

**LIBERTY UNION HIGH SCHOOL DISTRICT
COUNTY OF CONTRA COSTA
BRENTWOOD, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2020

LIBERTY UNION HIGH SCHOOL DISTRICT

JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Statement of Net Position - Fiduciary Funds	25
Statement of Changes in Net Position - Fiduciary Funds	26
Notes to the Basic Financial Statements	27

LIBERTY UNION HIGH SCHOOL DISTRICT

JUNE 30, 2020

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>REQUIRED SUPPLEMENTARY INFORMATION SECTION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	65
Schedule of Changes in Total OPEB Liability and Related Ratios	66
Schedule of the Proportionate Share of the Net Pension Liability - CalSTRS	67
Schedule of the Proportionate Share of the Net Pension Liability - CalPERS	68
Schedule of Contributions - CalSTRS	69
Schedule of Contributions - CalPERS	70
Notes to Required Supplementary Information	71
<u>SUPPLEMENTARY INFORMATION SECTION</u>	
Organization/Board of Trustees/Administration	73
Combining Statements:	
Combining Statements - Non-Major Funds:	
Combining Balance Sheet - Non-Major Governmental Funds	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	76
Schedule of Average Daily Attendance	78
Schedule of Instructional Time	79
Schedule of Expenditures of Federal Awards	80
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	81
Schedule of Financial Trends and Analysis	82
Notes to Supplementary Information	83

LIBERTY UNION HIGH SCHOOL DISTRICT

JUNE 30, 2020

TABLE OF CONTENTS (CONTINUED)

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

Independent Auditor's Report on State Compliance	85
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 <i>Government Auditing Standards</i>	89
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	91

FINDINGS AND QUESTIONED COSTS SECTION

Schedule of Findings and Questioned Costs:

Section I - Summary of Auditor's Results	93
Section II - Financial Statement Findings	94
Section III - Federal Award Findings and Questioned Costs	95
Section IV - State Award Findings and Questioned Costs	96
Status of Prior Year Recommendations	97

FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Liberty Union High School District
Brentwood, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Liberty Union High School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Liberty Union High School District, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis, the budgetary comparison information, the schedule of changes in total OPEB liability and related ratios, the schedules of proportionate share of the net pension liabilities, and the schedules of contributions, 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 Liberty Union High School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis 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 is also not a required part of the basic financial statements.

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

Other Matters (Concluded)

Other Information (Concluded)

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020 on our consideration of Liberty Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Liberty Union High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Liberty Union High School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2020

**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

This section of Liberty Union High School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 16 and 17, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities and business-type activities, presented on pages 18 through 24, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

Governmental Activities:

- During March 2020, District schools were closed for the remainder of the 2019-20 school year to address health concerns related to the Covid-19 outbreak.
- The District's overall financial status weakened during the course of the year, as total net position decreased 3%. The decrease was due primarily to the current year recognition of \$6,518,842 of depreciation expense.
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$1,787,077.
- Capital assets, net of depreciation, increased \$18,699,427, due to the current year acquisition and construction of \$25,218,269 of new capital assets and improvements, and the current year recognition of \$6,518,842 of depreciation expense.
- Total long-term liabilities decreased \$6,139,141 due primarily to the current year reduction of the District's outstanding general obligation bonds.
- The District's P-2 average daily attendance (ADA) increased from 7,835 ADA in fiscal year 2018-19, up to 7,860 ADA in fiscal year 2019-20, an increase of 25 ADA or less than 1%.
- The District's General Fund produced an operating surplus of \$2,870,014 and reported a \$1,731,156 increase in its available reserves.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2019-20, General Fund total outgo was \$94,629,569. At June 30, 2020, the District had available reserves of \$7,428,691, which represents an available reserve of 7.9%.

**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and management's discussion and analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, governmental-wide and funds.

- Governmental-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
 - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
 - ❖ Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.
 - ❖ Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

Notes to the financials, which are included in the financial statements, provide more detailed data, and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

Reporting the District as a Whole

The District as a whole is reported in the Governmental-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health (net position) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

Governmental Activities:

The basic services provided by the District, such as regular and special education, administration, and transportation are included here, and are primarily financed by state apportionments, property taxes, and other state and federal aid. Non-basic services, such as child nutrition are also included here, but are financed by a combination of state and federal programs and local revenues.

Business-type Activities:

These activities are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's Transportation Consortium operations are reported as business activities.

Reporting the District's Most Significant Funds

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law, while other funds have been established to control and manage money for specific purposes.

Governmental Funds:

The major governmental funds of the Liberty Union High School District are the General Fund, Bond Interest & Redemption Fund, and Building Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting 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 operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds:

Proprietary funds are activities that a District operates similar to a business, in that it attempts to recover costs through charges to the user. Proprietary funds include internal service funds and enterprise funds and are accounted for on the full accrual basis. Internal service funds account for goods or services that are provided to other funds in return for a fee to cover the cost of operations. The District has no funds of this type. Enterprise funds are used to account for any activity or service that charges a fee to external users to cover the cost of operations. The District has one fund of this type, the Transportation Consortium Fund or Enterprise Fund.

Fiduciary Funds:

The District is the trustee, or fiduciary, for its scholarship and student activity funds. All of the District's fiduciary activities are reported in separate fiduciary statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Governmental Activities:

The District's total net position decreased from \$58,578,037 at June 30, 2019, down to \$56,790,960 at June 30, 2020, a decrease of 3%.

Business-type Activities:

The District's total net position increased to \$4,205,357 at June 30, 2020, due primarily to the current year transfer of \$3,090,590 of transportation related capital assets from governmental activities to business-type activities.

<u>Comparative Statement of Net Position</u>						
	Governmental Activities		Business-Type Activities		Totals	
	2019	2020	2019	2020	2019	2020
Assets:						
Deposits and Investments	\$ 83,393,955	\$ 56,134,908	\$ (269,620)	\$ (431,646)	\$ 83,124,335	\$ 55,703,262
Receivables	2,955,175	7,849,527	1,145,927	3,053,870	4,101,102	10,903,397
Stores Inventory	4,879	4,879			4,879	4,879
Capital Assets, net	165,146,266	183,845,693	1,362,968	4,205,357	166,509,234	188,051,050
Total Assets	251,500,275	247,835,007	2,239,275	6,827,581	253,739,550	254,662,588
Deferred Outflows of Resources:						
OPEB Deferrals	169,798	841,253			169,798	841,253
Pension Deferrals	26,795,222	23,480,130	963,142	828,612	27,758,364	24,308,742
Bond Refunding	1,293,173	1,159,710			1,293,173	1,159,710
Total Deferred Outflows of Resources	28,258,193	25,481,093	963,142	828,612	29,221,335	26,309,705
Liabilities:						
Current	16,022,062	15,500,483	33,934	87,052	16,055,996	15,587,535
Long-Term	198,372,016	192,203,028	3,151,644	3,175,955	201,523,660	195,378,983
Total Liabilities	214,394,078	207,703,511	3,185,578	3,263,007	217,579,656	210,966,518
Deferred Inflows of Resources:						
OPEB Deferrals	1,653,189	1,540,709			1,653,189	1,540,709
Pension Deferrals	5,133,164	7,280,920	16,839	187,829	5,150,003	7,468,749
Total Deferred Outflows of Resources	6,786,353	8,821,629	16,839	187,829	6,803,192	9,009,458
Net Position:						
Net Investment in Capital Assets	108,905,140	111,656,250	1,362,968	4,205,357	110,268,108	115,861,607
Restricted	16,813,065	15,766,006			16,813,065	15,766,006
Unrestricted (Deficit)	(67,140,168)	(70,631,296)	(1,362,968)		(68,503,136)	(70,631,296)
Total Net Position	\$ 58,578,037	\$ 56,790,960	\$ 0	\$ 4,205,357	\$ 58,578,037	\$ 60,996,317

Table includes financial data of the combined governmental funds and proprietary fund

The unrestricted deficit balances are due primarily to the fact that the District is required to record a liability in its financial statements to reflect the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONCLUDED)

Governmental Activities:

The District's total current year expenses exceeded total current year revenues by \$425,625.

Business-Type Activities:

The District's total current year revenues exceeded total current year expenses by \$4,205,357.

<u>Comparative Statement of Changes in Net Position</u>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Program Revenues:						
Charges for Services	\$ 712,306	\$ 566,515	\$ 3,949,515	\$ 5,053,521	\$ 4,661,821	\$ 5,620,036
Operating Grants & Contributions	16,114,066	14,085,932			16,114,066	14,085,932
Capital Grants & Contributions	3,062	138			3,062	138
General Revenues:						
Taxes Levied	47,240,149	49,823,821			47,240,149	49,823,821
Federal & State Aid	45,614,645	44,412,250	213,508		45,828,153	44,412,250
Interest & Investment Earnings	1,891,890	1,136,054	(4,400)	(4,615)	1,887,490	1,131,439
Transfers from Other Agencies	82,376	(41,266)			82,376	(41,266)
Transfers		(3,090,590)		3,090,590	0	0
Miscellaneous	2,832,149	3,664,212			2,832,149	3,664,212
Total Revenues	114,490,643	110,557,066	4,158,623	8,139,496	118,649,266	118,696,562
Expenses:						
Instruction	67,739,029	67,030,363			67,739,029	67,030,363
Instruction-Related Services	15,264,280	13,114,744			15,264,280	13,114,744
Pupil Services	8,852,339	8,820,841			8,852,339	8,820,841
General Administration	5,299,712	5,928,629			5,299,712	5,928,629
Plant Services	10,895,089	10,980,508			10,895,089	10,980,508
Enterprise Activities	0	35,380	4,158,623	3,934,139	4,158,623	3,969,519
Interest on Long-Term Debt	3,968,289	3,724,661			3,968,289	3,724,661
Other Outgo	2,897,530	2,709,017			2,897,530	2,709,017
Total Expenses	114,916,268	112,344,143	4,158,623	3,934,139	119,074,891	116,278,282
Changes in Net Position	\$ (425,625)	\$ (1,787,077)	\$ 0	\$ 4,205,357	\$ (425,625)	\$ 2,418,280
<i>Table includes financial data of the combined governmental funds and proprietary fund</i>						

