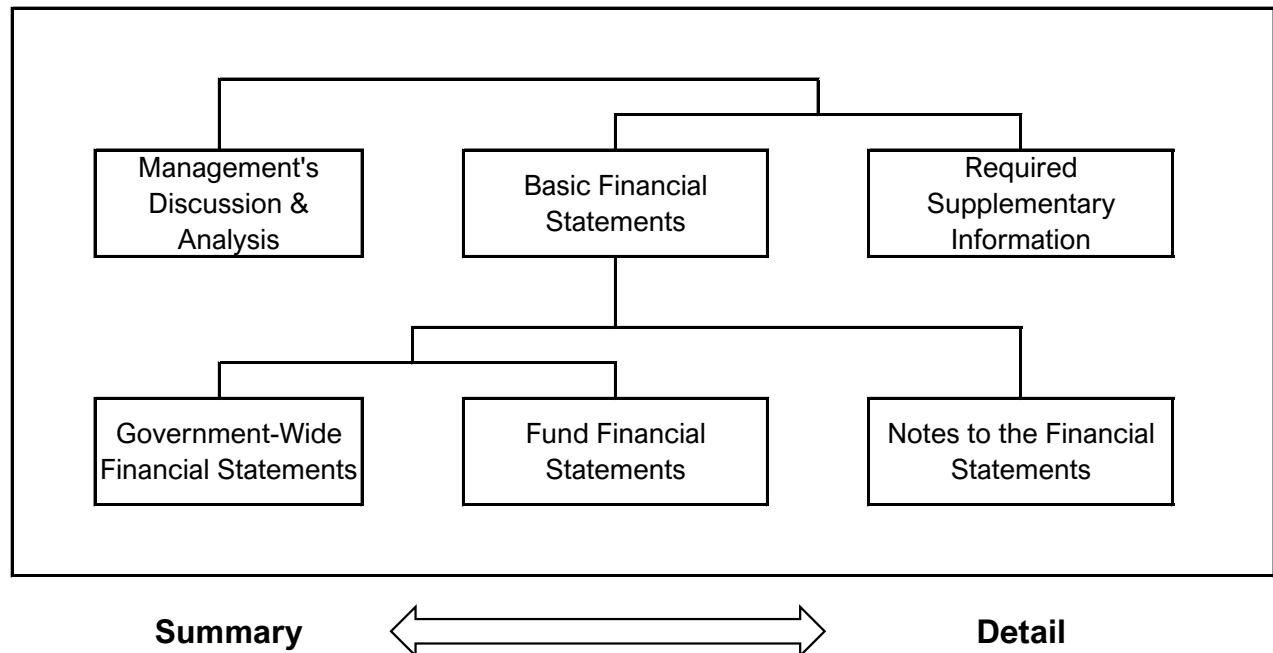
Our discussion and analysis of Acton-Agua Dulce Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The District's total net position was \$18,867,088 at June 30, 2019. This was an increase of \$2,260,342 from the prior year.
- Overall revenues were \$21,871,837 which exceeded expenses of \$19,611,495.

## OVERVIEW OF FINANCIAL STATEMENTS

### Components of the Financials Section



**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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**OVERVIEW OF FINANCIAL STATEMENTS (continued)**

**Components of the Financials Section (continued)**

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
  - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

**Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.



**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The District's net position was \$18,867,088 at June 30, 2019, as reflected in the table below. Of this amount, \$(8,861,734) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 12,858,532	\$ 8,695,794	\$ 4,162,738
Capital assets	40,579,444	40,887,043	(307,599)
<b>Total Assets</b>	<b>53,437,976</b>	<b>49,582,837</b>	<b>3,855,139</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4,440,822</b>	<b>5,356,910</b>	<b>(916,088)</b>
<b>LIABILITIES</b>			
Current liabilities	3,777,473	2,908,875	868,598
Long-term liabilities	33,598,029	33,873,115	(275,086)
<b>Total Liabilities</b>	<b>37,375,502</b>	<b>36,781,990</b>	<b>593,512</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,636,208</b>	<b>1,551,011</b>	<b>85,197</b>
<b>NET POSITION</b>			
Net investment in capital assets	25,733,049	25,754,390	(21,341)
Restricted	1,995,773	2,937,571	(941,798)
Unrestricted	(8,861,734)	(12,085,215)	3,223,481
<b>Total Net Position</b>	<b>\$ 18,867,088</b>	<b>\$ 16,606,746</b>	<b>\$ 2,260,342</b>

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it slightly, so you can see our total revenues and expenses for the year.

	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 108,336	\$ 92,560	\$ 15,776
Operating grants and contributions	4,282,691	3,378,554	904,137
Capital grants and contributions	8,292	31,177	(22,885)
General revenues			
Property taxes	6,506,967	5,805,623	701,344
Unrestricted federal and state aid	4,935,904	4,722,089	213,815
Other	6,029,647	4,910,800	1,118,847
<b>Total Revenues</b>	<b>21,871,837</b>	<b>18,940,803</b>	<b>2,931,034</b>
<b>EXPENSES</b>			
Instruction	8,517,738	7,700,549	817,189
Instruction-related services	1,944,806	1,779,230	165,576
Pupil services	2,296,345	1,880,164	416,181
General administration	2,258,859	1,954,756	304,103
Plant services	1,979,084	1,933,975	45,109
Ancillary and community services	115,221	143,172	(27,951)
Debt service	848,363	837,880	10,483
Other outgo	1,651,079	920,236	730,843
<b>Total Expenses</b>	<b>19,611,495</b>	<b>17,149,962</b>	<b>2,461,533</b>
<b>Change in net position</b>	<b>2,260,342</b>	<b>1,790,841</b>	<b>469,501</b>
<b>Net Position - Beginning</b>	<b>16,606,746</b>	<b>14,815,905</b>	<b>1,790,841</b>
<b>Net Position - Ending</b>	<b>\$ 18,867,088</b>	<b>\$ 16,606,746</b>	<b>\$ 2,260,342</b>

The cost of all our governmental activities this year was \$19,611,495 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$6,506,967 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

In the table below, we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	<b>Net Cost of Services</b>	
	<b>2019</b>	<b>2018</b>
Instruction	\$ 6,391,759	\$ 5,851,198
Instruction-related services	1,770,914	1,760,779
Pupil services	1,320,877	1,000,373
General administration	2,198,451	1,947,859
Plant services	1,836,672	1,933,975
Ancillary and community services	114,529	143,172
Debt service	848,363	837,880
Transfers to other agencies	730,611	172,435
<b>Total Expenses</b>	<b>\$ 15,212,176</b>	<b>\$ 13,647,671</b>

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$10,196,087, which is more than last year's ending fund balance of \$6,819,453. The District's General Fund had \$4,361,052 more in operating revenues than expenditures for the year ended June 30, 2019.

**CURRENT YEAR BUDGET 2018-2019**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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**CAPITAL ASSETS AND LONG-TERM LIABILITIES**

**Capital Assets**

By the end of 2018-2019 the District had invested \$40,579,444 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 1,325,300	\$ 1,325,300	\$ -
Construction in progress	1,525,865	32,378,200	(30,852,335)
Buildings & improvements	47,547,858	15,453,606	32,094,252
Furniture & equipment	2,017,703	1,860,229	157,474
Accumulated depreciation	(11,837,282)	(10,130,292)	(1,706,990)
<b>Total Capital Assets</b>	<b>\$ 40,579,444</b>	<b>\$ 40,887,043</b>	<b>\$ (307,599)</b>

**Long-Term Liabilities**

At year-end, the District had \$33,598,029 in long-term liabilities, a decrease of 0.81% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 16,291,345	\$ 16,310,297	\$ (18,952)
Total certificates of participation	2,305,521	2,458,898	(153,377)
Capital leases	676,836	833,494	(156,658)
Compensated absences	103,062	113,527	(10,465)
Total OPEB liability	1,012,664	1,178,687	(166,023)
Net pension liability	14,233,348	13,907,683	325,665
Less: current portion of long-term liabilities	(1,024,747)	(929,471)	(95,276)
<b>Total Long-term Liabilities</b>	<b>\$ 33,598,029</b>	<b>\$ 33,873,115</b>	<b>\$ (275,086)</b>

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

The US economy continues to grow slowly, but the State economic growth is slowing down due to low levels of available employees. However, the State is still experiencing overall economic prosperity. The State Budget for Education contained an increase of 3.26% in fiscal year 2019-20, plus \$3.15 billion in non-Proposition 98 funding for school employer pension relief.

