



Annual Financial Report
June 30, 2019

La Cañada Unified School District



LA CAÑADA UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the 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 management's discussion and analysis on pages 5 through 12, budgetary comparison schedule on page 66, schedule of changes in the District's total OPEB liability and related ratios on page 67, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 68, schedule of the District's proportionate share of the net pension liability on page 69, and the schedule of District contributions on page 70, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 16, 2019

Wendy K. Sinnette
Superintendent

Anaïs Wenn
*Assistant Superintendent
Educational Services*

Mark Evans
*Chief Business and
Operations Officer*

Jamie Lewsadder
Chief Technology Officer

La Cañada Unified School District

**a learning community committed to personal growth and
academic excellence**



This section of the La Cañada Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2019, with comparative information from the year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The intent of the analysis is to look at the District's financial performance as a whole; readers should also review the auditor's letter, notes to the basic financial statements, and the basic government-wide financial statements to enhance understanding of the District's financial performance.

La Cañada Unified School District serves approximately 4,157 students in grades TK - 12. There are three elementary schools, and one combined junior high and high school. Approximately 401 full time equivalent certificated and classified employees provide for the academic and support needs of the District's students. The District is located in La Cañada Flintridge, California.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental, and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, and parcel taxes to finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

The District is the *fiduciary* for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$3,814,608 for the fiscal year ended June 30, 2019. Of this amount, (\$33,310,017) was unrestricted deficit. 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. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

| | Governmental Activities | |
|--|-------------------------|---------------------|
| | 2019 | 2018 |
| Assets | | |
| Current and other assets | \$ 51,476,351 | \$ 53,546,598 |
| Capital assets | 57,863,188 | 54,411,626 |
| Total Assets | <u>109,339,539</u> | <u>107,958,224</u> |
| Deferred Outflows of Resources | <u>13,039,854</u> | <u>14,046,489</u> |
| Liabilities | | |
| Current liabilities | 6,504,371 | 4,894,630 |
| Long-term obligations/bonded debt ¹ | 63,151,444 | 65,162,588 |
| Aggregate net pension liability | 45,206,429 | 44,468,079 |
| Total Liabilities | <u>114,862,244</u> | <u>114,525,297</u> |
| Deferred Inflows of Resources | <u>3,702,541</u> | <u>3,851,385</u> |
| Net Position | | |
| Net investment in capital assets | 29,730,750 | (1,366,537) |
| Restricted | 7,393,875 | 8,865,963 |
| Unrestricted (Deficit) | (33,310,017) | (3,871,395) |
| Total Net Position | <u>\$ 3,814,608</u> | <u>\$ 3,628,031</u> |

¹ Reflects voter approved General Obligation Bond payment obligations. The \$(33,310,017) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 14. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

| | Governmental Activities | |
|--|-------------------------|-----------------------|
| | 2019 | 2018 |
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$ 785,254 | \$ 748,211 |
| Operating grants and contributions | 6,848,190 | 5,594,438 |
| General revenues: | | |
| Federal and State aid not restricted | 17,582,257 | 15,847,744 |
| Property taxes | 26,369,010 | 24,752,502 |
| Interest and investment earnings | 931,812 | 278,129 |
| Other general revenues | 9,495,683 | 10,433,414 |
| Total Revenues | 62,012,206 | 57,654,438 |
| Expenses | | |
| Instruction-related | 42,243,616 | 38,312,913 |
| Pupil services | 4,551,548 | 4,024,170 |
| Administration and technology ¹ | 4,891,148 | 3,818,624 |
| Maintenance and operations | 6,399,585 | 5,878,816 |
| Other | 3,739,732 | 7,099,881 |
| Total Expenses | 61,825,629 | 59,134,404 |
| Change in Net Position | \$ 186,577 | \$ (1,479,966) |

¹ Information technology expenses totaled \$1,691,773 in 2018-2019.

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of the District governmental activities this year was \$61,825,629. However, the amount that the District taxpayers ultimately financed for these activities through local taxes was only \$26,369,010 because the cost was paid by those who benefited from the programs (\$785,254) or by other governmental agencies and organizations who subsidized certain programs with grants and contributions of \$6,848,190. The District received \$17,582,257 in Federal and State funds, and \$10,427,495 in other general revenues, such as interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's governmental activities by function. As discussed above, 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.

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Table 3

| | Total Cost of Services | | Net Cost of Services | |
|-------------------------------|------------------------|----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Instruction-related | \$ 42,243,616 | \$ 38,312,913 | \$ 35,830,315 | \$ 33,518,971 |
| Pupil services | 4,551,548 | 4,024,170 | 3,493,343 | 3,021,163 |
| Administration and technology | 4,891,148 | 3,818,624 | 4,729,210 | 3,634,698 |
| Maintenance and operations | 6,399,585 | 5,878,816 | 6,399,585 | 5,517,042 |
| Other | 3,739,732 | 7,099,881 | 3,739,732 | 7,099,881 |
| Total | \$ 61,825,629 | \$ 59,134,404 | \$ 54,192,185 | \$ 52,791,755 |

Instruction-related activities comprise approximately 68.33 percent of expenses. Pupil Services including home-to-school transportation and food services equal 7.36 percent of expenses. Administrative expenses, including Informational Services and Technology, represent 7.91 percent of expenses, and Maintenance and Operations, including facilities acquisition, construction, and other expenses represent 16.40 percent of expenses.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$46,705,943, which is a decrease of \$3,247,360 from last year (Table 4).

Table 4

| | Balances and Activity | | | |
|---|-----------------------|---|--|----------------------|
| | July 1, 2018 | Revenues and Other Financing Sources | Expenditures and Other Financing Uses | June 30, 2019 |
| General Fund | \$ 11,121,681 | \$ 53,076,152 | \$ 51,822,835 | \$ 12,374,998 |
| Building Fund | 29,425,963 | 584,694 | 4,511,453 | 25,499,204 |
| Bond Interest and Redemption Fund | 7,378,623 | 4,602,688 | 5,278,156 | 6,703,155 |
| Cafeteria Fund | 20,624 | 871,032 | 868,163 | 23,493 |
| Capital Facilities Fund | 793,957 | 262,282 | 12,216 | 1,044,023 |
| Special Reserve Fund for Capital Outlay Projects | 1,212,455 | 343,546 | 494,931 | 1,061,070 |
| Total | \$ 49,953,303 | \$ 59,740,394 | \$ 62,987,754 | \$ 46,705,943 |

The primary reasons for the changes are:

- With stronger economic stability, the District was able to negotiate a 2.75 percent salary increase for certificated staff retroactive to July 1, 2018. Negotiations for 2019-2020 are complete. Certificated and classified salaries increased 2.5%.

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

General Fund Budgetary Highlights

The District's budget is prepared in accordance with California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgetary fund is the General Fund.

The District begins the budget process in January of each year. By law, the Governing Board must adopt a Final Budget by June 30. A proposed Final Budget is presented in June, which reflects the latest known financial information, including the Governor's May Revise of the State budget. The Final Budget is presented in June, first at a public hearing, followed by adoption in late June. During the course of the fiscal year, the District revises its budget as it addresses various changes to previously established revenue and expenditure projections.

These reports include revisions based on the adopted State budget that are presented to the Governing Board in August as needed, the report of prior year (unaudited) revenue and expenditure information presented in early September, and the First and Second Interim Financial reports presented respectively in December and March.

Over the course of the year, the District revises its budget as necessary to address unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2019. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 66).

The District continued to implement the State Local Control Funding Formula for 2018-2019 and has reflected this funding model in the 2018-2019 and multiyear budgets.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had \$57,863,188 in a broad range of capital assets (net of depreciation), including land and construction in progress, buildings and improvements, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$3,451,562, or 6.34 percent, from last year (Table 5).

Table 5

| | Governmental Activities | |
|-----------------------------------|-------------------------|----------------------|
| | 2019 | 2018 |
| Land and construction in progress | \$ 4,465,965 | \$ 1,968,803 |
| Buildings and improvements | 53,075,844 | 52,068,026 |
| Equipment | 321,379 | 374,797 |
| Total | \$ 57,863,188 | \$ 54,411,626 |

This fiscal year's additions of approximately \$5,287,901 are for infrastructure, technology, and exterior enhancement of building and equipment.

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Long-Term Obligations

At the end of this year, the District's voter-approved debt was \$48,682,958 in bonds outstanding versus \$50,558,342 last year, a decrease of 3.71 percent. Those bonds consisted of:

Table 6

| | 2019 | 2018 |
|---|----------------------|----------------------|
| General obligation bonds (voter-approved) | <u>\$ 48,682,958</u> | <u>\$ 50,558,342</u> |

The District's general obligation bond rating continues to be "Aa1". The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$48,682,958 is significantly below the statutorily-imposed limit.

Other Long-Term Obligations

Other obligations include compensated absences payable, postemployment benefits and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Table 7

| | Governmental Activities | |
|---|-------------------------|----------------------|
| | 2019 | 2018 |
| Premium on debt | \$ 4,851,564 | \$ 5,103,278 |
| Compensated absences | 238,398 | 237,137 |
| Other long-term obligation - sewer system | 97,120 | 116,543 |
| PARS supplemental retirement plan | - | 129,932 |
| OPEB | 9,281,404 | 9,017,356 |
| Total | <u>\$ 14,468,486</u> | <u>\$ 14,604,246</u> |

Net Pension Liability (NPL)

At year-end, the District had a pension liability of \$45,206,429 as a result of the adoption of GASB Statement No. 68.