**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

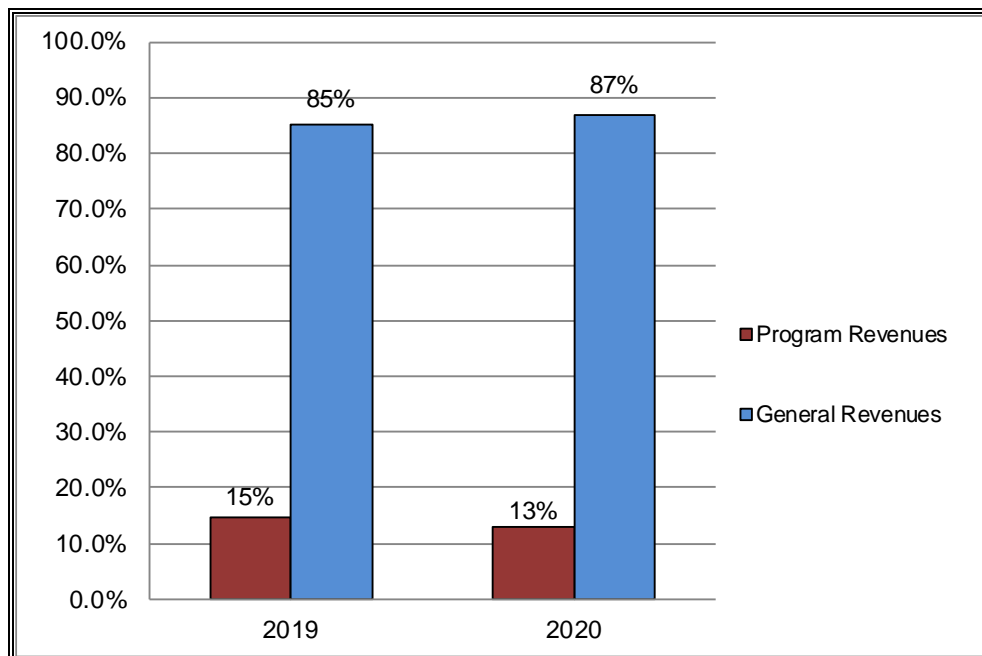
FINANCIAL ANALYSIS OF THE GOVERNMENTAL ACTIVITIES

Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost of Services	
	2019	2020	2019	2020
Instruction	\$ 67,739,029	\$ 67,030,363	\$ 55,958,828	\$ 56,349,145
Instruction-Related Services	15,264,280	13,114,744	13,874,945	12,101,968
Pupil Services	8,852,339	8,820,841	6,263,043	6,767,234
General Administration	5,299,712	5,928,629	5,081,477	5,780,737
Plant Services	10,895,089	10,980,508	10,561,045	10,723,825
Enterprise Activities	0	35,380	0	35,380
Interest on Long-Term Debt	3,968,289	3,724,661	3,968,289	3,724,661
Other Outgo	2,897,530	2,709,017	2,379,207	2,208,608
Totals	<u>\$ 114,916,268</u>	<u>\$ 112,344,143</u>	<u>\$ 98,086,834</u>	<u>\$ 97,691,558</u>

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$97,691,558 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



Program revenues financed 13% of the total cost of providing the services listed above, while the remaining 87% was financed by the general revenues of the District.

**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

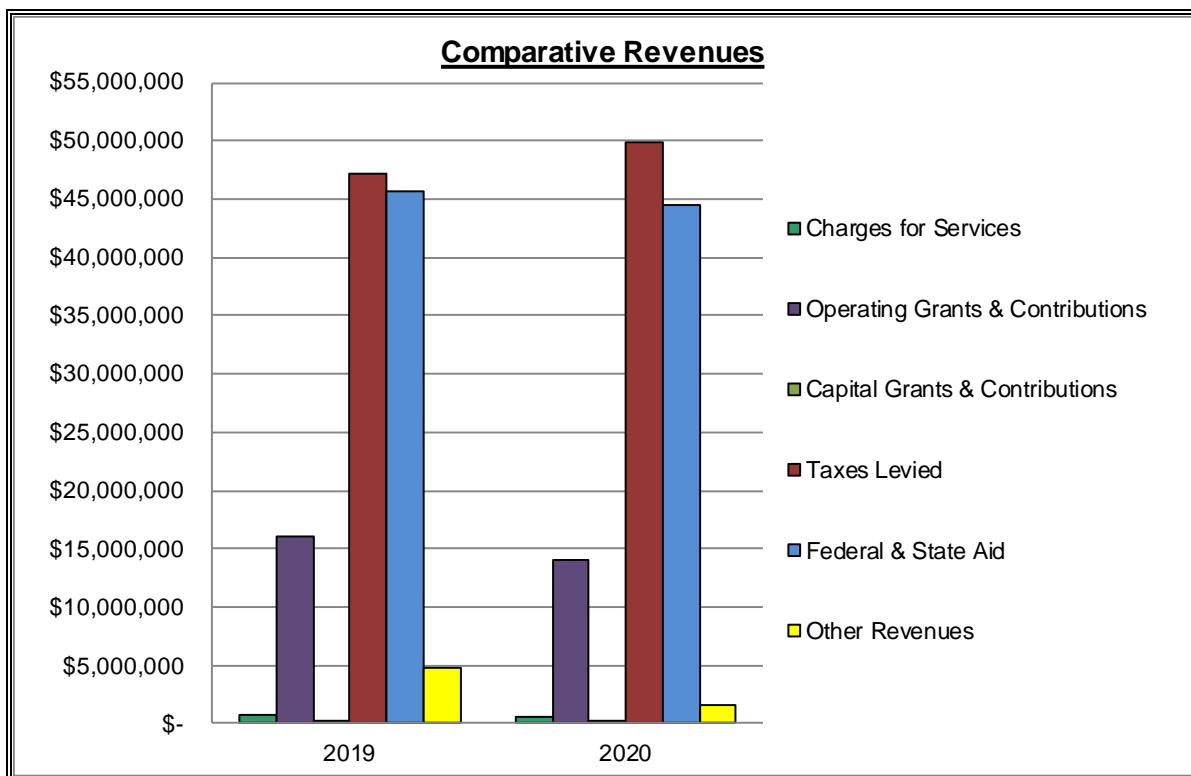
(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	FYE 2019 Amount	Percent of Total	FYE 2020 Amount	Percent of Total
<u>Program Revenues</u>				
Charges for Services	\$ 712,306	0.62%	\$ 566,515	0.51%
Operating Grants & Contributions	16,114,066	14.07%	14,085,932	12.74%
Capital Grants & Contributions	3,062	0.00%	138	0.00%
<u>General Revenues</u>				
Taxes Levied	47,240,149	41.26%	49,823,821	45.07%
Federal & State Aid	45,614,645	39.84%	44,412,250	40.17%
Other Revenues	4,806,415	4.20%	1,668,410	1.51%
Total Revenues	<u>\$ 114,490,643</u>	<u>100.00%</u>	<u>\$ 110,557,066</u>	<u>100.00%</u>

Table includes financial data of the combined governmental funds



**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**
(PREPARED BY DISTRICT MANAGEMENT)

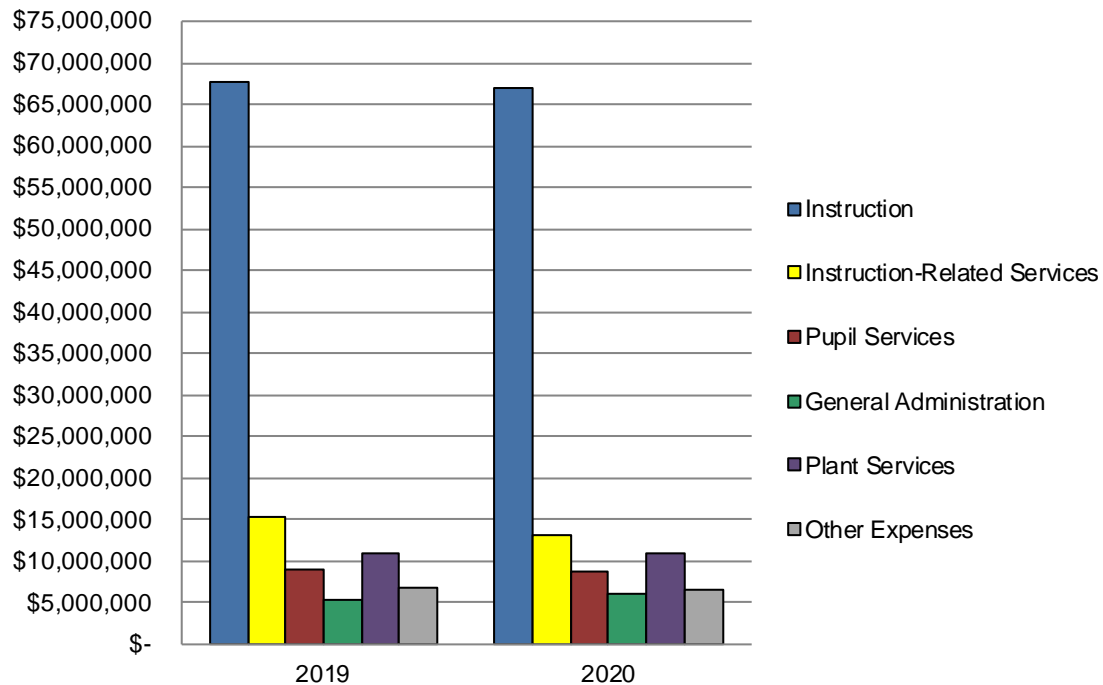
FINANCIAL ANALYSIS OF THE GOVERNMENTAL ACTIVITIES (CONCLUDED)

Summary of Expenses For Governmental Functions

	FYE 2019 Amount	Percent of Total	FYE 2020 Amount	Percent of Total
<u>Expenses</u>				
Instruction	\$ 67,739,029	58.95%	\$ 67,030,363	59.67%
Instruction-Related Services	15,264,280	13.28%	13,114,744	11.67%
Pupil Services	8,852,339	7.70%	8,820,841	7.85%
General Administration	5,299,712	4.61%	5,928,629	5.28%
Plant Services	10,895,089	9.48%	10,980,508	9.77%
Other Expenses	6,865,819	5.97%	6,469,058	5.76%
Total Expenses	\$ 114,916,268	100.00%	\$ 112,344,143	100.00%

Table includes financial data of the combined governmental funds

Comparative Expenses



**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE CAPITAL ASSETS AND LONG-TERM LIABILITIES

Governmental Activities:

<u>Comparative Schedule of Capital Assets</u>		
	2019	2020
Land	\$ 17,758,869	\$ 17,758,869
Sites & Improvements	19,870,097	24,214,359
Buildings & Improvements	194,213,655	213,825,010
Furniture & Equipment	2,433,416	2,802,395
Construction-in-Progress	18,248,654	19,142,327
Totals at Historical Cost	252,524,691	277,742,960
Less: Accumulated Depreciation	(87,378,425)	(93,897,267)
Capital Assets, net	<u>\$ 165,146,266</u>	<u>\$ 183,845,693</u>

Capital assets, net of depreciation, increased \$18,699,427, due to the current year acquisition and construction of \$25,218,269 of new capital assets and improvements, and the current year recognition of \$6,518,842 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	2019	2020
Compensated Absences	\$ 325,629	\$ 410,668
General Obligation Bonds	94,780,000	89,275,000
Bond Premium	4,941,104	4,659,849
Capital Leases	8,083,581	6,565,700
Total OPEB Liability	12,949,794	15,081,718
Net Pension Liabilities	84,921,673	83,869,705
Totals	<u>\$ 206,001,781</u>	<u>\$ 199,862,640</u>

Total long-term liabilities decreased \$6,139,141 due primarily to the current year reduction of the District's outstanding general obligation bonds.

The general obligation bonds are financed by the local taxpayers and represent 47% of the District's total long-term liabilities.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to the future debt service requirements of each long-term obligation.