The fiscal policy for the funding of public education changes annually, based on fluctuations in State revenues. The UCLA Anderson Forecast (June 2019) noted that the risk of recession is about 50% within the next 5-8 quarters depending on the model, the biggest economic threat being from the escalating trade war with China and Mexico. If a recession were to happen, State revenues for public education would be negatively impacted.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2019. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans received a one-time funding allocation from the 2019-20 State Budget and continue to raise employer rates in future years. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2019-20 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Office, 32248 Crown Valley Road, Acton, California 93510, (661) 269-0750.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 11,937,202
Accounts receivable	921,330
Capital assets, not depreciated	2,851,165
Capital assets, net of accumulated depreciation	37,728,279
<b>Total Assets</b>	<b>53,437,976</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	4,368,814
Deferred outflows related to OPEB	42,188
Deferred amount on refunding	29,820
<b>Total Deferred Outflows of Resources</b>	<b>4,440,822</b>
<b>LIABILITIES</b>	
Accrued liabilities	2,740,089
Unearned revenue	12,637
Long-term liabilities, current portion	1,024,747
Long-term liabilities, non-current portion	33,598,029
<b>Total Liabilities</b>	<b>37,375,502</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	1,432,580
Deferred inflows related to OPEB	203,628
<b>Total Deferred Inflows of Resources</b>	<b>1,636,208</b>
<b>NET POSITION</b>	
Net investment in capital assets	25,733,049
Restricted:	
Capital projects	911,241
Debt service	702,675
Educational programs	295,104
All others	86,753
Unrestricted	(8,861,734)
<b>Total Net Position</b>	<b>\$ 18,867,088</b>

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

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>					<b>Governmental Activities</b>
Instruction	\$ 8,517,738	\$ -	\$ 2,117,687	\$ 8,292	\$ (6,391,759)
Instruction-related services					
Instructional supervision and administration	527,731	-	66,437	-	(461,294)
Instructional library, media, and technology	90,248	-	54,783	-	(35,465)
School site administration	1,326,827	-	52,672	-	(1,274,155)
Pupil services					
Home-to-school transportation	783,723	-	14,696	-	(769,027)
Food services	511,815	108,336	357,649	-	(45,830)
All other pupil services	1,000,807	-	494,787	-	(506,020)
General administration					
Centralized data processing	255,613	-	8,037	-	(247,576)
All other general administration	2,003,246	-	52,371	-	(1,950,875)
Plant services	1,979,084	-	142,412	-	(1,836,672)
Ancillary services	115,221	-	692	-	(114,529)
Interest on long-term debt	848,363	-	-	-	(848,363)
Other outgo	1,651,079	-	920,468	-	(730,611)
<b>Total Governmental Activities</b>	<b>\$ 19,611,495</b>	<b>\$ 108,336</b>	<b>\$ 4,282,691</b>	<b>\$ 8,292</b>	<b>(15,212,176)</b>
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					5,646,027
Property taxes, levied for debt service					808,117
Property taxes, levied for other specific purposes					52,823
Federal and state aid not restricted for specific purposes					4,935,904
Interest and investment earnings					154,693
Miscellaneous					5,874,954
<b>Subtotal, General Revenue</b>					<b>17,472,518</b>
<b>CHANGE IN NET POSITION</b>					<b>2,260,342</b>
<b>Net Position - Beginning</b>					<b>16,606,746</b>
<b>Net Position - Ending</b>					<b>\$ 18,867,088</b>

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

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2019**

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	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 10,076,744	\$ 1,860,458	\$ 11,937,202
Accounts receivable	862,893	58,437	921,330
<b>Total Assets</b>	<b>\$ 10,939,637</b>	<b>\$ 1,918,895</b>	<b>\$ 12,858,532</b>
<b>LIABILITIES</b>			
Accrued liabilities	\$ 2,521,863	\$ 127,945	\$ 2,649,808
Unearned revenue	12,637	-	12,637
<b>Total Liabilities</b>	<b>2,534,500</b>	<b>127,945</b>	<b>2,662,445</b>
<b>FUND BALANCES</b>			
Nonspendable	1,000	-	1,000
Restricted	295,104	1,790,950	2,086,054
Assigned	609,498	-	609,498
Unassigned	7,499,535	-	7,499,535
<b>Total Fund Balances</b>	<b>8,405,137</b>	<b>1,790,950</b>	<b>10,196,087</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,939,637</b>	<b>\$ 1,918,895</b>	<b>\$ 12,858,532</b>

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



**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET**  
**POSITION**  
**JUNE 30, 2019**

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**Total Fund Balance - Governmental Funds** \$ 10,196,087

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

**Capital assets:**

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

Capital assets	\$ 52,416,726	
Accumulated depreciation	<u>(11,837,282)</u>	40,579,444

**Deferred amount on refunding:**

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements: 29,820

**Unmatured interest on long-term debt:**

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was: (90,281)

**Long-term liabilities:**

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

Total general obligation bonds	\$ 16,291,345	
Total certificates of participation	2,305,521	
Capital leases	676,836	
Compensated absences	103,062	
Total OPEB liability	1,012,664	
Net pension liability	<u>14,233,348</u>	(34,622,776)

**Deferred outflows and inflows of resources relating to pensions:**

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

Deferred outflows of resources related to pensions	\$ 4,368,814	
Deferred inflows of resources related to pensions	<u>(1,432,580)</u>	2,936,234

**Deferred outflows and inflows of resources relating to OPEB:**

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

Deferred outflows of resources related to OPEB	\$ 42,188	
Deferred inflows of resources related to OPEB	<u>(203,628)</u>	(161,440)

**Total Net Position - Governmental Activities** \$ 18,867,088

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
LCFF sources	\$ 10,133,055	\$ -	\$ 10,133,055
Federal sources	757,894	325,070	1,082,964
Other state sources	1,857,542	31,152	1,888,694
Other local sources	8,490,418	1,033,432	9,523,850
<b>Total Revenues</b>	<b>21,238,909</b>	<b>1,389,654</b>	<b>22,628,563</b>
<b>EXPENDITURES</b>			
Current			
Instruction	8,056,466	-	8,056,466
Instruction-related services			
Instructional supervision and administration	548,747	-	548,747
Instructional library, media, and technology	241,859	-	241,859
School site administration	1,203,023	-	1,203,023
Pupil services			
Home-to-school transportation	647,263	-	647,263
Food services	6,829	431,996	438,825
All other pupil services	961,258	-	961,258
General administration			
Centralized data processing	228,389	-	228,389
All other general administration	1,848,796	-	1,848,796
Plant services	1,532,280	-	1,532,280
Facilities acquisition and maintenance	94,011	1,147,906	1,241,917
Ancillary services	105,107	-	105,107
Transfers to other agencies	988,234	-	988,234
Debt service			
Principal	266,658	645,000	911,658
Interest and other	148,937	149,170	298,107
<b>Total Expenditures</b>	<b>16,877,857</b>	<b>2,374,072</b>	<b>19,251,929</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>4,361,052</b>	<b>(984,418)</b>	<b>3,376,634</b>
<b>Fund Balance - Beginning</b>	<b>4,044,085</b>	<b>2,775,368</b>	<b>6,819,453</b>
<b>Fund Balance - Ending</b>	<b>\$ 8,405,137</b>	<b>\$ 1,790,950</b>	<b>\$ 10,196,087</b>

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

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

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**Net Change in Fund Balances - Governmental Funds** \$ 3,376,634

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

**Capital outlay:**

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$	1,399,391	
Depreciation expense:		(1,706,990)	(307,599)