FINANCIAL HIGHLIGHTS

- General revenues (primarily State and Federal sources and property taxes and local revenue) accounted for \$51,311,789 in revenue or 89 percent of all revenues. Program revenues (restricted programs) accounted for \$6,342,649 or 11 percent of total revenue of \$57,654,438.

LA CAÑADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

- Expenses in the governmental funds were \$59,134,404; \$6,342,649 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues of \$51,311,789 were adequate to provide the remaining \$52,791,755 required for these programs. This resulted in a negative change in total Net Position of \$1,479,966 as described in Table 2.
- The General Fund reported a positive fund balance of \$11,121,681 of which \$5,493,941 is designated for economic uncertainties and other designations, including the required reserve balance.
- The La Cañada Flintridge Educational Foundation funded \$2,225,000 during 2018-2019.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2019-2020 year, the governing board and management used a variety of budgetary assumptions.

The key assumptions in our forecast included:

- Student enrollment trends reflected an Assumption of flat enrollment for the multi-year projection. Projected retirement of staff of approximately \$298,000.
- Increased costs associated with employee compensation (step and column).
- Special Education Program expenditures will continue to be monitored fiscally to ensure compliance of maintenance of effort requirements.
- Utility increase of approximately three percent.
- Parcel Tax Revenue of approximately \$2.6 million.
- Deferred Maintenance contribution of approximately \$335,000 from General Fund.

As the District prepares for 2019-2020 and beyond, the fiscal impact on the District of the State of California's overall revenue remains unknown. La Cañada Unified School District will receive 73% percent of its General Fund Local Control Funding Formula funds from the State of California in 2019-2020. The District is, therefore, highly dependent on State revenue. The District will continue to closely monitor enrollment in the coming years. With careful planning and monitoring of its finances, the Governing Board of the La Cañada Unified School District believes that it can continue to provide a quality educational program for students.

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 funding it receives. If you have questions about this report or need any additional financial information, please contact Business Services, at La Cañada School District, 4490 Cornishon Avenue, La Cañada, California, 91011, or e-mail at mevans@lcsd.net.

LA CAÑADA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2019

| | Governmental Activities |
|---|------------------------------------|
| ASSETS | |
| Deposits and investments | \$ 48,869,803 |
| Receivables | 2,415,407 |
| Prepaid expenses | 63,613 |
| Stores inventories | 27,855 |
| Other current assets | 99,673 |
| Capital assets: | |
| Land and construction in progress | 4,465,965 |
| Other capital assets | 96,068,981 |
| Less: Accumulated depreciation | (42,671,758) |
| Total Capital Assets, Net | 57,863,188 |
| Total Assets | 109,339,539 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of resources related to net other post employment benefits (OPEB) liability | 155,243 |
| Deferred outflows of resources related to pensions | 12,884,611 |
| Total Deferred Outflows of Resources | 13,039,854 |
| LIABILITIES | |
| Accounts payable | 4,538,768 |
| Accrued interest | 1,733,963 |
| Unearned revenue | 231,640 |
| Long-term obligations: | |
| Current portion of long-term obligations other than pensions | 1,866,513 |
| Noncurrent portion of long-term obligations other than pensions | 61,284,931 |
| Total Long-Term Obligations ¹ | 63,151,444 |
| Aggregate net pension liability | 45,206,429 |
| Total Liabilities | 114,862,244 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources related to pensions | 3,702,541 |
| NET POSITION | |
| Net investment in capital assets | 29,730,750 |
| Restricted for: | |
| Debt service | 4,969,192 |
| Capital projects | 2,105,093 |
| Educational programs | 296,097 |
| Other activities | 23,493 |
| Unrestricted (Deficit) | (33,310,017) |
| Total Net Position | \$ 3,814,608 |

¹ Includes \$48,682,958 of voter approved General Obligation Bonds

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

| Functions/Programs | Expenses | Program Revenues | | Net (Expenses) Revenues and Changes in Net Position |
|--|----------------------|--------------------------------------|--|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities: | | | | |
| Instruction | \$ 36,162,440 | \$ - | \$ 6,143,827 | \$ (30,018,613) |
| Instruction-related activities: | | | | |
| Supervision of instruction | 1,431,897 | - | 145,958 | (1,285,939) |
| Instructional library, media, and technology | 750,821 | - | 6,454 | (744,367) |
| School site administration | 3,898,458 | - | 117,062 | (3,781,396) |
| Pupil services: | | | | |
| Home-to-school transportation | 520,943 | - | - | (520,943) |
| Food services | 838,892 | 744,952 | 43,429 | (50,511) |
| All other pupil services | 3,191,713 | - | 269,824 | (2,921,889) |
| Administration: | | | | |
| Information technology | 1,691,773 | - | - | (1,691,773) |
| All other administration | 3,199,375 | 40,302 | 121,636 | (3,037,437) |
| Plant services | 6,399,585 | - | - | (6,399,585) |
| Ancillary services | 74,690 | - | - | (74,690) |
| Community services | 74,724 | - | - | (74,724) |
| Interest on long-term obligations | 3,590,318 | - | - | (3,590,318) |
| Total Governmental Activities | \$ 61,825,629 | \$ 785,254 | \$ 6,848,190 | (54,192,185) |
| General Revenues and Subventions: | | | | |
| | | | | 19,280,523 |
| Property taxes, levied for general purposes | | | | 4,494,864 |
| Property taxes, levied for debt service | | | | 2,593,623 |
| Taxes levied for other specific purposes | | | | 17,582,257 |
| Federal and State aid not restricted to specific purposes | | | | 931,812 |
| Interest and investment earnings | | | | 9,495,683 |
| Miscellaneous | | | | 54,378,762 |
| Subtotal, General Revenues | | | | 186,577 |
| Change in Net Position | | | | 3,628,031 |
| Net Position - Beginning | | | | \$ 3,814,608 |
| Net Position - Ending | | | | |

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

| | General Fund | Building Fund | Bond Interest and Redemption Fund |
|--|----------------------|----------------------|---|
| ASSETS | | | |
| Deposits and investments | \$ 13,501,609 | \$ 26,586,542 | \$ 6,703,155 |
| Receivables | 2,061,244 | 147,066 | - |
| Prepaid expenditures | 63,613 | - | - |
| Stores inventories | 27,855 | - | - |
| Other current assets | 99,673 | - | - |
| Total Assets | \$ 15,753,994 | \$ 26,733,608 | \$ 6,703,155 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 3,220,437 | \$ 1,234,404 | \$ - |
| Unearned revenue | 158,559 | - | - |
| Total Liabilities | 3,378,996 | 1,234,404 | - |
| Fund Balances: | | | |
| Nonspendable | 97,498 | - | - |
| Restricted | 296,097 | 25,499,204 | 6,703,155 |
| Committed | 490,000 | - | - |
| Assigned | 3,756,307 | - | - |
| Unassigned | 7,735,096 | - | - |
| Total Fund Balance | 12,374,998 | 25,499,204 | 6,703,155 |
| Total Liabilities and Fund Balances | \$ 15,753,994 | \$ 26,733,608 | \$ 6,703,155 |

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

| Non-Major Governmental Funds | Total Governmental Funds |
|---|---|
| \$ 2,078,497 | \$ 48,869,803 |
| 207,097 | 2,415,407 |
| - | 63,613 |
| - | 27,855 |
| - | 99,673 |
| <u>\$ 2,285,594</u> | <u>\$ 51,476,351</u> |

| | |
|---------------------|----------------------|
| \$ 83,927 | \$ 4,538,768 |
| 73,081 | 231,640 |
| <u>157,008</u> | <u>4,770,408</u> |
| - | 97,498 |
| 2,128,586 | 34,627,042 |
| - | 490,000 |
| - | 3,756,307 |
| - | 7,735,096 |
| <u>2,128,586</u> | <u>46,705,943</u> |
| <u>\$ 2,285,594</u> | <u>\$ 51,476,351</u> |

LA CAÑADA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS FOR THE YEAR ENDED JUNE 30, 2019

| | | |
|--|---------------------|----------------------|
| Total Fund Balance - Governmental Funds | | \$ 46,705,943 |
| Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. | | |
| The cost of capital assets is: | \$ 100,534,946 | |
| Accumulated depreciation is: | <u>(42,671,758)</u> | |
| Net Capital Assets | | 57,863,188 |
| In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred. | | (1,733,963) |
| Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year end consist of: | | |
| Pension contributions subsequent to measurement date | 4,334,442 | |
| Net change in proportionate share of net pension liability | 1,222,877 | |
| Difference between projected and actual earnings on pension plan investments | 88,877 | |
| Difference between expected and actuals experience in the measurement of the total pension liability | 816,940 | |
| Changes in assumptions | <u>6,421,475</u> | |
| Total Deferred Outflows of Resources related to Pensions | | 12,884,611 |
| Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year end consists of: | | |
| Net change in proportionate share of net pension liability | (1,879,804) | |
| Difference between projected and actual earnings on pension plan investments | (1,323,485) | |
| Difference between expected and actuals experience in the measurement of the total pension liability | <u>(499,252)</u> | |
| Total Deferred Inflows of Resources related to Pensions | | (3,702,541) |

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENTAL FUNDS

BALANCE SHEET TO STATEMENT OF NET ASSETS (Continued) FOR THE YEAR ENDED JUNE 30, 2019

Deferred outflows of resources related to OPEB represents a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of changes of assumptions.

\$ 155,243

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.