**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

<u>Comparative Schedule of Fund Balances</u>			
	Fund Balances June 30, 2019	Fund Balances June 30, 2020	Increase (Decrease)
General	\$ 15,272,987	\$ 18,143,001	\$ 2,870,014
Bond Interest & Redemption	7,821,252	7,405,445	(415,807)
Building	50,270,386	27,151,396	(23,118,990)
Deferred Maintenance	457,580	904,558	446,978
Cafeteria	775,174	617,054	(158,120)
Adult Education	638,981	795,594	156,613
Capital Facilities	4,373,801	2,682,023	(1,691,778)
County School Facilities	7,913	8,051	138
Capital Projects - Special Reserve	1,104	1,104	0
Totals	<u>\$ 79,619,178</u>	<u>\$ 57,708,226</u>	<u>\$ (21,910,952)</u>

The fund balance of the General Fund increased \$2,870,014, and the combined fund balances of all other District governmental funds decreased \$24,780,966. The large decrease in the fund balance of the Building was due to the current year spending down of bond proceeds that were received in prior years.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. The original budget, approved at the end of June, is based on May Revise figures, and updated 45 days after the State approves its final budget. Over the course of the year, the District revised the annual operating budget on numerous occasions. The significant budget adjustments fell into the following categories:

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- ◆ Adjustments at First and Second Interim.
- ◆ Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. The District's 2020-21 CALPADS enrollment decreased by 82, which represents just the second decline in enrollment at the District in more than 15 years. The impact of the decline in enrollment is reflected in the District's First Interim Financial Report.

On November 8, 2016, more than 55% of voters approved "Measure U", which authorized the District to issue \$122,000,000 in bonds to provide educational facilities and equipment to support advanced courses in math, science, engineering, arts and technology, modernize aging science labs, computer systems and career educational facilities, repair deteriorating roofs, plumbing, heating, ventilation and electrical systems, add classrooms and facilities including those relieving overcrowding, and to improve the likelihood of local high schools qualifying for state matching funds.

On August 10, 2017, the District issued \$60 million of General Obligation Bonds, Election of 2016, Series A, current interest bonds with interest rates ranging from 3.0% to 5.0%. On October 7, 2020, the District issued \$62 million of General Obligation Bonds, Election of 2016, Series B, current interest bonds with interest rates ranging from 1.0% to 4.0%. The proceeds from the bond sales will be used solely for the purpose of financing projects authorized by "Measure U" in 2016, as described in the preceding paragraph, and paying for cost of issuance related to the bond sale. As a result, the District will continue to be actively involved in construction activities during fiscal year 2020-21 and beyond.

During the 2020-21 school year, the District will continue to be impacted by the on-going health concerns associated with Covid-19. Since the virus is still very contagious, the District has already modified most of its operational procedures as most aspects of its operations were directly affected by Covid-19. However, due to the unknown nature of the virus and the everchanging guidance provided by the California Department of Education, further procedural modifications will likely be necessary. In addition, State and Local economies have also been severely impacted by Covid-19, which may adversely affect future school funding and student enrollment.

Accordingly, the District's budget should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Chief Business Officer, Liberty Union High School District, 20 Oak Street, Brentwood, CA 94513.

BASIC FINANCIAL STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Totals
<u>Assets</u>			
Deposits and Investments (Note 2)	\$ 56,134,908	\$ (431,646)	\$ 55,703,262
Receivables (Note 3)	7,849,527	3,053,870	10,903,397
Stores Inventory (Note 11)	4,879		4,879
Capital Assets, Not Depreciated (Note 5)	36,901,196		36,901,196
Capital Assets, Net of Accumulated Depreciation	146,944,497	4,205,357	151,149,854
Total Assets	<u>247,835,007</u>	<u>6,827,581</u>	<u>254,662,588</u>
<u>Deferred Outflows of Resources</u>			
OPEB Deferrals (Note 8)	841,253		841,253
Pension Deferrals (Note 9)	23,480,130	828,612	24,308,742
Bond Refunding (Note 11)	1,159,710		1,159,710
Total Deferred Outflows of Resources	<u>25,481,093</u>	<u>828,612</u>	<u>26,309,705</u>
<u>Liabilities</u>			
Accounts Payable and Other Current Liabilities	6,066,280	87,052	6,153,332
Accrued Interest Payable	1,559,783		1,559,783
Unearned Revenue (Note 11)	214,808		214,808
Long-Term Liabilities:			
<i>Portion Due or Payable Within One Year:</i>			
Compensated Absences	410,668		410,668
General Obligation Bonds			
Current Interest	5,400,000		5,400,000
Bond Premium	281,255		281,255
Capital Leases	1,567,689		1,567,689
<i>Portion Due or Payable After One Year:</i>			
General Obligation Bonds (Note 6)			
Current Interest	83,875,000		83,875,000
Bond Premium	4,378,594		4,378,594
Capital Leases (Note 7)	4,998,011		4,998,011
Total OPEB Liability (Note 8)	15,081,718		15,081,718
Net Pension Liabilities (Note 9)	83,869,705	3,175,955	87,045,660
Total Liabilities	<u>207,703,511</u>	<u>3,263,007</u>	<u>210,966,518</u>
<u>Deferred Inflows of Resources</u>			
OPEB Deferrals (Note 8)	1,540,709		1,540,709
Pension Deferrals (Note 9)	7,280,920	187,829	7,468,749
Total Deferred Inflows of Resources	<u>8,821,629</u>	<u>187,829</u>	<u>9,009,458</u>
<u>Net Position</u>			
Net Investment in Capital Assets	111,656,250	4,205,357	115,861,607
Restricted:			
For Capital Projects	2,690,074		2,690,074
For Debt Service	5,845,662		5,845,662
For Educational Programs	6,603,216		6,603,216
For Other Purposes	627,054		627,054
Unrestricted (Deficit)	<u>(70,631,296)</u>		<u>(70,631,296)</u>
Total Net Position	<u>\$ 56,790,960</u>	<u>\$ 4,205,357</u>	<u>\$ 60,996,317</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
<u>Governmental Activities</u>							
Instruction	\$ 67,030,363		\$ 10,681,080	\$ 138	\$ (56,349,145)		\$ (56,349,145)
Instruction-Related Services:							
Supervision of Instruction	1,595,135		207,291		(1,387,844)		(1,387,844)
Instructional Library and Technology	1,149,410		9,578		(1,139,832)		(1,139,832)
School Site Administration	10,370,199		795,907		(9,574,292)		(9,574,292)
Pupil Services:							
Home-to-School Transportation	1,379,606				(1,379,606)		(1,379,606)
Food Services	1,550,495	\$ 544,544	665,282		(340,669)		(340,669)
Other Pupil Services	5,890,740	122	843,659		(5,046,959)		(5,046,959)
General Administration:							
Data Processing Services	29,399				(29,399)		(29,399)
Other General Administration	5,899,230	17,902	129,990		(5,751,338)		(5,751,338)
Plant Services	10,980,508		256,683		(10,723,825)		(10,723,825)
Enterprise Activities	35,380				(35,380)		(35,380)
Interest on Long-Term Debt	3,724,661				(3,724,661)		(3,724,661)
Other Outgo	2,709,017	3,947	496,462		(2,208,608)		(2,208,608)
Total Governmental Activities	112,344,143	566,515	14,085,932	138	(97,691,558)		(97,691,558)
<u>Business-Type Activities</u>							
Enterprise Activities	\$ 3,934,139	\$ 5,053,521				\$ 1,119,382	1,119,382
Totals	\$ 116,278,282	\$ 5,620,036	\$ 14,085,932	\$ 138	(97,691,558)	1,119,382	(96,572,176)
<u>General Revenues</u>							
Taxes Levied for General Purposes					40,322,625		40,322,625
Taxes Levied for Debt Service					8,733,457		8,733,457
Taxes Levied for Specific Purposes					767,739		767,739
Federal and State Aid - Unrestricted					44,412,250		44,412,250
Interest and Investment Earnings					1,136,054	(4,615)	1,131,439
Transfers from Other Agencies					(41,266)		(41,266)
Miscellaneous					3,664,212		3,664,212
Transfers					(3,090,590)	3,090,590	0
Total General Revenues					95,904,481	3,085,975	98,990,456
Change in Net Position					(1,787,077)	4,205,357	2,418,280
Net Position - July 1, 2019					58,578,037	0	58,578,037
Net Position - June 30, 2020					\$ 56,790,960	\$ 4,205,357	\$ 60,996,317

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Bond Interest and Redemption	Building	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Deposits and Investments (Note 2)	\$ 14,017,297	\$ 7,405,445	\$ 29,734,072	\$ 4,978,094	\$ 56,134,908
Receivables (Note 3)	7,577,283			272,244	7,849,527
Due from Other Funds (Note 4)	35,218				35,218
Stores Inventory (Note 11)				4,879	4,879
Total Assets	<u>\$ 21,629,798</u>	<u>\$ 7,405,445</u>	<u>\$ 29,734,072</u>	<u>\$ 5,255,217</u>	<u>\$ 64,024,532</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 3,271,989		\$ 2,582,676	\$ 211,615	\$ 6,066,280
Due to Other Funds (Note 4)				35,218	35,218
Unearned Revenue (Note 11)	214,808				214,808
Total Liabilities	<u>3,486,797</u>		<u>2,582,676</u>	<u>246,833</u>	<u>6,316,306</u>
Fund Balances: (Note 11)					
Nonspendable	10,000			4,879	14,879
Restricted	6,551,937	\$ 7,405,445	27,151,396	3,353,528	44,462,306
Committed				904,558	904,558
Assigned	4,152,373			745,419	4,897,792
Unassigned	7,428,691				7,428,691
Total Fund Balances	<u>18,143,001</u>	<u>7,405,445</u>	<u>27,151,396</u>	<u>5,008,384</u>	<u>57,708,226</u>
Total Liabilities and Fund Balances	<u>\$ 21,629,798</u>	<u>\$ 7,405,445</u>	<u>\$ 29,734,072</u>	<u>\$ 5,255,217</u>	<u>\$ 64,024,532</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total Fund Balances - Governmental Funds \$ 57,708,226

Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following:

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

Capital Assets	\$ 277,742,960	
Accumulated Depreciation	(93,897,267)	
Net		183,845,693

Unamortized costs: In governmental funds, the gain or loss from debt refunding activities is recognized in the period they are incurred. In the government-wide statements, the gain or loss is deferred and amortized as interest over the life of the new or refunded debt, whichever period is shorter. The deferred amount from refunding, reported as deferred outflows of resources, are:

1,159,710

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

Deferred outflows of resources relating to OPEB	841,253	
Deferred outflows of resources relating to pensions	23,480,130	
Deferred inflows of resources relating to OPEB	(1,540,709)	
Deferred inflows of resources relating to pensions	(7,280,920)	

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

Compensated Absences	\$ 410,668	
General Obligation Bonds	89,275,000	
Bond Premium	4,659,849	
Capital Leases	6,565,700	
Total OPEB Liability	15,081,718	
Net Pension Liabilities	83,869,705	
Total		(199,862,640)

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

(1,559,783)

Total Net Position - Governmental Activities **\$ 56,790,960**

**LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
LCFF Sources:					
State Apportionment / Transfers	\$ 41,517,966			\$ 1,108,847	\$ 42,626,813
Local Taxes	40,322,625				40,322,625
Total LCFF Sources	81,840,591			1,108,847	82,949,438
Federal Revenue	2,643,645			829,085	3,472,730
State Revenue	8,631,844	\$ 53,745		1,169,643	9,855,232
Local Revenue	4,383,503	8,747,261	\$ 737,013	3,502,479	17,370,256
Total Revenues	97,499,583	8,801,006	737,013	6,610,054	113,647,656
<u>Expenditures</u>					
Current:					
Instruction	60,276,467			733,572	61,010,039
Supervision of Instruction	1,444,574				1,444,574
Instructional Library and Technology	977,429				977,429
School Site Administration	8,304,741			539,906	8,844,647
Home-To-School Transportation	1,294,662				1,294,662
Food Services				1,353,339	1,353,339
Other Pupil Services	5,128,420				5,128,420
Data Processing Services	27,589				27,589
Other General Administration	4,082,351			75,751	4,158,102
Plant Services	8,978,461		59,474	816,843	9,854,778
Facilities Acquisition and Construction			23,796,529	3,966,466	27,762,995
Other Outgo	2,709,017				2,709,017
Debt Service:					
Principal Retirement	1,197,690	5,505,000		320,191	7,022,881
Interest and Issuance Costs	208,168	3,711,813		50,155	3,970,136
Total Expenditures	94,629,569	9,216,813	23,856,003	7,856,223	135,558,608
Net Change in Fund Balances	2,870,014	(415,807)	(23,118,990)	(1,246,169)	(21,910,952)
Fund Balances - July 1, 2019	15,272,987	7,821,252	50,270,386	6,254,553	79,619,178
Fund Balances - June 30, 2020	<u>\$ 18,143,001</u>	<u>\$ 7,405,445</u>	<u>\$ 27,151,396</u>	<u>\$ 5,008,384</u>	<u>\$ 57,708,226</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Net Change in Fund Balances - Governmental Funds