**Debt service:**

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

911,658

**Deferred amounts on refunding:**

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

(643,212)

**Unmatured interest on long-term debt:**

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

12,782

**Accreted interest on long-term debt:**

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(600,484)

**Compensated absences:**

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

10,465

*(continued on next page)*

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF  
ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:	4,583
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Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:	(522,298)
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Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:	17,813
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<b>Change in Net Position of Governmental Activities</b>	\$ 2,260,342
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**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

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	<b>Agency Funds</b>	
	<b>Warrant/Pass- through Fund</b>	<b>Student Body Fund</b>
<b>ASSETS</b>		
Cash and investments	\$ -	\$ 150,584
Accounts receivable	108,566	-
<b>Total Assets</b>	<b>\$ 108,566</b>	<b>\$ 150,584</b>
<b>LIABILITIES</b>		
Deficit cash	\$ 78,195	\$ -
Accrued liabilities	30,371	-
Due to student groups	-	150,584
<b>Total Liabilities</b>	<b>\$ 108,566</b>	<b>\$ 150,584</b>

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

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Acton-Agua Dulce Unified School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

**B. 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. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

**C. Basis of Presentation**

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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

**C. Basis of Presentation (continued)**

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

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

**Major Governmental Funds**

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

**Non-Major Governmental Funds**

**Special Revenue Funds:** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

**Cafeteria Special Revenue Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be 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*).

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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

**C. Basis of Presentation (continued)**

**Non-Major Governmental Funds (continued)**

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

**Capital Facilities Fund:** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

**County School Facilities Fund:** This 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), or the 2004 State School Facilities Fund (Proposition 55) 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:** This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

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

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.



**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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

**C. Basis of Presentation (continued)**

**Fiduciary Funds**

**Agency Funds:** Agency funds are used to account for assets held in an agent capacity for others that cannot be used to support the District's own programs.

**Warrant/Pass-Through Fund:** This fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, transfers to credit unions, and other contributions.

**Student Body Fund:** The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

**D. Basis of Accounting – Measurement Focus**

**Government-Wide and Fiduciary Financial Statements**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net 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. The net position should be reported as restricted when constraints placed on its use 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 results from special revenue funds and the restrictions on their use.

**Governmental Funds**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

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

**D. Basis of Accounting – Measurement Focus (continued)**

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue**

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

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

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position**

**Cash and Cash Equivalents**

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**Investments**

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

**Inventories**

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. 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. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<b><u>Asset Class</u></b>	<b><u>Estimated Useful Life</u></b>
Buildings and Improvements	7 – 50 years
Furniture and Equipment	5 – 20 years
Vehicles	8 years

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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

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

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. 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 resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

**Accrued Liabilities and Long-Term Obligations**

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

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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

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

**Premiums and Discounts**

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

**Deferred Outflows/Deferred Inflows of Resources**

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

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

**Pensions**

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

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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

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

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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

**F. 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. 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.

**G. 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.

**H. Budgetary Data**

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

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

**I. 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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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

**J. New Accounting Pronouncements**

**GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

**GASB Statement No. 88** – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has implemented GASB Statement No. 88 for the year ended June 30, 2019.



**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 2 – CASH AND INVESTMENTS**

**A. Summary of Cash and Investments**

	<b>Governmental Activities</b>	<b>Fiduciary Funds</b>
Investment in county treasury	\$ 11,936,202	\$ -
Cash on hand and in banks	-	150,584
Cash in revolving fund	1,000	-
<b>Total cash and investments</b>	<b>\$ 11,937,202</b>	<b>\$ 150,584</b>

**B. 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; collateralized mortgage obligations; and the County Investment Pool.

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Los Angeles County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is 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.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

**D. 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 manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$11,924,753 and an amortized book value of \$11,936,202. The average weighted maturity for this pool is 547 days.

**E. 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 investments in the County Treasury are not required to be rated. As of June 30, 2019, the pooled investments in the County Treasury were not rated.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**F. 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. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance was not exposed to custodial credit risk.

**G. Fair Value**

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

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

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

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

	<b><u>Uncategorized</u></b>
Investment in county treasury	<b><u>\$ 11,924,753</u></b>
<b>Total fair market value of investments</b>	<b><u>\$ 11,924,753</u></b>

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

**NOTE 3 – ACCOUNTS RECEIVABLE**

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

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Activities</b>	<b>Fiduciary Funds</b>
Federal Government				
Categorical aid	\$ 598,141	\$ 44,465	\$ 642,606	\$ -
State Government				
Categorical aid	61,813	3,409	65,222	-
Lottery	51,587	-	51,587	-
Local Government				
Other local sources	151,352	10,563	161,915	108,566
<b>Total</b>	<b>\$ 862,893</b>	<b>\$ 58,437</b>	<b>\$ 921,330</b>	<b>\$ 108,566</b>

**NOTE 4 – CAPITAL ASSETS**

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

	<b>Balance July 01, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 1,325,300	\$ -	\$ -	\$ 1,325,300
Construction in progress	32,378,200	1,241,917	32,094,252	1,525,865
Total Capital Assets not Being Depreciated	33,703,500	1,241,917	32,094,252	2,851,165
Capital assets being depreciated				
Buildings & improvements	15,453,606	32,094,252	-	47,547,858
Furniture & equipment	1,860,229	157,474	-	2,017,703
Total Capital Assets Being Depreciated	17,313,835	32,251,726	-	49,565,561
Less Accumulated Depreciation				
Buildings & improvements	8,556,674	1,635,933	-	10,192,607
Furniture & equipment	1,573,618	71,057	-	1,644,675
Total Accumulated Depreciation	10,130,292	1,706,990	-	11,837,282
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 40,887,043</b>	<b>\$ 31,786,653</b>	<b>\$ 32,094,252</b>	<b>\$ 40,579,444</b>

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 4 – CAPITAL ASSETS (continued)**

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

<b>Governmental Activities</b>	
Instruction	\$ 827,762
Instructional supervision and administration	11,830
School site administration	112,373
Home-to-school transportation	91,924
Food services	52,293
All other pupil services	75,477
Centralized data processing	2,867
All other general administration	158,935
Plant services	362,755
Ancillary services	10,774
<b>Total</b>	<b><u>\$ 1,706,990</u></b>

**NOTE 5 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2019 consisted of the following:

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>District-Wide</b>	<b>Total Governmental Activities</b>	<b>Fiduciary Funds</b>
Payroll	\$ 643,040	\$ 12,311	\$ -	\$ 655,351	\$ -
Construction	-	10,334	-	10,334	-
Vendors payable	1,878,823	105,300	-	1,984,123	30,371
Unmatured interest	-	-	90,281	90,281	-
<b>Total</b>	<b><u>\$ 2,521,863</u></b>	<b><u>\$ 127,945</u></b>	<b><u>\$ 90,281</u></b>	<b><u>\$ 2,740,089</u></b>	<b><u>\$ 30,371</u></b>

**NOTE 6 – UNEARNED REVENUE**

Unearned revenue at June 30, 2019 consisted of \$12,637 in the General Fund related to Federal sources.