(45,206,429)

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term obligations at year-end consist of:

General obligation bonds payable (48,682,958)

Premium on debt (4,851,564)

Compensated absences (vacations) (238,398)

Other long-term obligation - sewer system (97,120)

Other postemployment benefits (9,281,404)

Total Long-Term Obligations (63,151,444)

Total Net Position - Governmental Activities \$ 3,814,608

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

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

| | General Fund | Building Fund | Bond Interest and Redemption Fund |
|--|----------------------|----------------------|---|
| REVENUES | | | |
| Local Control Funding Formula | \$ 34,848,263 | \$ - | \$ - |
| Federal sources | 905,833 | - | - |
| Other State sources | 8,328,453 | - | 16,565 |
| Other local sources | 8,993,603 | 584,694 | 4,586,123 |
| Total Revenues | 53,076,152 | 584,694 | 4,602,688 |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | 32,043,702 | - | - |
| Instruction-related activities: | | | |
| Supervision of instruction | 1,274,558 | - | - |
| Instructional library, media, and technology | 666,550 | - | - |
| School site administration | 3,492,425 | - | - |
| Pupil services: | | | |
| Home-to-school transportation | 482,137 | - | - |
| Food services | 5,738 | - | - |
| All other pupil services | 2,830,038 | - | - |
| Administration: | | | |
| Information technology | 1,609,071 | - | - |
| All other administration | 2,689,420 | - | - |
| Plant services | 5,296,261 | - | - |
| Facility acquisition and construction | 1,262,857 | 4,511,453 | - |
| Ancillary services | 71,729 | - | - |
| Community services | 72,294 | - | - |
| Debt service | | | |
| Principal | 19,423 | - | 1,875,384 |
| Interest and other | 6,632 | - | 3,402,772 |
| Total Expenditures | 51,822,835 | 4,511,453 | 5,278,156 |
| Excess (Deficiency) of Revenues Over Expenditures | 1,253,317 | (3,926,759) | (675,468) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Net Financing Sources (Uses) | - | - | - |
| NET CHANGE IN FUND BALANCES | 1,253,317 | (3,926,759) | (675,468) |
| Fund Balances - Beginning | 11,121,681 | 29,425,963 | 7,378,623 |
| Fund Balances - Ending | \$ 12,374,998 | \$ 25,499,204 | \$ 6,703,155 |

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

| Non-Major Governmental Funds | Total Governmental Funds |
|---|---|
| \$ - | \$ 34,848,263 |
| 42,427 | 948,260 |
| 1,089 | 8,346,107 |
| 1,393,344 | 15,557,764 |
| <u>1,436,860</u> | <u>59,700,394</u> |
| - | 32,043,702 |
| - | 1,274,558 |
| - | 666,550 |
| - | 3,492,425 |
| - | 482,137 |
| 823,606 | 829,344 |
| - | 2,830,038 |
| - | 1,609,071 |
| 56,773 | 2,746,193 |
| 351,011 | 5,647,272 |
| 103,920 | 5,878,230 |
| - | 71,729 |
| - | 72,294 |
| - | 1,894,807 |
| - | 3,409,404 |
| <u>1,335,310</u> | <u>62,947,754</u> |
| <u>101,550</u> | <u>(3,247,360)</u> |
| 40,000 | 40,000 |
| <u>(40,000)</u> | <u>(40,000)</u> |
| - | - |
| 101,550 | (3,247,360) |
| 2,027,036 | 49,953,303 |
| <u>\$ 2,128,586</u> | <u>\$ 46,705,943</u> |

LA CAÑADA 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

Total Net Change in Fund Balances - Governmental Funds **\$ (3,247,360)**

Amounts Reported for Governmental Activities in the

Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which Capital outlays exceeds depreciation expense in the period.

| | | |
|------------------------|--------------------|-----------|
| Capital outlays | \$ 5,287,901 | |
| Depreciation expense | <u>(1,836,339)</u> | |
| Net Expense Adjustment | | 3,451,562 |

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year.

In the governmental funds, however, expenditures on these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was less than the amounts earned by \$1,261.

(1,261)

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

(1,751,384)

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

(108,805)

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

In the Statement of Activities, certain operating expenses special termination benefits (early retirement) are measure by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measure by the amount of financial resources used (essentially, the amounts actually paid). This year, the amounts paid were in the amount of \$129,932.

| | |
|--|---------|
| | 129,932 |
|--|---------|

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.

| | | |
|--|---------------|-----------|
| General obligation bonds | 1,875,384 | |
| Other long-term obligations - sewer system | <u>19,423</u> | |
| | | 1,894,807 |

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

This adjustment combines the net changes of the following balance:

| | |
|---------------------------------|------------|
| Amortization of premium on debt | \$ 251,714 |
|---------------------------------|------------|

Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

| | |
|--|--------------------------|
| | (432,628) |
| Change in Net Position of Governmental Activities | <u>\$ 186,577</u> |

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2019

| ASSOCIATED STUDENT BODY FUNDS | Agency Funds |
|--------------------------------------|-------------------------|
| ASSETS | |
| Deposits and investments | \$ 698,827 |
| LIABILITIES | |
| Due to student groups | \$ 698,827 |

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The La Cañada Unified School District (the District) was unified on July 1, 1961, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades TK - 12 as mandated by the State and/or Federal agencies. The District operates three elementary schools, and one combined junior high and high school.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may 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 the taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes the Foundation discussed below is not reported in the District's financial statements. The Foundation did not meet the criteria established in Government Accounting Standards Board (GASB) Statement No.14 as amended by GASB Statement No. 39 based on its significance and relationship to the District. Based on the reasons indicated below the La Cañada Flintridge Educational Foundation is not included in this report.

The La Cañada Flintridge Educational Foundation The La Cañada Flintridge Educational Foundation (the Foundation) is a legally separate, tax-exempt entity. The Foundation's sole purpose is to provide financial support for La Cañada Unified School District. Although the District does not control the timing or the amount of receipts of the Foundation, the majority of the resources held by the Foundation can only be used by, or for the benefit of the District. During the year ended June 30, 2019, the Foundation contributed approximately \$2,106,500 to the District.

Basis of Presentation - Fund Accounting

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Major Governmental Funds

General Fund (03) The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Three funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result of combining Funds 14, 17, and 20, the General Fund has an increase in fund balance of \$3,020,288.

Building Fund (21) The Building Fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Bond Interest and Redemption Fund (51) The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

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

Cafeteria Fund (13) The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Capital Facilities Fund (25) The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Special Reserve Fund for Capital Outlay Projects (40) The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

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

Basis of Accounting - Measurement Focus

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

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Net position should be reported as restricted when constraints placed on net position 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 result from special revenue funds and the restrictions on their net position use.

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

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

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

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General and Debt Service Funds represent investments required by debt covenants, and existing government code, to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance, and state reporting requirements.

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide 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 resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for revolving cash accounts, stores inventories, and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund balance designations have been established for economic uncertainties.

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, statement of net position. Debt premiums and discounts related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for OPEB and pension related items

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Spending Order Policy

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

Minimum Fund Balance Policy

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

Stabilization Arrangement

In fiscal year 2018-2019, the governing board adopted a resolution for stabilization arrangements. Under the resolution, a portion of the fund balance of the General Fund is committed for stabilization arrangements, such as might be needed in emergency situations or when revenue shortages or budgetary imbalances occur. The resolution states that, at fiscal year-end, an amount approximately equal to, but not less than, ten percent of the annual operating expenditures of the General Fund is to be committed for use in covering catastrophic losses, including natural and man-made disasters, insurance loss reserves, and limited operating expenses in a period of severe economic uncertainty. At June 30, 2019, \$490,000 of the fund balance for the General Fund was reported as committed for economic stabilization. The resolution recognizes that under extreme conditions, the use of resources may result in the committed fund balance amount dropping below the established threshold. Such amounts are required to be reinstated by the end of the subsequent fiscal year.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$7,393,875 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. 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 columns of the Statement of Activities.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Estimates

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

Property Tax

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

Change in Accounting Principles

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

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

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

New Accounting Pronouncements

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

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

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

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

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

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

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

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

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

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

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JUNE 30, 2019

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

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

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

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

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

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

| | |
|--------------------------------|----------------------|
| Governmental activities | \$ 48,869,803 |
| Fiduciary funds | 698,827 |
| Total Deposits and Investments | <u>\$ 49,568,630</u> |

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

| | |
|--------------------------------|----------------------|
| Cash on hand and in banks | \$ 702,327 |
| Cash in revolving | 6,030 |
| Investments | 48,860,273 |
| Total Deposits and Investments | <u>\$ 49,568,630</u> |

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Policies and Practices

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

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

General Authorizations

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

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Interest Rate Risk

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

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

| <u>Investment Type</u> | <u>Reported Amount</u> | <u>Weighted Average Maturity In Days</u> |
|------------------------------------|----------------------------|--|
| Los Angeles County Investment Pool | <u>\$ 48,860,273</u> | 547 |

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2019.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District has \$725,725 in bank deposits with financial institutions exposed to custodial credit risk.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if 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 are as follows at June 30, 2019:

| Investment Type | Reported Amount | Uncategorized |
|------------------------------------|--------------------|---------------|
| Los Angeles County Investment Pool | \$ 48,860,273 | \$ 48,860,273 |