\$ (21,910,952)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:

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

Capital Outlay Expenditures	\$ 25,218,269	
Depreciation Expense	<u>(6,518,842)</u>	
Net		18,699,427

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

97,683

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

(85,039)

Post employment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

(1,347,989)

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

(4,410,880)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as Other Financing Sources or Other Financing Uses in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. The net premiums, discount, or gain or loss on debt refunding activities and the amortization for the period are:

Amortization of Bond Premium	\$ 281,255	
Amortization of Bond Refunding	<u>(133,463)</u>	
Net		147,792

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

7,022,881

Change in Net Position of Governmental Activities

\$ (1,787,077)

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Business-Type Activities
	Enterprise Fund
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ (431,646)
Receivables (Note 3)	3,053,870
Capital Assets: (Note 5)	
Buildings and Improvements	3,303,353
Furniture and Equipment	4,506,137
Less: Accumulated Depreciation	(3,604,133)
Total Assets	6,827,581
<u>Deferred Outflows of Resources</u>	
Pension Deferrals (Note 9)	828,612
Total Deferred Outflows of Resources	828,612
<u>Liabilities</u>	
Accounts Payable	87,052
Net Pension Liabilities (Note 9)	3,175,955
Total Liabilities	3,263,007
<u>Deferred Inflows of Resources</u>	
Pension Deferrals (Note 9)	187,829
Total Deferred Inflows of Resources	187,829
<u>Net Position</u>	
Net Investment in Capital Assets	4,205,357
Total Net Position	\$ 4,205,357

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities
	Enterprise Fund
<u>Operating Revenues</u>	
Charges for Services	\$ 5,053,521
Total Operating Revenues	5,053,521
<u>Operating Expenses</u>	
Personnel Services	3,001,744
Materials and Supplies	376,014
Contracted Services	308,180
Depreciation	248,201
Total Operating Expenses	3,934,139
Operating Gain	1,119,382
<u>Non-Operating (Expense)</u>	
Interest	(4,615)
Income before Transfers	1,114,767
<u>Transfers</u>	
Transfer In of Net Capital Assets from Governmental Activities	3,090,590
Change in Net Position	4,205,357
Net Position - July 1, 2019	0
Net Position - June 30, 2020	\$ 4,205,357

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities
	Enterprise Fund
<i>Cash Flows From Operating Activities:</i>	
Cash Received from Services	\$ 3,145,578
Payments to Employees for Services	(2,689,008)
Payments to Suppliers for Goods and Services	(613,981)
Net Cash Used by Operating Activities	(157,411)
<i>Cash Flows From Investing Activities:</i>	
Interest	(4,615)
Net Cash Used by Investing Activities	(4,615)
Net Decrease in Cash	(162,026)
Deposits and Investments - July 1, 2019	(269,620)
Deposits and Investments - June 30, 2020	\$ (431,646)
<i>Reconciliation of Operating Gain to Net Cash Used by Operating Activities:</i>	
Operating Gain	\$ 1,119,382
Adjustments to Reconcile Operating Gain to Net Cash Used by Operating Activities:	
Depreciation	248,201
Changes in Operating Assets and Liabilities:	
Accounts Receivables	(1,907,943)
Deferred Outflows of Resources - Pension Deferrals	134,530
Accounts Payable	53,118
Deferred Inflows of Resources - Pension Deferrals	170,990
Net Pension Liability	24,311
Net Cash Used by Operating Activities	\$ (157,411)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	Private-Purpose Trust	Agency Funds	Total
	Scholarship Funds	Student Body	Fiduciary Funds
<u>Assets</u>			
Deposits and Investments (Note 2)	\$ 52,399	\$ 2,638,416	\$ 2,690,815
Total Assets	52,399	2,638,416	2,690,815
<u>Liabilities</u>			
Due to Student Groups		2,638,416	2,638,416
Total Liabilities	0	2,638,416	2,638,416
<u>Net Position</u>			
Restricted	52,399	0	52,399
Total Net Position	\$ 52,399	\$ 0	\$ 52,399

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Private-Purpose Trust
	Scholarship Funds
<u>Additions</u>	
Gifts and Contributions	\$ 700
Interest	966
Total Additions	1,666
<u>Deductions</u>	
Scholarships Awarded	12,650
Total Deductions	12,650
Change in Net Position	(10,984)
<u>Net Position</u>	
Net Position - July 1, 2019	63,383
Net Position - June 30, 2020	\$ 52,399

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Liberty Union High School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five-member Board of Trustees elected by registered voters of the District, which comprises an area in Contra Costa County. The District was established in 1902 and serves students in grades 9-12, as well as providing adult education programs.

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

The financial reporting entity consists of the following:

- The primary government
- Organizations for which the primary government is financially accountable
- Other organizations for which the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, the organization should be included as a component unit.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity under GASB Statement No. 14 (GASB14) as amended by GASB Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*, and has determined that there are no organizations, with financial activities that benefit the District, which should be included within its financial reporting entity under these criteria.

The District has also reviewed criteria to determine whether other organizations, for which the District is not financially accountable, should be reported within its financial reporting entity, based on the nature and significance of its relationship with the District, under GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, and has determined that there are no organizations, for which the District is not financially accountable, which should be reported within its financial reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District and its component units, when applicable. The effect of interfund activity within the governmental and business-type activities columns has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-wide Financial Statements (Concluded):

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. 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 goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. The Enterprise Fund is presented on the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position for proprietary funds present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements (Concluded):

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are transportation related fees. Operating expenses for the enterprise fund include the costs of personnel services, materials and supplies, and other services related to operating the transportation consortium program.

Fiduciary funds are reported using the economic resources measurement focus.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. 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 as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/Expenditures:

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

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District maintains the following fund types:

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

Proprietary Funds - Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as either enterprise or internal service.

Fiduciary Funds - Fiduciary funds are classified as either *Private-Purpose Trust Funds*, which are used to account for assets held by the District as trustee, or *Agency Funds*, which are used to account for assets of others for which the District acts as an agent.

The District's accounts are organized into major, non-major, proprietary, and fiduciary funds as follows:

Major Governmental Funds:

General Fund is the general operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund. For financial reporting purposes, the financial activities, and balances of the Special Revenue - Special Reserve Fund have been combined with the General Fund.

Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.

Building Fund is used to account for the acquisition and/or construction of major capital facilities and buildings financed from the sale of general obligation bonds.

Non-major Governmental Funds:

Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria program.

Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provision of the California Environmental Quality Act (CEQA).

County School Facilities Fund is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

Capital Projects - Special Reserve Fund is used to provide for the accumulation of general fund moneys to be used for capital outlay purposes.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

Proprietary Fund:

Enterprise Fund was established to account for transactions of the Transportation Consortium, which are financed and operated in a manner similar to a business enterprise, where the intent is to recover the cost of providing the services through user charges.

Fiduciary Funds:

Private-Purpose Trust Fund is used to account for assets held by the District as trustee. The District maintains a private-purpose trust fund to account for Scholarship Funds, which are used to provide financial assistance to students of the District.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund to account for the student body accounts at each school site, which are used to account for the raising and expending of money to promote the general welfare, and educational experience of the student body.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the District's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund as required supplementary information on page 65.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows for the District's proprietary fund, the District considers all highly liquid investment instruments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

I. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

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 County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

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.

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

2. Stores Inventory

Inventory is recorded using the consumption method in that inventory acquisitions are initially recorded in inventory asset accounts and are recorded as expenditures when the supplies are used. Inventory is valued at average cost and consist of expendable supplies held for consumption.

Reported inventory is equally offset by a net position reserve, which indicates that this amount is not available for appropriation.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

3. Capital Assets

Furniture and equipment purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost, and capital improvement, acquisition, or construction with an original cost of \$50,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	6-36
Buildings and Improvements	7-45
Furniture and Equipment	6-10

4. Deferred Outflows/Inflows of Resources

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

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

5. Unearned revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

6. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

7. Other Postemployment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), and additions to/deductions from the CalSTRS' and CalPERS' 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. Investments are reported at fair value.

9. Long-term Liabilities

In the government-wide financial statements, long-term obligations are reported as long-term liabilities in the Statement of Net Position. Bond premiums and discounts as well as refunding costs, when applicable, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premiums, discounts, or refunding.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance and refunding costs, when debt is issued. The face amount of the debt issued, premiums, discounts, and issuance or refunding costs are reported as other financing sources or uses.

10. Fund Balances

Governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

10. Fund Balances (Concluded)

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the district's highest level of decision-making authority (Governing Board). Formal action by resolution or majority vote must be taken prior to the end of the fiscal year. The same formal action must be taken to make amendments or modifications to the committed amounts. Committed fund balance does not lapse at year-end.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose. In accordance with board resolution, the Governing Board delegated authority to assign fund balance for a specific purpose to the Chief Business Officer.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from assigned fund balance, and lastly, the unassigned fund balance.

In accordance with board resolution, the Board intends to maintain a minimum fund balance of 5% of the District's general fund annual operating expenditures. In the event the fund balance drops below 5%, it shall be recovered at a rate of 1% each year.

11. Local Control Funding Formula (LCFF)/Property Tax

The LCFF creates funding targets based on student characteristics and provides greater flexibility to use these funds to improve student outcomes. For school districts, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that are calculated based on student demographic factors. District funding under the LCFF is generally provided by a mix of State aid and local property taxes.

The County of Contra Costa is responsible for assessing, collecting, and apportioning property taxes to the District. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Concluded)

11. Fund Balances (Concluded)

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District. The California Department of Education reduces the District's LCFF entitlement by the District's local property tax revenue. Any balance remaining is paid from the State General Fund and is known as LCFF State Aid.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks	\$ 4,438		\$ 2,638,416
Cash in Revolving Fund	10,000		
County Pool Investments	<u>56,120,470</u>	\$ <u>(431,646)</u>	<u>52,399</u>
Total Deposits and Investments	<u>\$ 56,134,908</u>	<u>\$ (431,646)</u>	<u>\$ 2,690,815</u>

Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District, exclusive of amounts held in revolving funds.

Cash in Revolving Fund

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds as well as petty cash funds.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

County Pool Investments

County pool investments consist of District cash held by the Contra Costa County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are 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 Authorization

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

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 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

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 Contra Costa County Investment Pool and Federal Home Loan Bank discount notes.