**NOTE 7 – TAX AND REVENUE ANTICIPATION NOTES (TRANS)**

On August 15, 2018, the District issued \$800,000 of Tax and Revenue Anticipation Notes bearing interest at 4.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 3, 2019. By June 30, 2019, the District had paid off the notes.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

**NOTE 8 – LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2019 consisted of the following:

	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 15,987,668	\$ 600,484	\$ 600,000	\$ 15,988,152	\$ 675,000
Unamortized premium	322,629	-	19,436	303,193	19,436
Total general obligation bonds	16,310,297	600,484	619,436	16,291,345	694,436
Certificates of participation	2,480,000	-	155,000	2,325,000	160,000
Unamortized discount	(21,102)	-	(1,623)	(19,479)	(1,623)
Total certificates of participation	2,458,898	-	153,377	2,305,521	158,377
Capital leases	833,494	-	156,658	676,836	171,934
Compensated absences	113,527	-	10,465	103,062	-
Total OPEB liability	1,178,687	-	166,023	1,012,664	-
Net pension liability	13,907,683	325,665	-	14,233,348	-
<b>Total</b>	<b>\$ 34,802,586</b>	<b>\$ 926,149</b>	<b>\$ 1,105,959</b>	<b>\$ 34,622,776</b>	<b>\$ 1,024,747</b>

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments on certificates of participation are made in the General Fund and the Capital Facilities Fund.
- Payments for capital leases are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

**A. General Obligation Bonds**

In the November 2008 election, the citizens of the District approved the issuance and sale of not more than \$13,000,000 of general obligation bonds to finance the addition and modernization of school facilities. Under such voters' authorization, there have been two bond issuances (Series A and Series 2009), as well as a partial refunding with terms summarized as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2018	Additions	Deductions	Bonds Outstanding June 30, 2019
Election 2008, Series A	April 1, 2009	August 1, 2033	2.50% - 6.90%	\$10,710,720	\$ 4,612,017	\$ 284,362	\$ 440,000	\$ 4,456,379
Election 2008, Series 2009	April 1, 2009	May 1, 2039	6.90% - 6.97%	2,288,947	4,320,651	316,122	-	4,636,773
2016 Refunding	July 19, 2016	August 1, 2027	1.72%	7,230,000	7,055,000	-	160,000	6,895,000
					<b>\$ 15,987,668</b>	<b>\$ 600,484</b>	<b>\$ 600,000</b>	<b>\$ 15,988,152</b>

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 8 – LONG-TERM LIABILITIES (continued)**

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

**2016 General Obligation Refunding Bonds**

On July 19, 2016, the District issued \$7,230,000 in 2016 General Obligation Refunding Bonds, with a stated interest rate of 1.72 percent, to advance refund a portion of the District's outstanding Election of 2008, Series A General Obligation Bonds and pay the costs of issuance of the 2016 bonds. The 2016 General Obligation Refunding Bonds were issued as current interest bonds and have a final maturity date of August 1, 2027. The District received net proceeds of \$7,075,335 (including a payment of \$154,664 for issuance costs).

The net proceeds received for the 2016 General Obligation Refunding Bonds were used to purchase U.S. Treasury securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the Election of 2008, Series A General Obligation Bonds that were advance refunded. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's financial statements. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized as an expense over the life of the bond. Deferred outflows on refunding of \$673,032 remain to be amortized. This refunding reduced total debt service payments by \$533,004 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$423,836.

The annual requirements to amortize these bonds are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 675,000	\$ 277,559	\$ 952,559
2021	715,000	109,607	824,607
2022	775,000	96,793	871,793
2023	845,000	82,861	927,861
2024	915,000	67,725	982,725
2025 - 2029	4,085,167	1,976,227	6,061,394
2030 - 2034	1,621,463	6,828,537	8,450,000
2035 - 2039	1,959,035	12,335,965	14,295,000
Accretion	4,397,487	(4,397,487)	-
Total	\$ 15,988,152	\$ 17,377,787	\$ 33,365,939

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 8 – LONG-TERM LIABILITIES (continued)**

**B. Certificates of Participation**

In August 2006, the District issued Series A Refunding Certificates of Participation amounting to \$3,670,000 payable in annual installments from August 1, 2007 through August 1, 2030. Interest rates range from 3.50 to 4.65 percent, payable beginning February 1, 2007. The agreement is between the District and the Los Angeles County Schools Regionalized Business Services Corporation with the Bank of New York as trustee. The certificates were issued to provide for the prepayment of outstanding 1998 and 1999 certificates. In July 2012, the remaining certificates were prepaid with proceeds from the 2012 refunding certificates.

In July 2012, the District issued Series A-1 Refunding Certificates of Participation amounting to \$3,045,000 payable in annual installments from August 1, 2013 through August 1, 2030. Interest rates range from 2.0 to 4.125 percent, payable beginning February 1, 2013. The agreement is between the District and the Los Angeles County Schools Regionalized Business Services Corporation with the Bank of New York as trustee. The certificates were issued to provide for the prepayment of outstanding 2006 refunding certificates. At June 30, 2019, the principal outstanding was \$2,325,000.

The annual requirements to amortize these certificates are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 160,000	\$ 82,519	\$ 242,519
2021	165,000	78,250	243,250
2022	170,000	73,431	243,431
2023	180,000	67,956	247,956
2024	180,000	61,881	241,881
2025 - 2029	1,000,000	200,684	1,200,684
2030 - 2031	470,000	19,594	489,594
Total	<u>\$ 2,325,000</u>	<u>\$ 584,315</u>	<u>\$ 2,909,315</u>

**C. Capital Leases**

The District entered into a capital lease agreement with option to purchase, with quarterly payments in March, June, September, and December of each year, with principal maturing through December 2022. Future minimum lease payments are as follows:

<b>Year Ended June 30,</b>	<b>Lease Payment</b>
2020	\$ 191,890
2021	202,890
2022	214,890
2023	110,445
Total minimum lease payments	720,115
Less amount representing interest	(43,279)
Present value of minimum lease payments	<u>\$ 676,836</u>



**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 8 – LONG-TERM LIABILITIES (continued)**

**D. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2019 amounted to \$103,062. This amount is included as part of long-term liabilities in the government-wide financial statements.

**E. Other Postemployment Benefits**

The District's beginning total OPEB liability was \$1,178,687 and decreased by \$166,023 during the year ended June 30, 2019. The ending total OPEB liability at June 30, 2019 was \$1,012,664. See Note 10 for additional information regarding the total OPEB liability.

**F. Net Pension Liability**

The District's beginning net pension liability was \$13,907,683 and increased by \$325,665 during the year ended June 30, 2019. The ending net pension liability at June 30, 2019 was \$14,233,348. See Note 11 for additional information regarding the net pension liability.

**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2019:

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
Non-spendable			
Revolving cash	\$ 1,000	\$ -	\$ 1,000
Total non-spendable	1,000	-	1,000
Restricted			
Educational programs	295,104	-	295,104
Capital projects	-	911,241	911,241
Debt service	-	792,956	792,956
All others	-	86,753	86,753
Total restricted	295,104	1,790,950	2,086,054
Assigned			
Deferred maintenance	609,498	-	609,498
Total assigned	609,498	-	609,498
Unassigned			
Reserve for economic uncertainties	7,499,535	-	7,499,535
Total unassigned	7,499,535	-	7,499,535
<b>Total</b>	<b>\$ 8,405,137</b>	<b>\$ 1,790,950</b>	<b>\$ 10,196,087</b>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than three percent of General Fund expenditures and other financing uses.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**A. Plan Description**

The Acton-Agua Dulce Unified School District's OPEB plan, Acton-Agua Dulce Unified School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

**B. Benefits Provided**

The District offers medical and prescription drug benefits to its employees and retirees. A separate three-tiered rate structure applies to retirees under the age of 65. Eight medical/prescription drug options are offered to each retiree group as follows: Classified - Blue Cross PPO options 1A, 3C, 5C and 10D, and Kaiser plans 1, 2, 4 and 7; Certificated - Blue Cross PPO options 1A, 3C, 5C, 10D, and Kaiser plans 1, 2, 4 and 7 (all with Chiro); Confidential/Management - Blue Cross PPO options 2A, 3A, 8C, and 10D, and Kaiser plans 2, 3, 4 and 7. In addition, all groups are offered High Deductible Health Plan 2 and Wellness plan 1C.

Classified employees who have attained age 55 and completed at least 15 years of service, and have retired under CalPERS, are eligible to receive District-paid medical coverage (including dependents) up to a District cap of \$786.42/month. Classified employees hired on or after July 1, 2007 are required to have at least 20 years of service. Regardless of date of hire, Classified employees who are less than 75% full-time are not eligible for District-paid retiree health benefits. District-paid benefits end at age 65.

Certificated employees who have attained age 55, completed at least 15 years of full-time service, and have retired under CalSTRS, are eligible to receive District-paid medical coverage (including dependents) up to a District cap of \$869.75/month. District-paid benefits end at age 65.