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 4 - RECEIVABLES

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

| | General Fund | Building Fund | Non-Major Governmental Funds | Total Governmental Activities |
|---------------------|---------------------|-------------------|------------------------------------|-------------------------------------|
| Federal Government | | | | |
| Categorical aid | \$ 872,772 | \$ - | \$ 5,422 | \$ 878,194 |
| State Government | | | | |
| Categorical aid | 203,050 | - | 105 | 203,155 |
| Lottery | 166,571 | - | - | 166,571 |
| Local Government | | | | |
| Interest | 15,245 | 147,066 | 11,028 | 173,339 |
| Other Local Sources | 803,606 | - | 190,542 | 994,148 |
| Total | <u>\$ 2,061,244</u> | <u>\$ 147,066</u> | <u>\$ 207,097</u> | <u>\$ 2,415,407</u> |

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 5 - CAPITAL ASSETS

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

| | Balance July 1, 2018 | Additions | Deductions | Balance June 30, 2019 |
|--|-------------------------|--------------|------------|--------------------------|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 926,963 | \$ - | \$ - | \$ 926,963 |
| Construction in Progress | 1,041,840 | 2,497,162 | - | 3,539,002 |
| Total Capital Assets Not Being Depreciated | 1,968,803 | 2,497,162 | - | 4,465,965 |
| Capital Assets Being Depreciated: | | | | |
| Land Improvements | 3,841,818 | 279,497 | - | 4,121,315 |
| Buildings and Improvements | 84,840,233 | 2,470,053 | - | 87,310,286 |
| Furniture and Equipment | 4,596,191 | 41,189 | - | 4,637,380 |
| Total Capital Assets Being Depreciated | 93,278,242 | 2,790,739 | - | 96,068,981 |
| Total Capital Assets | 95,247,045 | 5,287,901 | - | 100,534,946 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | 1,962,266 | 160,401 | - | 2,122,667 |
| Buildings and Improvements | 34,651,759 | 1,581,331 | - | 36,233,090 |
| Furniture and Equipment | 4,221,394 | 94,607 | - | 4,316,001 |
| Total Accumulated Depreciation | 40,835,419 | 1,836,339 | - | 42,671,758 |
| Governmental Activities Capital Assets, Net | \$ 54,411,626 | \$ 3,451,562 | \$ - | \$ 57,863,188 |

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

| | |
|---|---------------------|
| Governmental Activities | |
| Instruction | \$ 1,203,720 |
| Supervision of instruction | 41,869 |
| Instructional library, media, and technology | 21,852 |
| School site administration | 124,137 |
| Home-to-school transportation | 20,751 |
| All other pupil services | 98,979 |
| Information technology | 23,505 |
| All other administration | 301,526 |
| Total Depreciation Expenses Governmental Activities | <u>\$ 1,836,339</u> |

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 6 - INTERFUND TRANSACTIONS

Operating Transfers

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

| | |
|--|------------------|
| The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred to the Cafeteria Non-Major Governmental Fund for cash flow purposes. | <u>\$ 40,000</u> |
|--|------------------|

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - ACCOUNTS PAYABLE

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

| | General Fund | Building Fund | Non-Major Governmental Funds | Total Governmental Activities |
|-----------------------|---------------------|---------------------|------------------------------------|-------------------------------------|
| Vendor payables | \$ 1,079,297 | \$ 1,234,404 | \$ 74,227 | \$ 2,387,928 |
| Salaries and benefits | 2,141,140 | - | 9,700 | 2,150,840 |
| Total | <u>\$ 3,220,437</u> | <u>\$ 1,234,404</u> | <u>\$ 83,927</u> | <u>\$ 4,538,768</u> |

NOTE 8 - UNEARNED REVENUE

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

| | General Fund | Non-Major Governmental Funds | Total Governmental Activities |
|------------------------------|-------------------|------------------------------------|-------------------------------------|
| Federal financial assistance | \$ 27,873 | \$ - | \$ 27,873 |
| State categorical aid | 130,686 | - | 130,686 |
| Other local | - | 73,081 | 73,081 |
| Total | <u>\$ 158,559</u> | <u>\$ 73,081</u> | <u>\$ 231,640</u> |

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

| | Balance July 1, 2018 | Additions | Deductions | Balance June 30, 2019 | Due in One Year |
|---|-------------------------|-------------------|---------------------|--------------------------|---------------------|
| General obligation bonds | \$ 50,558,342 | \$ - | \$ 1,875,384 | \$ 48,682,958 | \$ 1,847,090 |
| Premium on debt | 5,103,278 | - | 251,714 | 4,851,564 | - |
| Compensated absences | 237,137 | 1,261 | - | 238,398 | - |
| Other long-term obligations - sewer system | 116,543 | - | 19,423 | 97,120 | 19,423 |
| PARS supplemental retirement plan | 129,932 | - | 129,932 | - | - |
| Net OPEB Obligation | 9,017,356 | 756,835 | 492,787 | 9,281,404 | - |
| Total | <u>\$ 65,162,588</u> | <u>\$ 758,096</u> | <u>\$ 2,769,240</u> | <u>\$ 63,151,444</u> | <u>\$ 1,866,513</u> |

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for compensated absences are typically liquidated in the fund in which the employee was paid.
- Payments for OPEB obligation are made in the General Fund.
- Payments for other long-term obligations are made to the City of La Cañada Flintridge for installation of the two sewer systems made by the General Fund.
- Payments for PARS Supplemental Retirement Plan are made in the General Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds Outstanding July 1, 2018 | Issued | Redeemed | Bonds Outstanding June 30, 2019 |
|---------------|------------------|------------------|-------------------|--------------------------------------|-------------|---------------------|---------------------------------------|
| 8/15/1995 | 8/1/2020 | 4.10-6.60% | \$ 14,999,979 | \$ 1,433,342 | \$ - | \$ 485,384 | \$ 947,958 |
| 3/1/2000 | 8/1/2025 | 4.00-5.65% | 3,500,000 | 1,670,000 | - | 170,000 | 1,500,000 |
| 7/1/2008 | 8/1/2029 | 4.00-5.00% | 5,800,000 | 325,000 | - | 325,000 | - |
| 2/1/2009 | 8/1/2020 | 2.00-5.39% | 4,200,000 | 100,000 | - | 25,000 | 75,000 |
| 10/27/11 | 8/1/2028 | 2.75-5.00% | 12,440,000 | 10,470,000 | - | 775,000 | 9,695,000 |
| 08/02/17 | 8/1/2032 | 2.00-5.00% | 6,560,000 | 6,560,000 | - | 95,000 | 6,465,000 |
| 05/17/18 | 8/1/2047 | 3.50-5.00% | 30,000,000 | 30,000,000 | - | - | 30,000,000 |
| | | | | <u>\$ 50,558,342</u> | <u>\$ -</u> | <u>\$ 1,875,384</u> | <u>\$ 48,682,958</u> |

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Debt Service Requirements to Maturity

In August 1995, the District issued \$14,999,979 in Election 1995 General Obligation Bonds. Proceeds from the bonds were permitted to be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through August 2020 and yield interest ranging from 4.10 percent to 6.60 percent. At June 30, 2019, the principal balance outstanding was \$947,958.

The District's bonds mature through 2021, as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest to Maturity</u> | <u>Total</u> |
|--------------------|-------------------|---------------------------------|---------------------|
| 2020 | \$ 477,090 | \$ 1,777,910 | \$ 2,255,000 |
| 2021 | 470,868 | 1,904,132 | 2,375,000 |
| Total | <u>\$ 947,958</u> | <u>\$ 3,682,042</u> | <u>\$ 4,630,000</u> |

In March 2000, the District issued \$3,500,000 in Election 1999 General Obligation Bonds, Series A. Proceeds from the bonds were permitted to be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through August 2025 and yield interest ranging from 4.00 percent to 5.65 percent. In October 2011, the District issued \$12,440,000 of General Obligation Refunding Bonds to advance refund \$685,000, a portion of the bonds. At June 30, 2019, the principal balance outstanding was \$1,500,000.

The District's bonds mature through 2026, as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest to Maturity</u> | <u>Total</u> |
|--------------------|---------------------|---------------------------------|---------------------|
| 2020 | \$ 180,000 | \$ 86,250 | \$ 266,250 |
| 2021 | 190,000 | 75,900 | 265,900 |
| 2022 | 200,000 | 64,975 | 264,975 |
| 2023 | 215,000 | 53,475 | 268,475 |
| 2024 | 225,000 | 41,113 | 266,113 |
| 2025-2026 | 490,000 | 42,550 | 532,550 |
| Total | <u>\$ 1,500,000</u> | <u>\$ 364,263</u> | <u>\$ 1,864,263</u> |

In July 2008, the District issued \$5,800,000 in Election 2004 General Obligation Bonds, Series B. Proceeds from the bonds were permitted to be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through August 2029 and yield interest ranging from 4.00 percent to 5.00 percent. In August 2018, the District issued the 2017 General Obligation Refunding Bonds to refund a portion of the remaining balance. At June 30, 2019, there was no remaining balance outstanding.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

In February 2009, the District issued \$4,200,000 in Election 2004 General Obligation Bonds, Series C. Proceeds from the bonds were permitted to be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through August 2020 and yield interest ranging from 2.00 percent to 5.39 percent. On August 2, 2018, the District issued the 2017 General Obligation Refunding Bonds to refund a portion of the remaining balance. At June 30, 2019, the principal balance outstanding was \$75,000.