Weighted Average Maturity

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

Governmental Activities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
County Pool Investments	56,120,470	56,466,287	282

Business-Type Activities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
County Pool Investments	\$ (431,646)	\$ (434,306)	282

Fiduciary Activities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
County Pool Investments	\$ 52,399	\$ 52,722	282

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. Investments in the County Treasury and Federal Home Loan Bank discount notes are not required to be rated.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 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 agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's bank balance was not exposed to custodial credit risk.

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 specific 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 Contra Costa County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Fair Value Measurements (Concluded)

The District's fair value measurements are as follows at June 30, 2020:

Governmental Activities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	\$ 56,466,287	\$ 56,466,287

Business-Type Activities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	\$ (434,306)	\$ (434,306)

Fiduciary Activities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	\$ 52,722	\$ 52,722

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

NOTE 3 - RECEIVABLES

Receivables at June 30, 2020, consist of the following:

	<u>Major Governmental Funds</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>	<u>Business-Type Activities</u>
Federal Government	\$ 1,605,012	\$ 80,702	\$ 1,685,714	
State Government	5,927,643	123,539	6,051,182	
Local Governments	17,271		17,271	\$ 3,053,870
Miscellaneous	27,357	68,003	95,360	
Totals	<u>\$ 7,577,283</u>	<u>\$ 272,244</u>	<u>\$ 7,849,527</u>	<u>\$ 3,053,870</u>

NOTE 4 - INTERFUND ACTIVITIES

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - INTERFUND ACTIVITIES (CONCLUDED)

A. Due From/Due To Other Funds

Balances due to/from other funds at June 30, 2020 consisted of the following:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 35,218	
Capital Projects - Special Reserve		\$ 35,218
Totals	<u>\$ 35,218</u>	<u>\$ 35,218</u>

All interfund receivables and payables are scheduled to be paid within one year.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

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

A. Governmental Activities

	<u>Balances July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2020</u>
Capital Assets Not Being Depreciated:				
Land	\$ 17,758,869			\$ 17,758,869
Construction-in-Progress	18,248,654	\$ 25,218,269	\$ 24,324,596	19,142,327
Total Capital Assets Not Being Depreciated	<u>36,007,523</u>	<u>25,218,269</u>	<u>24,324,596</u>	<u>36,901,196</u>
Capital Assets Being Depreciated:				
Sites and Improvements	19,870,097	4,344,262		24,214,359
Buildings and Improvements	194,213,655	19,611,355		213,825,010
Furniture and Equipment	2,433,416	368,979		2,802,395
Total Capital Assets Being Depreciated	<u>216,517,168</u>	<u>24,324,596</u>	<u>0</u>	<u>240,841,764</u>
Less Accumulated Depreciation:				
Sites and Improvements	15,979,256	413,732		16,392,988
Buildings and Improvements	69,981,302	5,903,452		75,884,754
Furniture and Equipment	1,417,867	201,658		1,619,525
Total Accumulated Depreciation	<u>87,378,425</u>	<u>6,518,842</u>	<u>0</u>	<u>93,897,267</u>
Total Capital Assets Being Depreciated, Net	<u>129,138,743</u>	<u>17,805,754</u>	<u>0</u>	<u>146,944,497</u>
Governmental Activities Capital Assets, Net	<u>\$ 165,146,266</u>	<u>\$ 43,024,023</u>	<u>\$ 24,324,596</u>	<u>\$ 183,845,693</u>

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

A. Governmental Activities

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 4,127,131
Instructional Related Services	807,488
Pupil Services	543,109
General Administration	365,032
Plant Services	<u>676,082</u>
 Total Depreciation Expense	 <u>\$ 6,518,842</u>

B. Business-Type Activities

	Balances July 1, 2019	Additions	Deletions	Balances June 30, 2020
Buildings and Improvements	\$ 521,548	3,269,217	487,412	\$ 3,303,353
Furniture and Equipment	4,487,995	\$ 33,032	14,890	4,506,137
Totals at Historical Cost	<u>5,009,543</u>	<u>3,302,249</u>	<u>\$ 502,302</u>	<u>7,809,490</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	294,089	16,247	276,200	34,136
Furniture and Equipment	3,352,486	231,954	14,443	3,569,997
Total Accumulated Depreciation	<u>3,646,575</u>	<u>248,201</u>	<u>290,643</u>	<u>3,604,133</u>
Business Activities				
Capital Assets, net	<u>\$ 1,362,968</u>	<u>\$ 3,054,048</u>	<u>\$ 211,659</u>	<u>\$ 4,205,357</u>

Depreciation expense was charged to business-type activities as follows:

Enterprise	<u>\$ 248,201</u>
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NOTE 6 - GENERAL OBLIGATION BONDS

In April 2011, the District issued 2011 General Obligation Refunding Bonds in the amount of \$28.96 million, with interest rates ranging from 2.0 percent through 5.0 percent. The bonds were issued to refund all or a portion of the 2001 General Obligation Refunding Bonds that were scheduled to mature August 1, 2011 through August 1, 2019, the Election of 2001, Series A Bonds that were scheduled to mature on August 1, 2013 through August 1, 2017, and the Election of 2001, Series B Bonds that were scheduled to mature on August 1, 2017 through August 1, 2028. Principal and interest payments due on the 2011 Refunding Bonds will be paid semiannually on February 1, and August 1 of each year until final maturity on August 1, 2028.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - GENERAL OBLIGATION BONDS (CONTINUED)

In July 2012, the District issued 2012 General Obligation Refunding Bonds in the amount of \$26.22 million with interest rates ranging from 2.0 percent through 5.0 percent. The bonds were issued to refund the outstanding Election of 2001, Series A Bonds that were scheduled to mature on August 1, 2029 and August 1, 2030, the Election of 2001, Series C Bonds that were scheduled to mature on August 1, 2013 through August 1, 2028, and the 2004 General Obligation Refunding Bonds that were scheduled to mature on August 1, 2013 through August 1, 2020. Principal and interest payments due on the 2012 Refunding Bonds will be paid semiannually on February 1, and August 1 of each year until final maturity on August 1, 2030.

On November 8, 2016, more than 55% of voters approved "Measure U", which authorizes the District to issue \$122,000,000 in bonds to provide educational facilities and equipment to support advanced courses in math, science, engineering, arts and technology, modernize aging science labs, computer systems and career educational facilities, repair deteriorating roofs, plumbing, heating, ventilation and electrical systems, add classrooms and facilities including those relieving overcrowding, and to improve the likelihood of local high schools qualifying for state matching funds.

On August 10, 2017, the District issued \$60 million of General Obligation Bonds, Election of 2016, Series A, current interest bonds with interest rates ranging from 3.0% to 5.0%. The proceeds from the bond sale will be used solely for the purpose of financing projects authorized by "Measure U" in 2016, as described in the preceding paragraph, and paying for cost of issuance related to the bond sale. Principal and interest payments due on the Election of 2016, Series A, current interest bonds will be paid semiannually on February 1, and August 1 of each year until final maturity on August 1, 2047.

The general obligation bonds are secured by the full faith and credit of the District. Contra Costa County is obligated to annually levy ad valorem taxes for the payment of interest on, and principal of, the bonds upon all property subject to taxation in the District.

At June 30, 2020, the District's outstanding general obligation debt, excluding \$4,659,849 of unamortized bond premiums, is as follows:

Year of Issue	Interest Rate %	Year of Maturity	Amount of Original Issue	Outstanding July 1, 2019	Redeemed Current Year	Outstanding June 30, 2020
2011	2.00-5.00	2029	\$ 28,960,000	\$ 20,800,000	\$ 1,125,000	\$ 19,675,000
2012	2.00-5.00	2031	26,220,000	18,260,000	1,485,000	16,775,000
2017	3.00-5.00	2047	60,000,000	55,720,000	2,895,000	52,825,000
			<u>\$ 115,180,000</u>	<u>\$ 94,780,000</u>	<u>\$ 5,505,000</u>	<u>\$ 89,275,000</u>

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - GENERAL OBLIGATION BONDS (CONTINUED)

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2020, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	5,400,000	3,497,688	8,897,688
2022	2,955,000	3,319,063	6,274,063
2023	3,230,000	3,176,963	6,406,963
2024	3,460,000	3,024,388	6,484,388
2025	3,680,000	2,875,913	6,555,913
2026-2030	21,000,000	11,840,031	32,840,031
2031-2035	9,625,000	8,358,519	17,983,519
2036-2040	10,465,000	6,942,194	17,407,194
2041-2045	16,180,000	4,381,400	20,561,400
2046-2050	13,280,000	823,600	14,103,600
Totals	<u>\$ 89,275,000</u>	<u>\$ 48,239,759</u>	<u>\$ 137,514,759</u>

NOTE 7 - CAPITAL LEASES

The District entered into a lease-purchase agreement on August 1, 2007, for purposes of financing \$4 million of capital improvements at Heritage High School and other school facility projects within the District. The lease is secured by a site lease, which requires annual rental payments that are scheduled to end on August 15, 2022. If on August 15, 2022, the District has not made the required rental payments, or any other event of default has occurred and continues without cure by the District, then the term of the lease will be extended for a period of 10 years, or until such time that all regularly scheduled payments have been made. The lease agreement does not contain an acceleration clause.

The District entered into a lease-purchase agreement on October 26, 2010, for purposes of financing \$6.02 million to construct the replacement facility for La Paloma High School. The lease is secured by a site lease, which requires annual rental payments that are scheduled to end on April 1, 2030. If on April 1, 2030, the District has not made the required rental payments, or any other event of default has occurred and continues without cure by the District, then the term of the lease will be extended for a period not to exceed 10 years. The lease agreement does not contain an acceleration clause.

The District entered into a lease-purchase agreement on July 10, 2014, for purposes of financing \$7.06 million of technology improvements. The agreement requires annual debt service payments of \$945,768, which are scheduled to end on January 10, 2022. To secure the performance of the District's obligations under the agreement, the District has granted to the lessor, for the benefit of the lessor and its successors and assigns, a security interest constituting a first lien on the District's interest in all of the property, whether now owned or hereinafter acquired, all additions, attachments, alterations and accessions to the property.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - CAPITAL LEASES (CONCLUDED)

All of these agreements provide for title to pass to the District upon satisfaction of the lease terms. Future minimum lease payments under these agreements are as follows:

Year Ended <u>June 30</u>	Lease <u>Payments</u>
2021	\$ 1,776,204
2022	1,776,204
2023	645,263
2024	460,090
2025	460,090
2026-2030	<u>2,300,453</u>
Total payments	7,418,304
Less amount representing interest	<u>(852,604)</u>
Present value of net minimum lease payments	<u><u>\$ 6,565,700</u></u>

The District will receive no sublease rental revenues nor pay any contingent rentals for these leased assets.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description / Benefits Provided

Liberty Union High School District's Other Post Employment Benefits Plan (Plan) is a single employer defined benefit healthcare plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. No separate financial statements were issued for the Plan. The District provides medical coverage to employees who retire from active status with a specified minimum age and years of service, and who are also eligible for pension benefits under either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS). The benefits provided are as follows:

	<u>Certificated</u>	<u>Classified</u>	<u>Management</u>
Benefit Types Provided	Medical Only	Medical Only	Medical Only
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	10 years	10 years	10 years
Minimum age	60	60	60
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100%	100%	100%
District Cap	10-19 years of service: \$175 / month 20-29 years of service: \$195 / month 30+ years of service: \$215 / month	\$400 per month	10-19 years of service: \$175 / month 20-29 years of service: \$195 / month 30+ years of service: \$215 / month

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Plan Description / Benefits Provided (Concluded)

Retirees who do not qualify for or exhaust the benefits listed above are entitled to the statutory minimum employer contributions under the Public Employees' Medical and Hospital Care Act (PEMHCA).