Confidential and Management employees are eligible for benefits similar to those described above based on the retirement system they are covered by (PERS or STRS). Board members may participate in District health plans after retirement at their own expense.

**C. Contributions**

The contribution requirements of Plan members and the Acton-Agua Dulce Unified School District are established and may be amended by the Acton-Agua Dulce Unified School District. The District currently finances benefits on a pay-as-you-go basis. For fiscal year 2018-19, the District contributed \$72,818 to the Plan, all of which was used for current premiums.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**D. Plan Membership**

Membership of the Plan consisted of the following:

	<b><u>Number of participants</u></b>
Inactive employees receiving benefits	7
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	<u>98</u>
<b>Total number of participants**</b>	<b><u>105</u></b>

\*Information not provided

\*\*As of the July 1, 2018 valuation date

**E. Total OPEB Liability**

The Acton-Agua Dulce Unified School District's total OPEB liability of \$1,012,664 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2018.

**F. Actuarial Assumptions and Other Inputs**

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

**Economic assumptions:**

Inflation	3.13%
Salary increases	3.00%
Investment rate of return	3.13%
Healthcare cost trend rates	6.00% for 2018, decreasing 0.10% each year to an ultimate rate of 5.00% for 2028 and later years.

**Non-economic assumptions:**

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

The actuarial assumptions used in the July 1, 2018 valuation were based on a review of plan experience during the period July 1, 2016 to June 30, 2018.

The discount rate used reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**G. Changes in Total OPEB Liability**

	<u>June 30, 2019</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 59,491
Interest on total OPEB liability	33,581
Difference between expected and actual experience	(234,955)
Changes of assumptions	48,678
Benefits payments	<u>(72,818)</u>
Net change in total OPEB liability	(166,023)
Total OPEB liability - beginning	<u>1,178,687</u>
Total OPEB liability - ending	<u>\$ 1,012,664</u>
 Covered-employee payroll	 \$ 7,814,909
 District's total OPEB liability as a percentage of covered-employee payroll	  13.0%

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

The following presents the total OPEB liability of the Acton-Agua Dulce Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13 percent) or one percentage point higher (4.13 percent) than the current discount rate:

	<b>1% Decrease</b>	<b>Valuation</b>	<b>1% Increase</b>
	<b>(2.13%)</b>	<b>Discount Rate</b>	<b>(4.13%)</b>
	<u></u>	<u>(3.13%)</u>	<u></u>
Total OPEB liability	\$ 1,074,379	\$ 1,012,664	\$ 955,252

**I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the total OPEB liability of the Acton-Agua Dulce Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.00 percent) or one percentage point higher (7.00 percent) than the current healthcare cost trend rate:

	<b>1% Decrease</b>	<b>Valuation Trend</b>	<b>1% Increase</b>
	<b>(5.00%)</b>	<b>Rate</b>	<b>(7.00%)</b>
	<u></u>	<u>(6.00%)</u>	<u></u>
Total OPEB liability	\$ 994,453	\$ 1,012,664	\$ 1,033,920

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the Acton-Agua Dulce Unified School District recognized OPEB expense of \$68,235. At June 30, 2019, the Acton-Agua Dulce Unified School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 203,628
Changes in assumptions	42,188	-
	<u>\$ 42,188</u>	<u>\$ 203,628</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2020	\$ 6,490	\$ 31,327
2021	6,490	31,327
2022	6,490	31,327
2023	6,490	31,327
2024	6,490	31,327
Thereafter	9,738	46,993
	<u>\$ 42,188</u>	<u>\$ 203,628</u>

**NOTE 11 – PENSION PLANS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 10,545,989	\$ 3,302,889	\$ 1,258,831	\$ 1,130,187
PERS Pension	3,687,359	1,065,925	173,749	707,817
<b>Total</b>	<u>\$ 14,233,348</u>	<u>\$ 4,368,814</u>	<u>\$ 1,432,580</u>	<u>\$ 1,838,004</u>

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

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

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Benefits Provided**

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

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

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2019, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2019 was 16.28% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$986,774 for the year ended June 30, 2019.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$962,623 to CalSTRS, which included a supplemental contribution for fiscal year 2019 due to California Senate Bill No. 90.

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

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

District's proportionate share of the net pension liability	\$	10,545,989
State's proportionate share of the net pension liability associated with the District		6,038,102
Total	\$	<u>16,584,091</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.011 percent, which did not change from its proportion measured as of June 30, 2017.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

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

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

For the year ended June 30, 2019, the District recognized pension expense of \$1,130,187. In addition, the District recognized pension expense and revenue of \$205,897 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 406,087
Differences between expected and actual experience	32,702	153,187
Changes in assumptions	1,638,291	-
Changes in proportion and differences between District contributions and proportionate share of contributions	645,122	699,557
District contributions subsequent to the measurement date	986,774	-
	<u>\$ 3,302,889</u>	<u>\$ 1,258,831</u>

The \$986,774 reported as 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 year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2020	\$ 455,924	\$ 185,396
2021	455,924	337,842
2022	455,924	614,853
2023	455,924	117,603
2024	455,921	1,568
2025	36,498	1,569
	<u>\$ 2,316,115</u>	<u>\$ 1,258,831</u>



**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 11– PENSION PLANS (continued)**

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

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

\* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return*</b>
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	<hr/> 100% <hr/>	

\*20-year geometric average

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
District's proportionate share of the net pension liability	\$ 15,448,640	\$ 10,545,989	\$ 6,481,216

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

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

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Benefits Provided**

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2019 was 18.062% of annual payroll. Contributions to the plan from the District were \$328,932 for the year ended June 30, 2019.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalPERS for K-12 education. These payments consisted of state general fund contributions of approximately \$125,023 to CalPERS for fiscal year 2019 due to California Senate Bill No. 90.

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

At June 30, 2019, the District reported a liability of \$3,687,359 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.014 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2017.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

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

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

For the year ended June 30, 2019, the District recognized pension expense of \$707,817. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 30,245	\$ -
Differences between expected and actual experience	241,730	-
Changes in assumptions	368,167	-
Changes in proportion and differences between District contributions and proportionate share of contributions	96,851	173,749
District contributions subsequent to the measurement date	328,932	-
	<u>\$ 1,065,925</u>	<u>\$ 173,749</u>

The \$328,932 reported as 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 year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2020	\$ 478,379	\$ 59,913
2021	285,060	59,913
2022	(4,682)	53,923
2023	(21,764)	-
	<u>\$ 736,993</u>	<u>\$ 173,749</u>

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

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

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

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. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

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

**Actuarial Assumptions (continued)**

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Real Return Years 1 – 10*</b>	<b>Real Return Years 11+**</b>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	<u>100.0%</u>		

\*An expected inflation of 2.00% used for this period.

\*\*An expected inflation of 2.92% used for this period.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	<b>1% Decrease (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>1% Increase (8.15%)</b>
District's proportionate share of the net pension liability	\$ 5,368,618	\$ 3,687,359	\$ 2,292,514

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

**NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

The District participates in two joint ventures under joint powers authorities (JPAs), the Self Insurance Risk Management Authority (SIRMA) for Workers' Compensation, and the Self Insurance Risk Management Authority (SIRMA) for Liability and Property Protection. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs 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 JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

**A. Refunded Debt**

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2019, the deferred amount on refunding was \$29,820.

**B. Pension Plans**

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2019, total deferred outflows related to pensions was \$4,368,814 and total deferred inflows related to pensions was \$1,432,580.

**C. Other Postemployment Benefits**

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2019, total deferred outflows related to other postemployment benefits was \$42,188 and total deferred inflows related to other postemployment benefits was \$203,628.