The District's bonds mature through 2020, as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest to Maturity</u> | <u>Total</u> |
|--------------------|------------------|---------------------------------|--------------|
| 2020 | \$ 75,000 | \$ 229,375 | \$ 304,375 |

In October 2011, the District issued \$12,440,000 in 2011 Refunding General Obligation Bonds. Proceeds from the bonds were permitted to be used for the purpose to refund a portion of the Election 1999 General Obligation Bonds Series A, Election 1999 General Obligation Bonds Series B and 2004 General Obligation Bonds Series A District's outstanding debt. The remaining bonds mature through August 2028 and yield interest ranging from 2.75 percent to 5.00 percent. At June 30, 2019, the principal balance outstanding was \$9,695,000.

The District's bonds mature through 2029, as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest to Maturity</u> | <u>Total</u> |
|--------------------|------------------|---------------------------------|---------------|
| 2020 | \$ 800,000 | \$ 442,500 | \$ 1,242,500 |
| 2021 | 850,000 | 402,500 | 1,252,500 |
| 2022 | 875,000 | 360,000 | 1,235,000 |
| 2023 | 905,000 | 316,250 | 1,221,250 |
| 2024 | 965,000 | 271,000 | 1,236,000 |
| 2025-2029 | 5,300,000 | 657,250 | 5,957,250 |
| Total | \$ 9,695,000 | \$ 2,449,500 | \$ 12,144,500 |

In August 2017, the District issued \$6,560,000 in 2017 Refunding General Obligation Bonds. Proceeds from the bonds were permitted to be used for the purpose to refund a portion of the Election 2004 General Obligation Bonds Series B and 2004 General Obligation Bonds Series C District's outstanding debt. The remaining bonds mature through August 2032 and yield interest ranging from 2.00 percent to 5.00 percent. At June 30, 2019, the principal balance outstanding was \$6,465,000.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

The District's bonds mature through 2033, as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest to Maturity</u> | <u>Total</u> |
|--------------------|---------------------|---------------------------------|---------------------|
| 2020 | \$ 315,000 | \$ 268,100 | \$ 583,100 |
| 2021 | 375,000 | 261,800 | 636,800 |
| 2022 | 395,000 | 246,800 | 641,800 |
| 2023 | 390,000 | 231,000 | 621,000 |
| 2024 | 430,000 | 215,400 | 645,400 |
| 2025-2029 | 2,265,000 | 840,050 | 3,105,050 |
| 2030-2033 | 2,295,000 | 246,900 | 2,541,900 |
| Total | <u>\$ 6,465,000</u> | <u>\$ 2,310,050</u> | <u>\$ 8,775,050</u> |

In May 2018, the District issued \$30,000,000 in Election 2017 General Obligation Bonds Series A. Proceeds from the bonds were permitted to be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through August 2047 and yield interest ranging from 3.50 percent to 5.00 percent. At June 30, 2019, the principal balance outstanding was \$30,000,000.

The District's bonds mature through 2048, as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest to Maturity</u> | <u>Total</u> |
|--------------------|----------------------|---------------------------------|----------------------|
| 2020 | \$ - | \$ 1,357,375 | \$ 1,357,375 |
| 2021 | - | 1,357,375 | 1,357,375 |
| 2022 | 1,575,000 | 1,357,375 | 2,932,375 |
| 2023 | 195,000 | 1,278,625 | 1,473,625 |
| 2024 | 245,000 | 1,268,875 | 1,513,875 |
| 2025-2029 | 1,430,000 | 6,142,125 | 7,572,125 |
| 2030-2034 | 2,775,000 | 5,650,875 | 8,425,875 |
| 2035-2039 | 5,080,000 | 4,871,675 | 9,951,675 |
| 2040-2044 | 8,485,000 | 3,628,175 | 12,113,175 |
| 2045-2048 | 10,215,000 | 1,335,500 | 11,550,500 |
| Total | <u>\$ 30,000,000</u> | <u>\$ 28,247,975</u> | <u>\$ 58,247,975</u> |

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2019, amounted to \$238,398

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Other General Long-Term Obligations

The District has entered into an agreement with the City of La Cañada to pay the District's portion of the installation of two sewer systems.

The leases have minimum lease payments as follows:

| <u>Fiscal Year</u> | <u>Sewer Systems</u> |
|---|--------------------------|
| 2020 | \$ 24,989 |
| 2021 | 23,915 |
| 2022 | 22,827 |
| 2023 | 21,708 |
| 2024 | 20,570 |
| Total | 114,009 |
| Less: Amount Representing Interest | 16,889 |
| Present Value of Minimum Lease Payments | <u>\$ 97,120</u> |

PARS Supplemental Retirement Plan

The District offered an early retirement incentive to qualified employees under a qualified plan of Section 403(b) of the Internal Revenue Code. Currently, there are 15 employees participating in this plan and the District's does not have any remaining obligation to those retirees as of June 30, 2019.

Total Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources and OPEB expenses for the following plans:

| <u>OPEB Plan</u> | <u>Net OPEB Liability</u> | <u>Deferred Outflows of Resources</u> | <u>OPEB Expense</u> |
|---|-----------------------------------|---|-------------------------|
| District Plan | \$ 9,024,474 | \$ 155,243 | \$ 136,485 |
| Medicare Premium Payment (MPP) Program | 256,930 | - | (27,680) |
| Total | <u>\$ 9,281,404</u> | <u>\$ 155,243</u> | <u>\$ 108,805</u> |

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

The details of each plan are as follows:

District Plan

Plan administration

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

Plan membership

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

| | |
|---|-------|
| Inactive employees or beneficiaries currently receiving benefits payments | 15 |
| Active employees | 172 |
| | <hr/> |
| | 187 |
| | <hr/> |

Benefits provided

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District contributed \$465,107 to the Plan, of which was used for current premiums.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Total OPEB Liability of the District

The District's Total OPEB liability of \$9,024,474 was measured as of June 30, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial assumptions

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

| | |
|------------------------------|--|
| Inflation | 2.75 percent |
| Salary increases | 2.75 percent, average, including inflation |
| Discount rate | 2.79 percent |
| Health care cost trend rates | 4.50 percent for 2019 |

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

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

The actual assumptions used in the June 30, 2018, valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|--|----------------------------|
| Balance at June 30, 2018 | <u>\$ 8,732,746</u> |
| Service cost | 384,685 |
| Interest | 264,820 |
| Changes of assumptions or other inputs | 107,330 |
| Benefit payments | <u>(465,107)</u> |
| Net change in total OPEB liability | 291,728 |
| Balance at June 30, 2019 | <u><u>\$ 9,024,474</u></u> |

Changes of assumptions reflect a change in discount rate from 2.98 percent in 2018 to 2.79 percent in 2019.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Sensitivity of the net OPEB liability to changes in the discount rate

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

| Discount Rate | Total OPEB Liability |
|-------------------------------|----------------------|
| 1% decrease (1.79%) | \$ 9,602,388 |
| Current discount rate (2.79%) | 9,024,474 |
| 1% increase (3.79%) | 8,469,782 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

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

| Health Care Cost Trend Rates | Total OPEB Liability |
|---|----------------------|
| 1% decrease (3.5%) | \$ 8,141,448 |
| Current healthcare cost trend rate (4.5%) | 9,024,474 |
| 1% increase (5.5%) | 10,047,396 |

OPEB Expense and Deferred Outflows of Resources

For the year ended June 30, 2019, the District recognized OPEB expense of \$136,485. At June 20, 2019, the District reported deferred outflows of resources for OPEB changes in assumptions of \$155,243.

| | Deferred Outflows of Resources |
|------------------------|--------------------------------|
| Changes of assumptions | \$ 155,243 |

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

| Year Ended June 30, | Deferred Outflows of Resources |
|---------------------|--------------------------------|
| 2020 | \$ 26,124 |
| 2021 | 26,124 |
| 2022 | 26,124 |
| 2023 | 26,124 |
| 2024 | 26,124 |
| Thereafter | 24,623 |
| | <u>\$ 155,243</u> |

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

Contributions

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

OPEB Liability and OPEB Expense

At June 30, 2018, the District reported a liability of \$256,930 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018, and June 30, 2017, respectively, was 0.0671 percent and 0.0677 percent, resulting in a net decrease in the proportionate share of .0006 percent. For the year ended June 30, 2019, the District recognized OPEB change of (\$27,680).