Plan benefits and contribution requirements for both the employee and the District are established by labor agreements. All contracts with District employees may be renegotiated at various times in the future and, thus, benefits and costs are subject to change.

Employees covered by benefit terms

The number of employees covered by the benefit terms of the Plan as of June 30, 2018 are as follows:

Inactive employees currently receiving benefit payments	84
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>708</u>
Total number of participants	<u><u>792</u></u>

Total OPEB Liability

The District's total OPEB liability of \$15,081,718 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018. Standard actuarial update procedures were used to roll forward to the measurement date from the actuarial valuation.

Actuarial Assumptions

The total OPEB liability was determined using a financial reporting actuarial valuation as of June 30, 2018, which used the following actuarial methods and assumptions:

Measurement Date	June 30, 2018 (Updated to June 30, 2019 for this report)
Actuarial Cost Method	Entry Age Normal
Inflation	2.75%
Salary Increases	2.75%
Discount Rate *	3.8%, net of expenses (Updated to 3.5% for this report)
Healthcare cost trend rates	4.0% per year based on assumption that average increase over time cannot continue to outstrip general inflation by wide margin

* The discount rate is based on the Bond Buyer 20 Bond Index.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial Assumptions (Concluded)

Mortality rates for certificated employees were based on the 2009 CalSTRS Mortality table created by CalSTRS. Mortality rates for classified employees were based on the 2014 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS.

Retirement rates for certificated employees were based on the 2009 CalSTRS Retirement Rates table created by CalSTRS. Retirement rates for classified and management employees were based on the 2009 CalPERS Retirement Rates for School Employees table for employees hired before January 1, 2013 and the 2009 CalPERS Retirement Rates for Miscellaneous Employees 2% @ 60 table adjusted to minimum retirement age of 52 for employees hired after December 31, 2012.

Turnover rates for certificated employees were based on the 2009 CalSTRS Termination Rates table created by CalSTRS. Turnover rates for classified employees were based on the 2009 CalPERS Termination Rates for School Employees table created by CalPERS.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at Beginning of Year	\$ 12,949,794
Changes for the year:	
Service cost	1,147,683
Interest on total OPEB liability	469,831
Changes in assumptions or other inputs	714,169
Benefit payments	(199,759)
Net changes	2,131,924
Balance at End of Year	\$ 15,081,718

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate

The following table presents the District's total OPEB liability as of the measurement date, calculated using the current discount rate of 3.50%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	Discount Rate 1% Decrease 2.50%	Discount Rate Current Rate 3.50%	Discount Rate 1% Increase 4.50%
District's Total OPEB Liability	\$ 17,835,044	\$ 15,081,718	\$ 12,987,694

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

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

The following table presents the District's total OPEB liability as of the measurement date, calculated using the current healthcare cost trend rate of 4.00%, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate:

	Healthcare Cost Trend Rate 1% Decrease 3.00%	Healthcare Cost Trend Rate Current Rate 4.00%	Healthcare Cost Trend Rate 1% Increase 5.00%
District's Total OPEB Liability	\$ 12,957,778	\$ 15,081,718	\$ 17,800,825

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,617,514. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 182,878	
Differences between expected and actual experience		\$ 1,028,190
Changes of assumptions or other inputs	658,375	512,519
Totals	<u>\$ 841,253</u>	<u>\$ 1,540,709</u>

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2021. Other deferred outflows and inflows related to experience gains/losses and changes in assumptions are amortized into the OPEB expense over future years based on the average remaining service lives of all active and inactive plan participants determined as of the beginning of the measurement period, as follows:

Year Ended June 30	
2021	\$ (86,647)
2022	(86,647)
2023	(86,647)
2024	(86,647)
2025	(86,647)
Thereafter	(449,099)

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS

Qualified employees are covered under retirement plans maintained by agencies of the State of California. Certificated employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California State Teachers' Retirement System (CalSTRS) and classified employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California Public Employees' Retirement System (CalPERS).

The District reported net pension liabilities, deferred outflows of resources, deferred inflows, and pension expense of resources in the accompanying government-wide financial statements as follows:

Governmental Activities:

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 60,374,706	\$ 18,067,132	\$ 6,941,208	\$ 12,495,301
CalPERS	23,494,999	5,412,998	339,712	5,248,294
Totals	<u>\$ 83,869,705</u>	<u>\$ 23,480,130</u>	<u>\$ 7,280,920</u>	<u>\$ 17,743,595</u>

Business-Type Activities:

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalPERS	<u>\$ 3,175,955</u>	<u>\$ 828,612</u>	<u>\$ 187,829</u>	<u>\$ 709,442</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The California State Teachers Retirement System (CalSTRS) provides pension benefits, including disability and survivor benefits, to California full-time and part-time public school teachers and certain other employees of the public-school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature and Governor, established the plan and CalSTRS as the administrator. The terms of the plan may be amended through legislation. CalSTRS issues publicly available reports that include a full description of the pension plan that can be found on the CalSTRS website.

Benefits Provided

The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan. 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 for administering the STRP. Although CalSTRS is the administrator of the STRP, the State of California is the sponsor and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided

The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS.

Membership is mandatory for all employees meeting certain statutory requirements and optional for all other employees performing creditable service activities. The Defined Benefit Program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas and some of the differences are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to a maximum of 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, up to the 2.4% maximum.

CalSTRS calculates retirement benefits based on one-year final compensation for members with 25 or more years of credited service, or for classroom teachers with fewer than 25 years of credited service if the employer entered into, extended, renewed, or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For most members with fewer than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Concluded)

CalSTRS 2% at 62 (Concluded)

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and are detailed in the Teachers' Retirement Law. Current contribution rates were established with the enactment of AB 1469 in 2014 (the CalSTRS Fund Plan). A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members: The CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2019-20. Under CalSTRS 2% at 62, the member contribution rate was 10.205% of applicable member earnings for fiscal year 2019-20.

Employers: The employer contribution rate was 17.10% of applicable member earnings for fiscal year 2019-20. This rate reflects the 1.03% reduction of the employer contribution rate for the fiscal year 2019-20 pursuant to SB 90. The District contributed \$6,399,059 to the plan for the fiscal year ended June 30, 2020.

State: The base contribution of 2.017% is calculated based on creditable compensation from two fiscal years prior. The additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in subdivision (b) of Education Code Section 22955.1. The additional state contribution for the fiscal year ended June 30, 2020 was 5.811% Including a 2.50% contribution for SBMA funding, the total state contribution to the defined benefit program was 10.328% for the fiscal year ended June 30, 2020. This rate does not include the \$2.2 billion supplement state contribution on behalf of employers pursuant to SB 90.

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

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

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

District's proportionate share of the net pension liability	\$ 60,374,706
State's proportionate share of the net pension liability associated with the District	<u>32,938,433</u>
Total net pension liability attributed to District	<u><u>\$ 93,313,139</u></u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers and the State. The District's proportionate share of the net pension liability as of June 30, 2019 and June 30, 2018 was as follows:

Proportion - June 30, 2019	0.0668%
Proportion - June 30, 2018	<u>0.0693%</u>
Change - Increase (Decrease)	<u><u>-0.0025%</u></u>

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$12,495,301, which includes \$4,594,592 of support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 6,399,059	
Differences between expected and actual experience	152,692	\$ 1,691,074
Changes of assumptions	7,649,208	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	3,866,173	2,795,583
Net differences between projected and actual earnings on plan investments		<u>2,454,551</u>
Totals	<u><u>\$ 18,067,132</u></u>	<u><u>\$ 6,941,208</u></u>

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30</u>	
2021	\$ 1,810,984
2022	265,475
2023	1,149,346
2024	2,175,700
2025	(219,632)
2026	(455,008)

Differences between expected and actual experience, changes of assumptions, and changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions are amortized over a closed period equal to the expected average remaining service life of all members that are provided benefits. The expected average remaining service life for STRP members as of the beginning of the measurement period is 7 years. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. In determining the total pension liability, the financial reporting actuarial valuation used the following methods and assumptions:

Valuation Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return ¹	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB (Annually)
	Maintain 85% purchasing power level for DB

¹ Net of investment expenses, but gross of administrative expenses.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions (Concluded)

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 of life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term investment 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) 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' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Global Equity	47%	4.80%
Fixed Income	12%	1.30%
Real Estate	13%	3.60%
Private Equity	13%	6.30%
Risk Mitigating Strategies	9%	1.80%
Inflation Sensitive	4%	3.30%
Cash / Liquidity	2%	-0.40%
Total	<u>100%</u>	

* 20-year average

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates as previously described. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expenses occur midyear. Based on those 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 the total pension liability.

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

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

	Discount Rate 1% Decrease 6.10%	Discount Rate Current Rate 7.10%	Discount Rate 1% Increase 8.10%
District's proportionate share of the net pension liability	\$ 89,902,935	\$ 60,374,706	\$ 35,890,181

Pension Plan's Fiduciary Net Position

Detail information about the pension plan's fiduciary net position is available in the separately issued CalSTRS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019.

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by the CalPERS. All employees who work at least half time or are appointed to a job that will last at least six months and one day are eligible for CalPERS. Benefits vest after five years. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. Employees hired after January 1, 2013 with five years of credit service must be at least age 52 to retire.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered (Concluded)

The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through 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. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 7.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2020 was 19.721% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2020 was \$2,339,064 for the governmental activities and \$320,198 for the business-type activities.

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2020, the District reported a liability of \$23,494,999 for its proportionate share of the net pension liability for governmental activities and \$3,175,955 for its proportionate share of the net pension liability for business-type activities. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. 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 employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2019 and June 30, 2018 was as follows:

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

	Governmental Activities	Business-Type Activities
Proportion - June 30, 2019	0.0806%	0.0109%
Proportion - June 30, 2018	0.0796%	0.0118%
Change - Increase (Decrease)	0.0010%	-0.0009%

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$5,248,294 and \$709,442, for governmental activities and business-type activities, respectively.

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

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 2,339,064		\$ 320,198	
Differences between expected and actual experience	1,691,103		238,066	
Changes of assumptions	1,119,473		151,030	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	263,358	\$ 107,814	119,318	\$ 152,028
Net differences between projected and actual earnings on plan investments		231,898		35,801
Totals	\$ 5,412,998	\$ 339,712	\$ 828,612	\$ 187,829

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Governmental Activities	Business-Type Activities
2020	\$ 2,086,745	\$ 284,454
2021	312,243	50,605
2022	273,745	(22,822)
2023	61,759	8,348

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4.1 years as of June 30, 2019. The net difference between projected and actual earnings on pension plan investments is amortized over a 5-year period on a straight-line basis.