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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	\$ 9,602,434	\$ 9,671,361	\$ 9,808,055	\$ 136,694
Federal sources	722,589	732,140	757,894	25,754
Other state sources	1,176,936	1,099,678	1,327,161	227,483
Other local sources	5,631,663	5,898,206	8,481,355	2,583,149
Total Revenues	17,133,622	17,401,385	20,374,465	2,973,080
EXPENDITURES				
Certificated salaries	6,571,269	6,286,962	6,199,006	87,956
Classified salaries	2,448,045	2,513,225	2,379,867	133,358
Employee benefits	3,016,375	3,188,972	3,125,777	63,195
Books and supplies	1,052,900	995,771	583,593	412,178
Services and other operating expenditures	2,476,637	2,913,580	2,418,508	495,072
Capital outlay	136,000	122,000	251,485	(129,485)
Other outgo				
Excluding transfers of indirect costs	1,250,009	1,250,009	1,184,493	65,516
Total Expenditures	16,951,235	17,270,519	16,142,729	1,127,790
NET CHANGE IN FUND BALANCE	182,387	130,866	4,231,736	4,100,870
Fund Balance - Beginning	3,560,912	3,560,912	3,560,912	-
Fund Balance - Ending	\$ 3,743,299	\$ 3,691,778	\$ 7,792,648	\$ 4,100,870

\* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.
- On-behalf payments of \$530,381 are not included in the actual revenues and expenditures reported in this schedule.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Total OPEB Liability</b>		
Service Cost	\$ 59,491	\$ 38,445
Interest on total OPEB liability	33,581	41,375
Difference between expected and actual experience	(234,955)	-
Changes of assumptions	48,678	-
Benefits payments	(72,818)	(87,385)
Net change in total OPEB liability	(166,023)	(7,565)
Total OPEB liability - beginning	1,178,687	1,186,252
Total OPEB liability - ending	<u>\$ 1,012,664</u>	<u>\$ 1,178,687</u>
 Covered-employee payroll	 \$ 7,814,909	 \$ 7,909,343
 District's total OPEB liability as a percentage of covered-employee payroll	 13.0%	 14.9%

See accompanying note to required supplementary information.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.011%	0.011%	0.010%	0.010%	0.013%
District's proportionate share of the net pension liability	\$ 10,545,989	\$ 10,305,625	\$ 8,395,712	\$ 7,061,025	\$ 7,395,803
State's proportionate share of the net pension liability associated with the District	6,038,102	6,096,770	4,780,232	3,734,493	4,465,906
Total	<u>\$ 16,584,091</u>	<u>\$ 16,402,395</u>	<u>\$ 13,175,944</u>	<u>\$ 10,795,518</u>	<u>\$ 11,861,709</u>
District's covered payroll	\$ 6,050,416	\$ 5,997,170	\$ 5,451,417	\$ 4,967,365	\$ 5,637,030
District's proportionate share of the net pension liability as a percentage of its covered payroll	174.3%	171.8%	154.0%	142.1%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.014%	0.015%	0.015%	0.014%	0.015%
District's proportionate share of the net pension liability	\$ 3,687,359	\$ 3,602,058	\$ 2,864,595	\$ 2,034,888	\$ 1,746,184
District's covered payroll	\$ 1,858,927	\$ 1,875,518	\$ 1,774,112	\$ 1,531,042	\$ 1,614,683
District's proportionate share of the net pension liability as a percentage of its covered payroll	198.4%	192.1%	161.5%	132.9%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 986,774	\$ 873,075	\$ 754,444	\$ 584,937	\$ 441,102
Contributions in relation to the contractually required contribution*	(986,774)	(873,075)	(754,444)	(584,937)	(441,102)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,009,735	\$ 6,050,416	\$ 5,997,170	\$ 5,451,417	\$ 4,967,365
Contributions as a percentage of covered payroll	16.42%	14.43%	12.58%	10.73%	8.88%

\*Amounts do not include on-behalf contributions

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 328,932	\$ 288,710	\$ 260,742	\$ 210,179	\$ 180,219
Contributions in relation to the contractually required contribution*	(328,932)	(288,710)	(260,742)	(210,179)	(180,219)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,805,174	\$ 1,858,927	\$ 1,875,518	\$ 1,774,112	\$ 1,531,042
Contributions as a percentage of covered payroll	18.22%	15.53%	13.90%	11.85%	11.77%

\*Amounts do not include on-behalf contributions

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Changes in Total OPEB Liability and Related Ratios**

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

**Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuation for OPEB.

**Changes in Assumptions**

The discount rate changed from 3.62% to 3.13% since the previous valuation for OPEB.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Changes in Benefit Terms**

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

**Changes in Assumptions**

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.



**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

**Schedule of District Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2019, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code, as follows:

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund			
Capital outlay	\$ 122,000	\$ 251,485	\$ 129,485

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## **SUPPLEMENTARY INFORMATION**

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**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster</b>	<b>CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U. S. DEPARTMENT OF EDUCATION:</b>			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 174,027
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	34,675
Title III, English Learner Student Program	84.365	14346	16,984
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	489,308
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	3,629
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	22
Subtotal Special Education Cluster			<u>492,959</u>
<b>Total U. S. Department of Education</b>			<u><u>718,645</u></u>
<b>U. S. DEPARTMENT OF AGRICULTURE:</b>			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	113,878
National School Lunch Program	10.555	13391	187,236
USDA Commodities	10.555	*	23,956
Subtotal Child Nutrition Cluster			<u>325,070</u>
<b>Total U. S. Department of Agriculture</b>			<u><u>325,070</u></u>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Administrative Activities	93.778	10060	39,249
<b>Total U. S. Department of Health &amp; Human Services</b>			<u>39,249</u>
<b>Total Federal Expenditures</b>			<u><u>\$ 1,082,964</u></u>

\* - Pass-Through Entity Identifying Number not available or not applicable

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<b>Second Period Report</b>	<b>Annual Report</b>
	<b>Certificate No. 6166B5E9</b>	<b>Certificate No. 744C8C05</b>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	252.31	254.89
Fourth through Sixth		
Regular ADA	228.83	229.34
Seventh through Eighth		
Regular ADA	192.66	190.83
Ninth through Twelfth		
Regular ADA	354.86	352.57
TOTAL SCHOOL DISTRICT	1,028.66	1,027.63

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2019**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>2018-19 Actual Minutes</b>	<b>Number of Days</b>	<b>Status</b>
Kindergarten	36,000	55,440	180	Complied
Grade 1	50,400	55,440	180	Complied
Grade 2	50,400	55,440	180	Complied
Grade 3	50,400	55,440	180	Complied
Grade 4	54,000	55,440	180	Complied
Grade 5	54,000	55,800	180	Complied
Grade 6	54,000	55,800	180	Complied
Grade 7	54,000	55,800	180	Complied
Grade 8	54,000	55,800	180	Complied
Grade 9	64,800	65,320	180	Complied
Grade 10	64,800	65,320	180	Complied
Grade 11	64,800	65,320	180	Complied
Grade 12	64,800	65,320	180	Complied

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

	2020 (Budget)	2019	2018	2017
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 18,063,937	\$ 20,374,465	\$ 18,204,384	\$ 16,983,335
Expenditures And Other Financing Uses	18,465,491	16,142,729	15,930,027	17,952,781
Net change in Fund Balance	\$ (401,554)	\$ 4,231,736	\$ 2,274,357	\$ (969,446)
Ending Fund Balance	\$ 7,391,094	\$ 7,792,648	\$ 3,560,912	\$ 1,286,555
Available Reserves*	\$ 5,738,041	\$ 7,499,535	\$ 2,245,209	\$ 1,335,244
Available Reserves As A Percentage Of Outgo	31.07%	46.46%	14.09%	7.44%
Long-term Liabilities	\$ 33,598,029	\$ 34,622,776	\$ 34,802,586	\$ 31,862,605
Average Daily Attendance At P-2	1,011	1,029	1,025	1,034

The General Fund balance has increased by \$6,506,093 over the past two years. The fiscal year 2019-20 budget projects a decrease of \$401,554. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2019-20 fiscal year. Total long-term obligations have increased by \$2,760,171 over the past two years.

Average daily attendance has decreased by 5 ADA over the past two years. Additional decline of 18 ADA is anticipated during the 2019-20 fiscal year.