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Actuarial Methods and Assumptions

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

| | | |
|---|---------------------------------------|---------------------------------------|
| Measurement Date | June 30, 2018 | June 30, 2017 |
| Valuation Date | June 30, 2017 | June 30, 2016 |
| Experience Study | July 1, 2010 through June 30, 2015 | July 1, 2010 through June 30, 2015 |
| Actuarial Cost Method | Entry age normal | Entry age normal |
| Investment Rate of Return | 3.87% | 3.58% |
| Medicare Part A Premium Cost Trend Rate | 3.70% | 3.70% |
| Medicare Part B Premium Cost Trend Rate | 4.10% | 4.10% |

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

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

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

Discount Rate

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

| Discount Rate | Net OPEB Liability |
|-------------------------------|-----------------------|
| 1% decrease (2.87%) | \$ 284,177 |
| Current discount rate (3.87%) | 256,930 |
| 1% increase (4.87%) | 232,327 |

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

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

| Medicare Costs Trend Rate | Net OPEB Liability |
|---|-----------------------|
| 1% decrease (2.7% Part A and 3.1% Part B) | \$ 234,294 |
| Current medicare costs trend rate (3.7% Part A and 4.1% Part B) | 256,930 |
| 1% increase (4.7% Part A and 5.1% Part B) | 281,274 |

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

| | General Fund | Building Fund | Bond Interest and Redemption Fund | Non-Major Governmental Funds | Total |
|---------------------------------------|-----------------|------------------|--|------------------------------------|---------------|
| Nonspendable | | | | | |
| Revolving cash | \$ 6,030 | \$ - | \$ - | \$ - | \$ 6,030 |
| Stores inventories | 27,855 | - | - | - | 27,855 |
| Prepaid expenditures | 63,613 | - | - | - | 63,613 |
| Total Nonspendable | 97,498 | - | - | - | 97,498 |
| Restricted | | | | | |
| Legally restricted programs | 296,097 | - | - | 23,493 | 319,590 |
| Capital projects | - | 25,499,204 | - | 2,105,093 | 27,604,297 |
| Debt services | - | - | 6,703,155 | - | 6,703,155 |
| Total Restricted | 296,097 | 25,499,204 | 6,703,155 | 2,128,586 | 34,627,042 |
| Committed | | | | | |
| Stabilization | 490,000 | - | - | - | 490,000 |
| Assigned | | | | | |
| Funding shortfall | 3,756,307 | - | - | - | 3,756,307 |
| Unassigned | | | | | |
| Reserve for economic uncertainties | 7,735,096 | - | - | - | 7,735,096 |
| Total Unassigned | 7,735,096 | - | - | - | 7,735,096 |
| Total | \$ 12,374,998 | \$ 25,499,204 | \$ 6,703,155 | \$ 2,128,586 | \$ 46,705,943 |

At June 30, 2019, the general fund ended the year with a deficit in fund balance/net position of \$490,000.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 11 - LEASE REVENUES

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

| Year Ending June 30, <u>2020</u> | Lease Revenue <u>\$ 1,864,294</u> |
|--|---|
|--|---|

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District contracted with Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2017, the District participated in the Schools Linked for Insurance Management (SLIM), a public risk sharing pool established pursuant to a Joint Powers Agreement for the purpose of self-insuring and reinsuring workers' compensation. Participation in SLIM gives the District the advantage of pooled member contributions, risk sharing and the purchase of insurance at lower cost. This allows SLIM to retain a degree of control over insurance rate structures adding to the stability and longevity of their program. The workers' compensation experience of the participating districts is calculated based on each member's experience. For claims prior to July 1, 2005, total savings are calculated and each participant's individual performance is compared to the overall savings percentage. A participant will either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of SLIM. Effective July 1, 2005, SLIM utilizes risk transfer through The Protected Insurance Program for Schools JPA (PIPS), a finite risk-sharing pool that transfers risk away from the members. Participation in SLIM is limited to districts that can meet SLIM selection criteria.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Employee Medical Benefits

The District has contracted with the Alliance of Schools for Cooperative Insurance Programs (ASCIP) to provide medical, vision, and dental benefits to qualifying district employees and dependents. ASCIP is a non-profit risk-sharing Joint Power Authority (JPA) providing comprehensive insurance programs to California public entities for health benefits, property/liability, workers' compensation, and ancillary lines of coverage. The District pays a monthly contribution, which is placed in a common fund from which claim and premium payments are made for all participating Districts. Renewal rates are based on a combination of the pool's financial performance blended with district-specific claims ratios. Annual rate actions are approved by ASCIP's Executive Board, which is comprised of representatives from pool member districts.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

| Pension Plan | Collective Net Pension Liability | Collective Deferred Outflows of Resources | Collective Deferred Inflows of Resources | Collective Pension Expense |
|--------------|--|---|--|----------------------------------|
| CalSTRS | \$ 34,370,592 | \$ 9,989,108 | \$ 3,380,664 | \$ 4,107,791 |
| CalPERS | 10,835,837 | 2,895,503 | 321,877 | 1,978,035 |
| Total | <u>\$ 45,206,429</u> | <u>\$ 12,884,611</u> | <u>\$ 3,702,541</u> | <u>\$ 6,085,826</u> |

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

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

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$3,320,085.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

Total Net Pension Liability, Including State Share:

| | |
|---|----------------------|
| District's proportionate share of net pension liability | \$ 34,370,592 |
| State's proportionate share of the net pension liability associated with the District | 19,678,771 |
| Total | <u>\$ 54,049,363</u> |

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was .0374 percent and .0374 percent, resulting in no change in the proportionate share.

For the year ended June 30, 2019, the District recognized pension expense of \$4,107,791. In addition, the District recognized pension expense and revenue of \$2,311,812 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date | \$ 3,320,085 | \$ - |
| Net change in proportionate share of net pension liability | 1,222,877 | 1,557,927 |
| Difference between projected and actual earnings on the pension plan investments | - | 1,323,485 |
| Difference between expected and actual experiences in the measurement of the total pension liability | 106,582 | 499,252 |
| Changes of assumptions | 5,339,564 | - |
| Total | <u>\$ 9,989,108</u> | <u>\$ 3,380,664</u> |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

| Year Ended June 30, | Deferred Outflows (Inflows) of Resources |
|------------------------|--|
| 2020 | \$ 287,366 |
| 2021 | (208,520) |
| 2022 | (1,110,352) |
| 2023 | (291,979) |
| Total | <u>\$ (1,323,485)</u> |

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 7 years and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows (Inflows) of Resources |
|------------------------|--|
| 2020 | \$ 1,027,139 |
| 2021 | 1,027,139 |
| 2022 | 1,027,141 |
| 2023 | 756,074 |
| 2024 | 775,996 |
| Thereafter | (1,645) |
| Total | <u>\$ 4,611,844</u> |

Actuarial Methods and Assumptions

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

| | |
|---------------------------|------------------------------------|
| Valuation date | June 30, 2017 |
| Measurement date | June 30, 2018 |
| Experience study | July 1, 2010 through June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.10% |
| Investment rate of return | 7.10% |
| Consumer price inflation | 2.75% |
| Wage growth | 3.50% |

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

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

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

Discount Rate

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

| Discount Rate | Net Pension Liability |
|-------------------------------|-----------------------|
| 1% decrease (6.10%) | \$ 50,348,895 |
| Current discount rate (7.10%) | 34,370,592 |
| 1% increase (8.10%) | 21,123,028 |

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) [and the Safety Risk 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. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were \$1,014,357.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$10,835,837. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.0406 percent and 0.0415 percent, resulting in a net decrease in the proportionate share of 0.0009 percent.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

For the year ended June 30, 2019, the District recognized pension expense of \$1,978,035. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date | \$ 1,014,357 | \$ - |
| Net change in proportionate share of net pension liability | - | 321,877 |
| Difference between projected and actual earnings on the pension plan investments | 88,877 | - |
| Difference between expected and actual experiences in the measurement of the total pension liability | 710,358 | - |
| Changes of assumptions | 1,081,911 | - |
| Total | <u>\$ 2,895,503</u> | <u>\$ 321,877</u> |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows (Inflows) of Resources |
|------------------------|--|
| 2020 | \$ 323,269 |
| 2021 | 77,306 |
| 2022 | (247,741) |
| 2023 | (63,957) |
| Total | <u>\$ 88,877</u> |

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 4.0 years and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows (Inflows) of Resources |
|------------------------|--|
| 2020 | \$ 619,708 |
| 2021 | 658,312 |
| 2022 | 192,372 |
| Total | <u>\$ 1,470,392</u> |

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Actuarial Methods and Assumptions

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

| | |
|---------------------------|------------------------------------|
| Valuation date | June 30, 2017 |
| Measurement date | June 30, 2018 |
| Experience study | July 1, 1997 through June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.15% |
| Investment rate of return | 7.15% |
| Consumer price inflation | 2.50% |
| Wage growth | Varies by entry age and service |

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

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

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Discount Rate

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

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

| Discount rate | Net Pension Liability |
|-------------------------------|-----------------------|
| 1% decrease (6.15%) | \$ 15,776,460 |
| Current discount rate (7.15%) | 10,835,837 |
| 1% increase (8.15%) | 6,736,883 |

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,137,365 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2018–19 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule and Major Special Revenue Fund – Budgetary Comparison Schedule*.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

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

NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Schools Linked for Insurance Management (SLIM) and Alliance of Schools for Cooperative Insurance Programs (ASCIP). The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

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

The District has appointed its representative to the governing board of SLIM. During the year ended June 30, 2019, the District made payments of \$583,007 and \$342,084 to SLIM and ASCIP, respectively for insurance.