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuations were determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Wage Growth	Varies
Investment Rate of Return	7.15%
Post Retirement Benefit Increase (1)	

(1) 2.00% until Purchasing Power Protection Allowance Floor
on Purchasing Power applies, 2.50% thereafter

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions

Mortality rate table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study from 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, 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 (geometric) returns were calculated over the short-term (first 10 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 table below reflects expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate (Concluded)

Asset Class (1)	Assumed Asset Allocation	Real Return Years 1-10 (2)	Real Return Years 11+ (3)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

(1) In the CalPERS CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

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

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

	Governmental Activities		
	Discount Rate 1% Decrease 6.15%	Discount Rate Current Rate 7.15%	Discount Rate 1% Increase 8.15%
District's proportionate share of the net pension liability	\$ 33,866,497	\$ 23,494,999	\$ 14,891,126
	Business-Type Activities		
	Discount Rate 1% Decrease 6.15%	Discount Rate Current Rate 7.15%	Discount Rate 1% Increase 8.15%
District's proportionate share of the net pension liability	\$ 4,577,930	\$ 3,175,955	\$ 2,012,920

Pension Plan Fiduciary Net Position

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

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONCLUDED)

C. Social Security

As established by Federal law, all public-sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. Both the District and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

NOTE 10 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2020 were as follows:

A. Governmental Activities

	Balances July 1, 2019	Additions	Deductions	Balances June 30, 2020	Due within One Year
Long-Term Debt:					
General Obligation Bonds	\$ 94,780,000		\$ 5,505,000	\$ 89,275,000	\$ 5,400,000
Bond Premium	4,941,104		281,255	4,659,849	281,255
Capital Leases	8,083,581		1,517,881	6,565,700	1,567,689
Other Long-Term Liabilities:					
Compensated Absences	325,629	\$ 410,668	325,629	410,668	410,668
Total OPEB Liability	12,949,794	2,301,722	169,798	15,081,718	
Net Pension Liabilities	84,921,673		1,051,968	83,869,705	
Totals	<u>\$ 206,001,781</u>	<u>\$ 2,712,390</u>	<u>\$ 8,851,531</u>	<u>\$ 199,862,640</u>	<u>\$ 7,659,612</u>

The general obligation bonds and bond premium are obligations of the Bond Interest and Redemption Fund and will be financed primarily with property tax collections. The capital leases will be financed by the General Fund and Capital Facilities Fund, as appropriate. The compensated absences, total OPEB liability, and net pension liabilities will be financed primarily by the General Fund.

B. Business-Type Activities

	Balances July 1, 2019	Additions	Deductions	Balances June 30, 2020	Due within One Year
Other Long-Term Liabilities:					
Net Pension Liabilities	<u>\$ 2,555,621</u>	<u>\$ 596,023</u>	<u>\$ 0</u>	<u>\$ 3,151,644</u>	<u>\$ 0</u>

The net pension liabilities will be financed by the Enterprise Fund.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - FUND BALANCES

The fund balances as of June 30, 2020 are as follows:

	General Fund	Bond Interest & Redemption Fund	Building Fund	Non-Major Governmental Funds	Totals
Nonspendable:					
Revolving Cash	\$ 10,000				\$ 10,000
Stores Inventory				\$ 4,879	4,879
Total Nonspendable	10,000			4,879	14,879
Restricted:					
Categorical Programs	969,806			663,454	1,633,260
Local Programs	5,582,131				5,582,131
Debt Service		\$ 7,405,445			7,405,445
Measure U Bonds			\$ 27,151,396		27,151,396
Developer Fees				2,682,023	2,682,023
School Facility Grant				8,051	8,051
Total Restricted	6,551,937	7,405,445	27,151,396	3,353,528	44,462,306
Committed:					
Deferred Maintenance				904,558	904,558
Adult Education				744,315	744,315
Total Committed	0	0	0	1,648,873	1,648,873
Assigned:					
LCFF Supplemental	915,842				915,842
Lottery	95,236				95,236
Technology	3,141,295				3,141,295
Capital Projects				1,104	1,104
Total Assigned	4,152,373	0	0	1,104	4,153,477
Unassigned:					
Economic Uncertainties	4,731,479				4,731,479
Other Unassigned	2,697,212				2,697,212
Total Unassigned	7,428,691	0	0	0	7,428,691
Total Fund Balances	\$ 18,143,001	\$ 7,405,445	\$ 27,151,396	\$ 5,008,384	\$ 57,708,226

NOTE 12 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) for K-12 Education. These payments consist of state general fund contributions of \$4,594,592 to CalSTRS. These contributions are recorded in the General Fund and Adult Education Fund as revenues and expenditures. The District is not legally responsible for these contributions.

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019-20, the District participated in two joint powers authorities (JPAs) for purposes of pooling risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - JOINT VENTURES

The District participates in three joint ventures under joint powers agreements (JPAs); the Contra Costa County Schools Insurance Group (CCCSIG) for workers' compensation insurance, the Contra Costa Solano Schools Insurance Authority (CCSSIA) for property and liability insurance, and Schools Self-Insurance of Contra Costa County (SSICCC) for dental and vision insurance. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for its members. Each JPA is governed by a Board, which controls the operations of the JPA, including selection of management and

approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

The JPAs are audited on an annual basis. Financial information can be obtained by contacting each JPA's management.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

B. Litigation

The District is subject to various other legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these other actions will not materially affect the financial position or results of operations of the District.

NOTE 16 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 7, 2020, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure or adjustment to the current year financial statements, except as follows.

General Obligation Bonds

On October 7, 2020, the District issued \$62,000,000 of Election of 2016, Series B, General Obligation Bonds to finance the renovation, construction, and improvement of school facilities, and \$32,080,000 of 2020 Refunding Bonds to refund, on an advance basis, certain maturities of the District's outstanding 2011 and 2012 Refunding General Obligation Bonds. The refunding bonds were issued to take advantage of the current lower interest rates, which will ultimately result in a decreased tax burden for the individuals who own property within the District.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 44,889,579	\$ 41,517,967	\$ 41,517,966	\$ (1)
Local Sources	36,811,928	40,322,625	40,322,625	
Total LCFF Sources	81,701,507	81,840,592	81,840,591	(1)
Federal Revenue	2,529,599	3,161,383	2,643,645	(517,738)
Other State Revenue	8,346,733	8,753,690	8,631,844	(121,846)
Other Local Revenue	4,421,022	4,424,767	4,383,503	(41,264)
Total Revenues	96,998,861	98,180,432	97,499,583	(680,849)
<u>Expenditures</u>				
Current:				
Certificated Salaries	40,552,259	39,316,535	39,297,138	19,397
Classified Salaries	11,084,403	11,136,425	11,136,425	
Employee Benefits	25,419,438	25,017,367	25,021,600	(4,233)
Books and Supplies	2,942,366	3,027,507	2,274,113	753,394
Services and Other				
Operating Expenditures	13,157,359	13,211,689	12,401,888	809,801
Capital Outlay	77,261	500,852	459,280	41,572
Debt Service:				
Principal Retirement	1,197,690	1,197,690	1,197,690	
Interest and Fiscal Charges	211,395	211,395	208,168	3,227
Other Expenditures	2,687,000	2,599,658	2,633,267	(33,609)
Total Expenditures	97,329,171	96,219,118	94,629,569	1,589,549
Net Change in Fund Balances	(330,310)	1,961,314	2,870,014	\$ 908,700
Fund Balances - July 1, 2019	15,272,987	15,272,987	15,272,987	
Fund Balances - June 30, 2020	\$ 14,942,677	\$ 17,234,301	\$ 18,143,001	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS *

JUNE 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 1,147,683	\$ 1,055,417	\$ 999,679
Interest on Total OPEB Liability	469,831	460,086	414,946
Changes in Benefit Terms		694,880	0
Differences Between Expected and Actual Experience		(1,185,860)	0
Changes in Assumptions or Other Inputs	714,169	(607,429)	0
Benefit Payments	(199,759)	(169,798)	(133,100)
Net Change in Total OPEB Liability	2,131,924	247,296	1,281,525
Total OPEB Liability - Beginning	12,949,794	12,702,498	11,420,973
Total OPEB Liability - Ending	<u>\$ 15,081,718</u>	<u>\$ 12,949,794</u>	<u>\$ 12,702,498</u>
Covered-employee Payroll	\$ 46,554,942	\$ 45,308,946	\$ 43,947,481
District's Total OPEB Liability as a % of Covered-employee Payroll	32.40%	28.58%	28.90%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end reporting date. This is a 10-year schedule, however prior valuations were not rerun in accordance with GASB 75 and are therefore not presented. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS *

JUNE 30, 2020

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated to District	Total NPL Attributed to District	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2020	0.0668%	\$ 60,374,706	\$32,938,433	\$ 93,313,139	\$ 36,923,870	163.51%	72.56%
2019	0.0693%	63,687,940	36,464,324	100,152,264	36,013,250	176.85%	70.99%
2018	0.0670%	61,934,547	36,639,955	98,574,502	34,985,922	177.03%	69.46%
2017	0.0641%	51,829,470	29,505,593	81,335,063	33,236,449	155.94%	70.04%
2016	0.0678%	45,656,767	24,147,396	69,804,163	30,897,140	147.77%	74.02%
2015	0.0609%	35,607,982	21,501,636	57,109,618	27,140,158	131.20%	76.52%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS *

JUNE 30, 2020

Governmental Activities:

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2020	0.0806%	\$ 23,494,999	\$ 11,192,542	209.92%	70.05%
2019	0.0796%	21,233,733	10,653,776	199.31%	70.85%
2018	0.0809%	19,311,819	10,429,515	185.17%	71.87%
2017	0.0786%	15,524,815	9,535,030	162.82%	73.90%
2016	0.0793%	11,685,897	8,767,683	133.28%	79.43%
2015	0.0767%	8,708,399	8,052,587	108.14%	83.38%

Business-Type Activities:

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2020	0.0109%	\$ 3,175,955	\$ 1,512,961	209.92%	70.05%
2019	0.0118%	3,151,644	1,581,295	199.31%	70.85%
2018	0.0107%	2,555,621	1,380,184	185.17%	71.87%
2017	0.0104%	2,060,315	1,265,409	162.82%	73.90%
2016	0.0109%	1,604,119	1,203,534	133.28%	79.43%
2015	0.0105%	1,195,397	1,105,375	108.14%	83.38%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALSTRS *

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2020	\$ 6,399,059	\$ 6,399,059	\$ 0	\$ 37,421,398	17.10%
2019	6,011,206	6,011,206	0	36,923,870	16.28%
2018	5,196,712	5,196,712	0	36,013,250	14.43%
2017	4,401,229	4,401,229	0	34,985,922	12.58%
2016	3,566,271	3,566,271	0	33,236,449	10.73%
2015	2,743,666	2,743,666	0	30,897,140	8.88%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALPERS *

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Governmental Activities:

<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions As a % of Covered Payroll</u>
2020	\$ 2,339,064	\$ 2,339,064	\$ 0	\$ 11,860,778	19.721%
2019	2,021,597	2,021,597	0	11,192,542	18.062%
2018	1,654,638	1,654,638	0	10,653,776	15.531%
2017	1,448,451	1,448,451	0	10,429,515	13.888%
2016	1,129,615	1,129,615	0	9,535,030	11.847%
2015	1,032,044	1,032,044	0	8,767,683	11.771%

Business-Type Activities:

<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions As a % of Covered Payroll</u>
2020	\$ 320,198	\$ 320,198	\$ 0	\$ 1,623,640	19.721%
2019	273,271	273,271	0	1,512,961	18.062%
2018	245,591	245,591	0	1,581,295	15.531%
2017	191,680	191,680	0	1,380,184	13.888%
2016	149,913	149,913	0	1,265,409	11.847%
2015	141,668	141,668	0	1,203,534	11.771%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in the Fund Balances budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object. The basis of budgeting is the same as Generally Accepted Accounting Principles (GAAP). Excess of expenditures over appropriations as of June 30, 2020, were as follows:

<u>General Fund</u>	<u>Excess Expenditures</u>
Employee Benefits	\$ 4,233
Other Expenditures	33,609

The District incurred unanticipated expenditures in excess of appropriations in each of the above expenditure classifications for which the budget was not revised.