\*Available reserves consist of all unassigned fund balance within the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

\*\*The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Outlay Benefits Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54. Additionally, on-behalf payments of \$530,381 are not included in the actual revenues and expenditures reported in this schedule.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<b>General Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Special Reserve Fund for Other Than Capital Outlay Projects</b>
June 30, 2019, annual financial and budget report fund balance	\$ 7,792,648	\$ 609,498	\$ 2,991
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	612,489	(609,498)	(2,991)
Net adjustments and reclassifications	612,489	(609,498)	(2,991)
June 30, 2019, audited financial statement fund balance	\$ 8,405,137	\$ -	\$ -

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2019**

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<b>Charter #</b>	<b>Charter School</b>	<b>Status</b>	<b>Included in Audit Report</b>
1972	Mission Academy	Active	No
2003	iLEAD Agua Dulce	Active	No
1828	Pathways Academy Charter Adult Education	Active	No
1836	Empower Generations	Active	No
1902	LEAD Online	Active	No
1911	Options For Youth-Acton, INC.	Active	No
1458	Assurance Learning Academy	Active	No
1636	SCALE Leadership Academy	Closed*	No
1651	Compass Charter Schools of Los Angeles	Active	No
1668	Inspire Charter School	Closed*	No
1677	Valiant Academy of Los Angeles	Closed*	No
1697	Method Schools, LA	Active	No
1699	LEAD Hybrid	Active	No
1700	SIATech Academy South	Active	No
1751	Community Collaborative Charter	Active	No

\*Closed effective June 30, 2019



**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2019**

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 54,686	\$ 256,340	\$ 76,329	\$ 680,147	\$ 792,956	\$ 1,860,458
Accounts receivable	48,145	5,675	873	3,744	-	58,437
<b>Total Assets</b>	<b>\$ 102,831</b>	<b>\$ 262,015</b>	<b>\$ 77,202</b>	<b>\$ 683,891</b>	<b>\$ 792,956</b>	<b>\$ 1,918,895</b>
<b>LIABILITIES</b>						
Accrued liabilities	\$ 16,078	-	-	\$ 111,867	-	\$ 127,945
<b>Total Liabilities</b>	<b>16,078</b>	<b>-</b>	<b>-</b>	<b>111,867</b>	<b>-</b>	<b>127,945</b>
<b>FUND BALANCES</b>						
Restricted	86,753	262,015	77,202	572,024	792,956	1,790,950
<b>Total Fund Balances</b>	<b>86,753</b>	<b>262,015</b>	<b>77,202</b>	<b>572,024</b>	<b>792,956</b>	<b>1,790,950</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 102,831</b>	<b>\$ 262,015</b>	<b>\$ 77,202</b>	<b>\$ 683,891</b>	<b>\$ 792,956</b>	<b>\$ 1,918,895</b>

See accompanying note to supplementary information.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
<b>REVENUES</b>						
Federal sources	\$ 325,070	\$ -	\$ -	\$ -	\$ -	\$ 325,070
Other state sources	25,079	-	-	-	6,073	31,152
Other local sources	109,007	83,927	8,291	14,492	817,715	1,033,432
<b>Total Revenues</b>	<b>459,156</b>	<b>83,927</b>	<b>8,291</b>	<b>14,492</b>	<b>823,788</b>	<b>1,389,654</b>
<b>EXPENDITURES</b>						
Current						
Pupil services						
Food services	431,996	-	-	-	-	431,996
Facilities acquisition and maintenance	-	1,500	993,498	152,908	-	1,147,906
Debt service						
Principal	-	45,000	-	-	600,000	645,000
Interest and other	-	-	-	-	149,170	149,170
<b>Total Expenditures</b>	<b>431,996</b>	<b>46,500</b>	<b>993,498</b>	<b>152,908</b>	<b>749,170</b>	<b>2,374,072</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>27,160</b>	<b>37,427</b>	<b>(985,207)</b>	<b>(138,416)</b>	<b>74,618</b>	<b>(984,418)</b>
<b>Fund Balance - Beginning</b>	<b>59,593</b>	<b>224,588</b>	<b>1,062,409</b>	<b>710,440</b>	<b>718,338</b>	<b>2,775,368</b>
<b>Fund Balance - Ending</b>	<b>\$ 86,753</b>	<b>\$ 262,015</b>	<b>\$ 77,202</b>	<b>\$ 572,024</b>	<b>\$ 792,956</b>	<b>\$ 1,790,950</b>

See accompanying note to supplementary information.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
JUNE 30, 2019**

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The Acton-Agua Dulce Unified School District was established in 1881 and is comprised of an area of approximately 200 square miles located in Los Angeles County. There were no changes in the boundaries of the District during the current year. The District is operating one elementary school, one middle school, and one high school.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Michael Fox	President	2020
Kelly Jensen	Vice President	2022
Ken Pfalzgraf	Clerk	2022
Brandon Roque	Member	2022
Tim Jorgensen	Member	2020

**DISTRICT ADMINISTRATORS**

Larry King  
*Superintendent*

Lynn David  
*Assistant Superintendent, Business Services*

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2019**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The District has not elected to use the 10 percent de minimis indirect cost rate.

**Schedule of Average Daily Attendance (ADA)**

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

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2019, the District participated in the Longer Day incentive funding program. As of June 30, 2019, the District had met its target funding.

**Schedule of Financial Trends and Analysis**

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

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

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

**Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the District and displays information for each Charter School on whether or not the Charter School is included in the District audit.

**Combining Statements – Non-Major Funds**

These statements provide information on the District's non-major funds.

**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.

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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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**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**

Independent Auditors' Report

Governing Board  
Acton-Agua Dulce Unified School District  
Acton, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Acton-Agua Dulce Unified School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Acton-Agua Dulce Unified School District's basic financial statements, and have issued our report thereon dated December 9, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Acton-Agua Dulce Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Acton-Agua Dulce Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Acton-Agua Dulce Unified School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2019-001)

## **Compliance and Other Matters**

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

## **Acton-Agua Dulce Unified School District's Response to Findings**

Acton-Agua Dulce Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Acton-Agua Dulce Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is cursive and fluid.

San Diego, California  
December 9, 2019

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

Governing Board  
Acton-Agua Dulce Unified School District  
Acton, California

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

We have audited Acton-Agua Dulce Unified School District's compliance with the types of compliance requirements described in the *OMB Circular OMB Compliance Supplement* that could have a direct and material effect on each of Acton-Agua Dulce Unified School District's major federal programs for the year ended June 30, 2019. Acton-Agua Dulce 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 Acton-Agua Dulce 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 Acton-Agua Dulce 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 Acton-Agua Dulce Unified School District's compliance.

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

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



## Report on Internal Control Over Compliance

Management of Acton-Agua Dulce 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 Acton-Agua Dulce 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 Acton-Agua Dulce 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 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.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is fluid and cursive.

San Diego, California  
December 9, 2019

**REPORT ON STATE COMPLIANCE**Independent Auditors' Report

Governing Board  
Acton-Agua Dulce Unified School District  
Acton, California

**Report on State Compliance**

We have audited Acton-Agua Dulce Unified School District's compliance with the types of compliance requirements described in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of Acton-Agua Dulce Unified School District's state programs for the fiscal year ended June 30, 2019, as identified below.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Acton-Agua Dulce Unified School District's state 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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Acton-Agua Dulce 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 with the requirements referred to above. However, our audit does not provide a legal determination of Acton-Agua Dulce Unified School District's compliance with those requirements.

***Opinion on State Compliance***

In our opinion, Acton-Agua Dulce Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2019.

### ***Procedures Performed***

In connection with the audit referred to above, we selected and tested transactions and records to determine Acton-Agua Dulce Unified School District's compliance with the state laws and regulations applicable to the following items:

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable



San Diego, California  
December 9, 2019

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
10.553, 10.555	Child Nutrition Cluster	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>750,000</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FIVE DIGIT CODE**

20000

30000

**AB 3627 FINDING TYPE**

Inventory of Equipment

Internal Control

**FINDING #2019-001 – ASSOCIATED STUDENT BODY (30000)**

**Criteria:** Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations, and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

**Condition:** Through our testing of the school site associated student body (ASB) accounts, we noted the following internal control deficiencies:

*Vasquez High School*

- 2 of 10 cash disbursements sampled were missing at least 1 of the required 3 approval signatures.
- 3 of 10 cash receipts sampled were not deposited timely (deposited over a month after collection).