REQUIRED SUPPLEMENTARY INFORMATION

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

| | Budgeted Amounts | | Actual | Variances - Positive (Negative) Final to Actual |
|--|----------------------|----------------------|----------------------|---|
| | Original | Final | (GAAP Basis) | |
| REVENUES | | | | |
| Local Control Funding Formula | \$ 34,265,874 | \$ 34,445,962 | \$ 34,848,263 | \$ 402,301 |
| Federal sources | 886,541 | 932,400 | 905,833 | (26,567) |
| Other State sources ¹ | 4,619,371 | 4,301,041 | 8,328,453 | 4,027,412 |
| Other local sources | 8,575,978 | 8,833,302 | 8,993,603 | 160,301 |
| Total Revenues ² | 48,347,764 | 48,512,705 | 53,076,152 | 4,563,447 |
| EXPENDITURES | | | | |
| Current | | | | |
| Certificated salaries | 20,822,011 | 20,907,766 | 21,102,901 | (195,135) |
| Classified salaries | 8,183,830 | 7,971,749 | 8,186,739 | (214,990) |
| Employee benefits ¹ | 9,475,850 | 9,347,322 | 12,814,910 | (3,467,588) |
| Books and supplies | 2,264,053 | 2,263,004 | 1,888,712 | 374,292 |
| Services and operating expenditures | 6,172,868 | 7,184,785 | 6,537,813 | 646,972 |
| Capital outlay | 104,264 | 807,710 | 1,265,705 | (457,995) |
| Debt service - principal | - | - | 19,423 | (19,423) |
| Debt service - interest | - | - | 6,632 | (6,632) |
| Total Expenditures ² | 47,022,876 | 48,482,336 | 51,822,835 | (3,340,499) |
| Excess (Deficiency) of Revenues Over Expenditures | 1,324,888 | 30,369 | 1,253,317 | 1,222,948 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 20,000 | 20,000 | - | (20,000) |
| Transfers out | (460,000) | (460,000) | - | 460,000 |
| Net Financing Sources (Uses) | (440,000) | (440,000) | - | 440,000 |
| NET CHANGE IN FUND BALANCES | 884,888 | (409,631) | 1,253,317 | 1,662,948 |
| Fund Balance - Beginning | 11,121,681 | 11,121,681 | 11,121,681 | - |
| Fund Balance - Ending | \$ 12,006,569 | \$ 10,712,050 | \$ 12,374,998 | \$ 1,662,948 |

¹ On behalf payments of \$3,504,748 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

² In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

| | 2019 | 2018 |
|--|-----------------------------|-----------------------------|
| Total OPEB Liability | | |
| Service cost | \$ 384,685 | \$ 383,240 |
| Interest | 264,820 | 268,053 |
| Changes of assumptions | 107,330 | 85,087 |
| Benefit payments | (465,107) | (365,962) |
| Total change in total OPEB liability | 291,728 | 370,418 |
| Total OPEB liability - beginning | 8,732,746 | 8,362,328 |
| Total OPEB liability - ending | <u>\$ 9,024,474</u> | <u>\$ 8,732,746</u> |
| Covered-employee payroll | <u>N/A ¹</u> | <u>N/A ¹</u> |
| District's total OPEB liability as a percentage of covered-employee payroll | <u>N/A ¹</u> | <u>N/A ¹</u> |

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

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

See accompanying note to required supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

| Year ended June 30, | 2019 | 2018 |
|---|------------------|------------------|
| District's proportion of the net OPEB liability | 0.0671% | 0.0677% |
| District's proportionate share of the net OPEB liability | \$ 256,930 | \$ 284,610 |
| District's covered-employee payroll | N/A ¹ | N/A ¹ |
| District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll | N/A ¹ | N/A ¹ |
| Plan fiduciary net position as a percentage of the total OPEB liability | -0.40% | 0.01% |

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

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

See accompanying note to required supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

| | 2019 | 2018 |
|---|----------------------|----------------------|
| CalSTRS | | |
| District's proportion of the net pension liability | 0.0374% | 0.0374% |
| District's proportionate share of the net pension liability | \$ 34,370,592 | \$ 34,557,031 |
| State's proportionate share of the net pension liability associated with the District | 19,678,771 | 20,443,647 |
| Total | <u>\$ 54,049,363</u> | <u>\$ 55,000,678</u> |
| District's covered - employee payroll | <u>\$ 19,798,115</u> | <u>\$ 20,035,366</u> |
| District's proportionate share of the net pension liability as a percentage of its covered - employee payroll | 173.61% | 172.48% |
| Plan fiduciary net position as a percentage of the total pension liability | 71% | 69% |
| CalPERS | | |
| District's proportion of the net pension liability | 0.0406% | 0.0415% |
| District's proportionate share of the net pension liability | <u>\$ 10,835,837</u> | <u>\$ 9,911,048</u> |
| District's covered - employee payroll | <u>\$ 5,393,387</u> | <u>\$ 5,448,200</u> |
| District's proportionate share of the net pension liability as a percentage of its covered - employee payroll | 200.91% | 181.91% |
| Plan fiduciary net position as a percentage of the total pension liability | 71% | 72% |

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

See accompanying note to required supplementary information.

| <u>2017</u> | <u>2016</u> | <u>2015</u> |
|----------------------|----------------------|----------------------|
| <u>0.0402%</u> | <u>0.0398%</u> | <u>0.0365%</u> |
| \$ 32,531,165 | \$ 26,794,214 | \$ 21,339,840 |
| <u>18,519,412</u> | <u>14,171,185</u> | <u>12,885,917</u> |
| <u>\$ 51,050,577</u> | <u>\$ 40,965,399</u> | <u>\$ 34,225,757</u> |
| <u>\$ 19,410,130</u> | <u>\$ 17,940,721</u> | <u>\$ 16,265,079</u> |
| <u>167.60%</u> | <u>149.35%</u> | <u>131.20%</u> |
| <u>70%</u> | <u>74%</u> | <u>77%</u> |
| <u>0.0430%</u> | <u>0.0452%</u> | <u>0.0427%</u> |
| <u>\$ 8,492,748</u> | <u>\$ 6,656,053</u> | <u>\$ 4,842,100</u> |
| <u>\$ 5,171,747</u> | <u>\$ 4,870,272</u> | <u>\$ 4,478,234</u> |
| <u>164.21%</u> | <u>136.67%</u> | <u>108.13%</u> |
| <u>74%</u> | <u>79%</u> | <u>83%</u> |

See accompanying note to required supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS JUNE 30, 2019

| | 2019 | 2018 |
|--|----------------------|----------------------|
| CalSTRS | | |
| Contractually required contribution | \$ 3,320,085 | \$ 2,856,868 |
| Contributions in relation to the contractually required contribution | (3,320,085) | (2,856,868) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| District's covered - employee payroll | <u>\$ 20,393,643</u> | <u>\$ 19,798,115</u> |
| Contributions as a percentage of covered - employee payroll | <u>16.28%</u> | <u>14.43%</u> |
| CalPERS | | |
| Contractually required contribution | \$ 1,014,357 | \$ 837,593 |
| Contributions in relation to the contractually required contribution | (1,014,357) | (837,593) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| District's covered - employee payroll | <u>\$ 5,615,973</u> | <u>\$ 5,393,387</u> |
| Contributions as a percentage of covered - employee payroll | <u>18.062%</u> | <u>15.531%</u> |

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

| 2017 | 2016 | 2015 |
|----------------|----------------|----------------|
| \$ 2,520,449 | \$ 2,082,707 | \$ 1,593,136 |
| (2,520,449) | (2,082,707) | (1,593,136) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 20,035,366 | \$ 19,410,130 | \$ 17,940,721 |
| <u>12.58%</u> | <u>10.73%</u> | <u>8.88%</u> |
| \$ 756,755 | \$ 612,852 | \$ 573,231 |
| (756,755) | (612,852) | (573,231) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 5,448,200 | \$ 5,171,747 | \$ 4,870,272 |
| <u>13.888%</u> | <u>11.847%</u> | <u>11.771%</u> |

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

| Fund | Expenditures and Other Uses | | |
|--------------|-----------------------------|---------------------|---------------------|
| | Budget ¹ | Actual ¹ | Excess ¹ |
| General Fund | \$ 48,942,336 | \$ 51,822,835 | \$ 2,880,499 |

¹ On behalf payments of \$3,504,748 relating to Senate Bill 90 are included in the actual expenditures but have not been included in the budgeted amounts.

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

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

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

Change of assumptions – Changes of assumptions reflect a change in discount rate from 2.98 percent in 2018 to 2.79 percent in 2019.

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

Changes in Benefits Terms – There were no changes in the benefits terms since the previous valuation.

Changes of Assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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

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

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

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



SUPPLEMENTARY INFORMATION

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|----------------|---|-------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| Passed through the California Department of Education (CDE): | | | |
| Title III - English Learner Student Program | 84.365 | 14346 | \$ 20,602 |
| Title III - Immigrant Education Program | 84.365 | 15146 | 5,373 |
| Supporting Effective Instruction State Grants | 84.367 | 14341 | 18,913 |
| Special Education (IDEA) Cluster: | | | |
| Basic Local Assistance, Part B, Sec 611 | 84.027 | 13379 | 744,058 |
| Federal Preschool Grants, Part B, Sec 619 | 84.173 | 13430 | 14,253 |
| Preschool Staff Development, Part B, Sec 619 | 84.173A | 13431 | 161 |
| Mental Health Allocation Plan, Part B, Sec 611 | 84.027A | 14468 | 46,945 |
| Local Assistance, Part B, Sec 611, Private Schools ISPs | 84.027 | 10115 | 42,460 |
| Total Special Education (IDEA) Cluster | | | 847,877 |
| Total U.S. Department of Education | | | 892,765 |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Passed through the CDE: | | | |
| Forest Reserve | 10.665 | 10044 | 13,068 |
| National School Lunch Program | 10.555 | 13391 | 42,427 |
| Total U.S. Department of Agriculture | | | 55,495 |
| Total Federal Programs | | | \$ 948,260 |

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

ORGANIZATION

The La Cañada School District was established July 1, 1885. On July 1, 1961, the District became a unified school district (La Cañada Unified School District), and consists of an area comprising approximately 144 square miles in Los Angeles County. The District operates three elementary schools, and one combined junior high and high school. There were no boundary changes during the year.

GOVERNING BOARD

| <u>MEMBER</u> | <u>OFFICE</u> | <u>TERM EXPIRES</u> |
|-------------------|----------------|---------------------|
| Brent Kuszyk | President | 2020 |
| Joe Radabaugh | Vice President | 2022 |
| Ellen Multari | Clerk | 2020 |
| Dan F. Jeffries | Member | 2022 |
| Kaitzer P. Puglia | Member | 2022 |

ADMINISTRATION

| | |
|--------------------|--|
| Wendy K. Sinnette | Superintendent |
| Anaïs Wenn | Associate Superintendent, Curriculum and Instruction |
| Mark Evans | Associate Superintendent, Business and Administrative Services |
| Jamie Lewsadder | Chief Technology Officer |
| Jackie Ong | Manager of Fiscal Services |
| Karen Hurley | Director of Programs and Services |
| Dr. Derek Ihori | Executive Director of Special Education |
| Dr. Debra Craddock | Executive Director Human Resources |

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

| | Final Report | |
|---|-------------------------|------------------|
| | Second Period Report | Annual Report |
| Regular ADA | | |
| Transitional kindergarten through third | 1,058.95 | 1,058.15 |
| Fourth through sixth | 936.87 | 935.87 |
| Seventh and eighth | 683.36 | 681.86 |
| Ninth through twelfth | 1,337.70 | 1,335.36 |
| Total Regular ADA | 4,016.88 | 4,011.24 |
| Extended Year Special Education | | |
| Transitional kindergarten through third | 2.34 | 2.34 |
| Fourth through sixth | 6.42 | 6.42 |
| Seventh and eighth | 3.24 | 3.24 |
| Ninth through twelfth | 4.46 | 4.46 |
| Total Extended Year Special Education | 16.46 | 16.46 |
| Special Education, Nonpublic, Nonsectarian Schools | | |
| Fourth through sixth | 1.82 | 1.80 |
| Seventh and eighth | 1.78 | 1.74 |
| Ninth through twelfth | 5.62 | 5.70 |
| Total Special Education, Nonpublic, Nonsectarian Schools | 9.22 | 9.24 |
| Total ADA | 4,042.56 | 4,036.94 |

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

| Grade Level | 1986-87 | 2018-19 | Number of Days | | Status |
|---------------|------------------------|-------------------|-------------------------|------------------------|----------|
| | Minutes Requirement | Actual Minutes | Traditional Calendar | Multitrack Calendar | |
| Kindergarten | 36,000 | 40,040 | 180 | N/A | Complied |
| Grades 1 - 3 | 50,400 | | | | |
| Grade 1 | | 58,570 | 180 | N/A | Complied |
| Grade 2 | | 58,570 | 180 | N/A | Complied |
| Grade 3 | | 58,570 | 180 | N/A | Complied |
| Grades 4 - 6 | 54,000 | | | | |
| Grade 4 | | 58,570 | 180 | N/A | Complied |
| Grade 5 | | 58,570 | 180 | N/A | Complied |
| Grade 6 | | 58,570 | 180 | N/A | Complied |
| Grades 7 - 8 | 54,000 | | | | |
| Grade 7 | | 63,911 | 180 | N/A | Complied |
| Grade 8 | | 63,911 | 180 | N/A | Complied |
| Grades 9 - 12 | 64,800 | | | | |
| Grade 9 | | 67,307 | 180 | N/A | Complied |
| Grade 10 | | 67,307 | 180 | N/A | Complied |
| Grade 11 | | 67,307 | 180 | N/A | Complied |
| Grade 12 | | 67,307 | 180 | N/A | Complied |

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

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

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

| | (Budget) | | | |
|--|----------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2018 | 2017 |
| GENERAL FUND ³ | | | | |
| Revenues | \$ 48,315,128 | \$ 52,686,862 | 47,893,115 | 47,312,491 |
| Other sources and transfers in | 20,000 | - | - | 20,076 |
| Total Revenues and Other Sources | 48,335,128 | 52,686,862 | 47,893,115 | 47,332,567 |
| Expenditures | 49,055,104 | 50,693,066 | 46,613,496 | 45,391,539 |
| Other uses and transfers out | 460,000 | 460,000 | 460,000 | 614,493 |
| Total Expenditures and Other Uses | 49,515,104 | 51,153,066 | 47,073,496 | 46,006,032 |
| INCREASE (DECREASE) IN FUND BALANCE | \$ (1,179,976) | \$ 1,533,796 | \$ 819,619 | \$ 1,326,535 |
| ENDING FUND BALANCE | \$ 8,174,734 | \$ 9,354,710 | \$ 7,820,914 | \$ 7,001,295 |
| AVAILABLE RESERVES ² | \$ 7,878,636 | \$ 7,735,096 | \$ 5,493,941 | \$ 4,285,892 |
| AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ⁴ | 15.91% | 16.23% | 11.67% | 9.32% |
| LONG-TERM OBLIGATIONS | N/A | \$ 63,151,444 | \$ 65,162,588 | \$ 27,870,459 |
| K-12 AVERAGE DAILY ATTENDANCE AT P-2 | 4,062 | 4,043 | 4,056 | 4,042 |

The General Fund balance has increased by \$2,353,415 over the past two years. The fiscal year 2019-2020 budget projects a further decrease of \$1,179,976 (12.61 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years but anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by \$35,280,985 over the past two years.

Average daily attendance has increased by one over the past two years. Additional growth of 19 ADA is anticipated during fiscal year 2018-2019.

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

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund and Special Reserve for Other Than Capital Outlay Fund.

³ General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund, Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

⁴ Additional on behalf payments related to SB 90 (Chapter 33, Statutes of 2019) of \$3,504,748 have been excluded from the calculations of available reserves from the fiscal year June 30, 2019.

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

| | Cafeteria Fund | Capital Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Total Non-Major Governmental Funds |
|--|---------------------------|--|---|---|
| ASSETS | | | | |
| Deposits and investments | \$ 153,781 | \$ 916,705 | \$ 1,008,011 | \$ 2,078,497 |
| Receivables | 5,988 | 127,318 | 73,791 | 207,097 |
| Total Assets | <u>\$ 159,769</u> | <u>\$ 1,044,023</u> | <u>\$ 1,081,802</u> | <u>\$ 2,285,594</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 63,195 | \$ - | \$ 20,732 | \$ 83,927 |
| Unearned revenue | 73,081 | - | - | 73,081 |
| Total Liabilities | <u>136,276</u> | <u>-</u> | <u>20,732</u> | <u>157,008</u> |
| Fund Balances: | | | | |
| Restricted | <u>23,493</u> | <u>1,044,023</u> | <u>1,061,070</u> | <u>2,128,586</u> |
| Total Liabilities and Fund Balances | <u>\$ 159,769</u> | <u>\$ 1,044,023</u> | <u>\$ 1,081,802</u> | <u>\$ 2,285,594</u> |

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

| | Cafeteria Fund | Capital Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Total Non-Major Governmental Funds |
|--|---------------------------|--|---|---|
| REVENUES | | | | |
| Federal sources | \$ 42,427 | \$ - | \$ - | \$ 42,427 |
| Other State sources | 1,089 | - | - | 1,089 |
| Other local sources | 787,516 | 262,282 | 343,546 | 1,393,344 |
| Total Revenues | 831,032 | 262,282 | 343,546 | 1,436,860 |
| EXPENDITURES | | | | |
| Current | | | | |
| Pupil services: | | | | |
| Food services | 823,606 | - | - | 823,606 |
| Administration: | | | | |
| All other administration | 44,557 | 12,216 | - | 56,773 |
| Plant services | - | - | 351,011 | 351,011 |
| Facility acquisition and construction | - | - | 103,920 | 103,920 |
| Total Expenditures | 868,163 | 12,216 | 454,931 | 1,335,310 |
| Excess (Deficiency) of Revenues Over Expenditures | (37,131) | 250,066 | (111,385) | 101,550 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 40,000 | - | - | 40,000 |
| Transfers out | - | - | (40,000) | (40,000) |
| Net Financing Sources (Uses) | 40,000 | - | (40,000) | - |
| NET CHANGE IN FUND BALANCES | 2,869 | 250,066 | (151,385) | 101,550 |
| Fund Balances - Beginning | 20,624 | 793,957 | 1,212,455 | 2,027,036 |
| Fund Balances - Ending | \$ 23,493 | \$ 1,044,023 | \$ 1,061,070 | \$ 2,128,586 |

See accompanying note to supplementary information.

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

LA CAÑADA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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

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

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INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
La Cañada Unified School District
La Cañada Flintridge, 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 La Cañada Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 16, 2019



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

Governing Board
La Cañada Unified School District
La Cañada Flintridge, California

Report on Compliance for Each Major Federal Program

We have audited La Cañada Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 16, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
La Cañada Unified School District
La Cañada Flintridge, California

Report on State Compliance

We have audited La Cañada Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

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

Auditor's Responsibility

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

Unmodified Opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 16, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

| | |
|--|----------------------|
| Internal control over major Federal programs: | |
| Material weakness identified? | <u>No</u> |
| Significant deficiency identified? | <u>None reported</u> |
| Type of auditor's report issued on compliance for major Federal programs: | <u>Unmodified</u> |
| Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance? | <u>No</u> |

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|-------------------------------------|---|
| 84.027, 84.027A, 84.173, 84.173A | <u>Special Education (IDEA) Cluster</u> |

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

STATE AWARDS

| | |
|---|-------------------|
| Type of auditor's report issued on compliance for programs: | <u>Unmodified</u> |
|---|-------------------|

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

None reported.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

None reported.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

None reported.

LA CAÑADA UNIFIED SCHOOL DISTRICT

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

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.