**Effect:** The potential for irregularities in accounting may go undetected.

**Cause:** Insufficient controls over ASB activities

**Repeat finding:** Yes, see prior year finding #2018-002.

**Recommendation:** We recommend the District work with the ASB support staff, including school site principals to ensure that all ASBs are following the FCMAT recommended procedures for student body accounting.

**Corrective Action Plan:** The District will continue with the procedures for creation and review of monthly reconciliation reports to be reviewed and signed by ASB, the ASB Bookkeeper, the Principal, and the Assistant Superintendent of Business Services.

- All staff involved in ASB (ASB Advisor, ASB Bookkeeper, the Principal, and the Assistant Superintendent of Business Services) will attend ASB training through FCMAT and/or CASBO
- Implement a procedure for the ASB Bookkeeper to verify: 1a) Were any disbursements requested during the week of MM/DD/YY?, 1b) If disbursements were requested, were all 3 required signatures obtained PRIOR to disbursement, and 2a) Was any cash collected during the week of MM/DD/YY?, 2b) Written verification via email that all cash collected by the end of school on Friday that week has been deposited at the bank by the close of business on Friday that week. Weekly email verifications will be maintained in the Business Office with feedback and support to the site should any procedural issues occur.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FIVE DIGIT CODE**  
50000

**AB 3627 FINDING TYPE**  
Federal Compliance

*There were no federal award findings or questioned costs for the year ended June 30, 2019.*

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FIVE DIGIT CODE**

10000  
40000  
42000  
43000  
60000  
61000  
62000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

Attendance  
State Compliance  
Charter School Facilities Programs  
Apprenticeship: Related and Supplemental Instruction  
Miscellaneous  
Classroom Teacher Salaries  
Local Control Accountability Plan  
Instructional Materials  
Teacher Misassignments  
School Accountability Report Card

*There were no state award findings or questioned costs for the year ended June 30, 2019.*



**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINDING #2018-001: CONTROLS OVER DISTRICT CREDIT CARDS (30000)**

**Criteria:** The District should establish, maintain and enforce credit card policies that contain procedures for proper approvals and uses of District credit cards. District credit card policies and procedures should enforce the following:

- Only authorized users are provided with and may use the credit cards.
- Deadlines for submitting proper expenditure support are met.
- Prior approvals for purchases are obtained and documented.
- The Business Services department is receiving all appropriate supporting documentation and monitoring monthly expenditures for appropriateness and reasonableness.

**Condition:** Through our test of internal controls over credit cards, we noted the following deficiencies:

- The District does not have an approved credit card usage board policy in place.
- Per review of 5 months of credit card transactions we noted that 3 credit cards were actively utilized, one of those cards was in the name of the former District CBO. Despite the CBO leaving the District in October 2017, his card continued to be utilized by the Superintendent's Office.
- 25 of 25 credit card transactions tested had no evidence of pre-approval.
- 25 of 25 credit card transactions tested had no evidence of approval after the purchase was made.
- 15 of 25 credit card transactions tested did not have the purpose of the transaction indicated on the receipt.
- Many of the credit card transactions observed should have been purchased through the District's traditional purchasing cycle and use of the credit card was not necessary.

**Perspective/Context:** 25 credit card transactions were tested during the months of September 2017, November 2017, December 2017, March 2018 and April 2018.

**Cause:** Approved policies are not in place.

**Effect:** There is a risk of fraud and abuse of District funds through unauthorized credit card purchases.

**Recommendations:** We recommend that the District develop and implement a credit card usage policy. Credit card holders should be aware of the requirements for use of credit cards including the pre-approval of credit card purchases, submission of original credit card receipts, and monthly reconciliations and monitoring of the credit card purchases by the Business Office.

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINDING #2018-001: CONTROLS OVER DISTRICT CREDIT CARDS (30000) (continued)**

**District Response:** The current Governing Board Policy BP 3350 for Travel Expenses adopted in 2005 addresses the use of credit cards as follows: "Authorized employees may use district credit cards while attending to district business. Under no circumstances may personal expenses be charged on district credit cards."

The district is in the process of updating BP 3350 for Travel Expenses based on the sample policy provided by CSBA, which included increased detail about the allowable use of credit cards for travel expenses. The First Read of the updated BP 3350 is agendized for December 9, 2018 with a Second Read and request for adoption at a subsequent meeting.

The district updated its Purchasing Handbook and distributed it to all district Administrators, Supervisors, and Secretaries in July of 2018. The Purchasing Handbook emphasizes the importance of purchasing using POs and clarifies the process for generating and approving purchase orders. The district plans to develop a Credit Card Policies and Procedures document in early 2019 which will be distributed and signed by each employee authorized to make purchases with a district credit card.

**Current Status:** Implemented.

**FINDING #2018-002 – ASSOCIATED STUDENT BODY (30000)**

**Criteria:** Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations, and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

**Condition:** Through our testing of the school site associated student body (ASB) accounts, we noted the following internal control deficiencies:

*Vasquez High School*

- 5 of 12 bank reconciliations for the year were not prepared or available for audit. The 7 bank reconciliations available for audit were not completed accurately or timely, furthermore they were not prepared or reviewed by an employee with sufficient accounting knowledge
- Checks were posted in the accounting software twice and the accountant was overwriting the software's internal control features by altering the duplicate check number with a letter. This practice overstated the expenditures reported in the system.
- Checks were voided in the accounting software despite clearing the bank account, this practice understated the expenditures reported in the system.
- Deposits posted in the accounting software differed significantly from the actual amounts posting to the bank account. Furthermore, many of the deposits to the bank account lacked sufficient supporting documentation.
- 4 of 10 cash disbursements sampled were missing at least 1 of the required 3 approval signatures.
- 10 of 10 cash receipts sampled contained exceptions, all 10 did contain sufficient supporting documentation (sales summaries, tally sheets, cash count, etc.), additionally 2 receipts were not deposited timely (deposited over a month after collection).

**ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINDING #2018-002 – ASSOCIATED STUDENT BODY (30000) (continued)**

*Vasquez High School (continued)*

- Deposit forms are lacking an authorized reviewer signature.
- Ticket logs and sales reports are not utilized.
- Revenue potential worksheets are not utilized.

*High Desert Middle School*

- The ASB approved a fundraising activity, “Pennies for Patient”, the change is collected and taken to a Coinstar machine and then taken to the charity. The revenue and expense is never recorded in the ASB records, however, the bookkeeper is maintaining copies of all receipts. Furthermore, parking for a fieldtrip was paid with ASB cash, instead of reimbursement being made to a chaperone.

**Effect:** The potential for irregularities in accounting may go undetected.

**Cause:** Insufficient controls over ASB activities

**Recommendation:** We recommend the District work with the ASB support staff, including school site principals to ensure that all ASBs are following the FCMAT recommended procedures for student body accounting.

**District response:** Audit findings have been shared with site Principals and ASB Advisors. ASB resources have been provided to staff at High Desert School and Vasquez High School to clarify procedures for cash collection and reimbursements.

New ASB leaders (Principal, ASB Advisor, ASB Bookkeeper, Athletic Director) were hired or appointed for Vasquez High School beginning July 1, 2018. The Principal, ASB Advisor, ASB Bookkeeper, Athletic Director, and the Assistant Superintendent of Business Services attended a FCMAT ASB Workshop in October and November of 2018. The district has contracted with the Auditors to provide training to all ASB Club Advisors and Athletic Coaches regarding ASB requirements and procedures. The training is anticipated to be delivered in January/February 2019.

Reconciliation reports will be produced monthly for review and signature by ASB, the ASB Bookkeeper, and the Principal. Signed reports will be sent to the District Office monthly for review by the Assistant Superintendent of Business Services.

**Current Status:** Partially implemented, see current year finding #2019-001.