B. Schedule of Changes in Total OPEB Liability and Related Ratios

In accordance with Governmental Accounting Standards Board Statement No. 75, the District is required to present a 10-year schedule including certain information for each OPEB plan. The information required to be presented includes certain components that make up the changes in the total OPEB liability, the total OPEB liability, the covered-employee payroll, and the total OPEB liability as a percentage of the District's covered-employee payroll.

C. Schedule of the Proportionate Share of the Net Pension Liability

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the District's proportion and proportionate share of the collective net pension liability, the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability associated with the District, if applicable, the District's covered payroll, the District's proportionate share of the collective net pension liability as a percentage of the District's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

D. Schedule of Contributions

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the statutorily or contracted required District contribution, the amount of contributions recognized by the pension plan in relation to the required District contribution, the difference between the required District contribution and the amount recognized by the pension plan, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation of the District as a percentage of the District's covered payroll.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Trust Assets

The District has no assets accumulated in a trust that meet the criteria of GASB 75 to pay related benefits.

B. Benefit Terms

There have been no changes to benefit terms since the June 30, 2018 valuation.

C. Changes in Assumptions or Other Inputs

The discount rate changed from 3.80% at June 30, 2018 to 3.5% at June 30, 2019.

NOTE 3 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS

A. Benefit Changes

There were no changes to benefit terms since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

B. Changes in Assumptions

There were no changes in assumptions since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

SUPPLEMENTARY INFORMATION SECTION

LIBERTY UNION HIGH SCHOOL DISTRICT
ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

ORGANIZATION

The Liberty Union High School District was established in 1902 and is comprised of an area of approximately 350 square miles in Contra Costa County. There was no change in District boundaries during the year. The District operates three comprehensive high schools, one continuation high school, an independent study program, and an adult education program.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Yolanda Peña-Mendrek	President	November 2020
Pauline Allred	Clerk	November 2022
Roy Ghiggeri	Member	November 2022
Raymond Valverde	Member	November 2020
Erick Stonebarger	Member	November 2022

ADMINISTRATION

Eric Volta
Superintendent

Erik Faulkner
Assistant Superintendent, Educational Services

Denise Rugani
Associate Superintendent, Human Resources

Tony Shah, Ed. D.
Assistant Superintendent, Administrative Services

Liz Robbins
Chief Business Officer

**LIBERTY UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Deferred Maintenance	Cafeteria	Adult Education
<u>Assets</u>			
Deposits and Investments	\$ 1,043,372	\$ 616,687	\$ 547,673
Receivables			272,244
Stores Inventory		4,879	
Total Assets	<u>\$ 1,043,372</u>	<u>\$ 621,566</u>	<u>\$ 819,917</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	\$ 138,814	\$ 4,512	\$ 24,323
Due to Other Funds			
Total Liabilities	<u>138,814</u>	<u>4,512</u>	<u>24,323</u>
Fund Balances:			
Nonspendable		4,879	
Restricted		612,175	51,279
Committed	904,558		
Assigned			744,315
Total Fund Balances	<u>904,558</u>	<u>617,054</u>	<u>795,594</u>
Total Liabilities and Fund Balances	<u>\$ 1,043,372</u>	<u>\$ 621,566</u>	<u>\$ 819,917</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

Capital Facilities	County School Facilities	Capital Projects - Special Reserve	Total Non-Major Governmental Funds
\$ 2,725,989	\$ 8,051	\$ 36,322	\$ 4,978,094
			272,244
			4,879
<u>\$ 2,725,989</u>	<u>\$ 8,051</u>	<u>\$ 36,322</u>	<u>\$ 5,255,217</u>
\$ 43,966			\$ 211,615
		\$ 35,218	35,218
<u>43,966</u>		<u>35,218</u>	<u>246,833</u>
2,682,023	\$ 8,051		4,879
			3,353,528
			904,558
		1,104	745,419
<u>2,682,023</u>	<u>8,051</u>	<u>1,104</u>	<u>5,008,384</u>
<u>\$ 2,725,989</u>	<u>\$ 8,051</u>	<u>\$ 36,322</u>	<u>\$ 5,255,217</u>

LIBERTY UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>	<u>Adult Education</u>
<u>Revenues</u>			
LCFF Sources:			
State Apportionment / Transfers	\$ 1,108,847		
Federal Revenue		\$ 627,386	\$ 201,699
State Revenue		37,896	1,131,747
Local Revenue	91,243	576,567	345,543
Total Revenues	<u>1,200,090</u>	<u>1,241,849</u>	<u>1,678,989</u>
<u>Expenditures</u>			
Current:			
Instruction			733,572
School Site Administration			539,906
Food Services		1,353,339	
Other General Administration		41,400	34,351
Plant Services	288,218	5,230	214,547
Facilities Acquisition and Construction	464,894		
Debt Service:			
Principal Retirement			
Interest and Issuance Costs			
Total Expenditures	<u>753,112</u>	<u>1,399,969</u>	<u>1,522,376</u>
Net Change in Fund Balances	446,978	(158,120)	156,613
Fund Balances - July 1, 2019	<u>457,580</u>	<u>775,174</u>	<u>638,981</u>
Fund Balances - June 30, 2020	<u><u>\$ 904,558</u></u>	<u><u>\$ 617,054</u></u>	<u><u>\$ 795,594</u></u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

<u>Capital Facilities</u>	<u>County School Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
			\$ 1,108,847
			829,085
			1,169,643
\$ 2,488,988	\$ 138		3,502,479
<u>2,488,988</u>	<u>138</u>		<u>6,610,054</u>
			733,572
			539,906
			1,353,339
			75,751
308,848			816,843
3,501,572			3,966,466
320,191			320,191
50,155			50,155
<u>4,180,766</u>	<u>0</u>		<u>7,856,223</u>
(1,691,778)	138		(1,246,169)
<u>4,373,801</u>	<u>7,913</u>	<u>\$ 1,104</u>	<u>6,254,553</u>
<u>\$ 2,682,023</u>	<u>\$ 8,051</u>	<u>\$ 1,104</u>	<u>\$ 5,008,384</u>

LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	P-2 Report	Annual Report
	9 - 12	9 - 12
Regular	7,831.95	7,831.95
Extended Year - Special Education	6.24	6.24
Special Education - Nonpublic	19.72	19.72
Extended Year Special Education - Nonpublic	2.38	2.38
Totals	<u>7,860.29</u>	<u>7,860.29</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Grade Level</u>	<u>Minutes Required</u>	<u>Instructional Minutes</u>			<u>Traditional Calendar Days</u>			<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
		<u>Offered</u>	<u>Credited *</u>	<u>Total</u>	<u>Offered</u>	<u>Credited *</u>	<u>Total</u>		
Grade 9	64,800	48,855	16,257	65,112	134	46	180	N/A	In Compliance
Grade 10	64,800	48,855	16,257	65,112	134	46	180	N/A	In Compliance
Grade 11	64,800	48,855	16,257	65,112	134	46	180	N/A	In Compliance
Grade 12	64,800	48,855	16,257	65,112	134	46	180	N/A	In Compliance

* Covered by COVID-19 School Closure Certification

SEE NOTES TO SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture:				
Passed Through California Department of Education (CDE):				
<i>Child Nutrition Cluster:</i>				
National School Lunch	10.555	13524		\$ 473,537
School Breakfast Needy	10.553	13526		59,796
USDA Food Commodities	10.555	*		94,053
Subtotal Child Nutrition Cluster				<u>627,386</u>
Total U.S. Department of Agriculture				<u>627,386</u>
U.S. Department of Education:				
Passed Through CDE:				
<i>Title I Programs:</i>				
Title I Basic Grant Low-Income & Neglected	84.010	14329		276,089
Title I ESSA School Improvement Funding for LEAs	84.010	15438		99,601
Subtotal Title I Programs				<u>375,690</u>
Title II Supporting Effective Instruction	84.367	14341		96,697
<i>Title III Programs:</i>				
Title III Immigrant Student Program	84.365	15146		3,992
Title III English Learner Student Program	84.365	14346		53,998
Subtotal Title III Programs				<u>57,990</u>
Title IV Student Support & Academic Enrichment	84.424	15396		21,269
Carl D Perkins Programs:				
Carl D. Perkins Career and Technical Education: Secondary	84.048A	14894		115,441
Carl D. Perkins Career and Technical Education: Adult	84.048	14893		19,634
Subtotal Carl D Perkins Programs				<u>135,075</u>
Adult Education Programs:				
Adult Basic Education and ELA	84.002A	14508		115,035
Adult Secondary Education	84.002	13978		48,400
English Literacy & Civics Education	84.002A	14109		18,630
Subtotal Adult Education Programs				<u>182,065</u>
Passed Through Contra Costa County SELPA:				
<i>Special Education Cluster:</i>				
IDEA Part B Basic Local Assistance	84.027	13379		1,456,761
IDEA Part B Mental Health Allocation Plan	84.027A	15197		91,187
Subtotal Special Education Cluster				<u>1,547,948</u>
Total U.S. Department of Education				<u>2,416,734</u>
U.S. Department of Health and Human Services:				
<i>Medicaid Cluster:</i>				
Passed Through San Joaquin County Office of Education:				
Medi-Cal Billing Option	93.778	10013		892
Passed Through Contra Costa County Office of Education:				
Medi-Cal Administrative Activities	93.778	10060		14,839
Subtotal Medicaid Cluster				<u>15,731</u>
Total U.S. Department of Health and Human Services				<u>15,731</u>
Total			<u>\$ 0</u>	<u>\$ 3,059,851</u>

* Pass-Through Entity's Identification Number is not available or not applicable

SEE NOTES TO SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Special Revenue - Special Reserve Fund
June 30, 2020 Annual Financial and Budget Report Fund Balance	<u>\$ 15,001,706</u>	<u>\$ 3,141,295</u>
Reclassifications Increasing (Decreasing) Fund Balances:		
Reclassification of Fund Balances	<u>3,141,295</u>	<u>(3,141,295)</u>
June 30, 2020 Audited Financial Statements Fund Balance	<u><u>\$ 18,143,001</u></u>	<u><u>\$ 0</u></u>

Auditor's Comments

The fund balances of the General Fund and Special Revenue - Special Reserve Fund have been combined for financial reporting purposes in accordance with Governmental Accounting Standards Board Statement No. 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2020.

LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	GENERAL FUND			
	(Budget) 2020-21	2019-20	2018-19	2017-18
Revenues and Other Financial Sources	\$ 93,355,731	\$ 97,499,583	\$ 98,104,646	\$ 87,216,097
Expenditures	95,339,659	94,629,569	95,978,462	87,553,540
Other Uses and Transfers Out	0	0	507,368	87,189
Total Outgo	95,339,659	94,629,569	96,485,830	87,640,729
Change in Fund Balance	(1,983,928)	2,870,014	1,618,816	(424,632)
Ending Fund Balance	\$ 16,159,073	\$ 18,143,001	\$ 15,272,987	\$ 13,654,171
Available Reserves	\$ 7,125,049	\$ 7,428,691	\$ 5,697,535	\$ 5,451,344
Reserve for Economic Uncertainties *	\$ 4,766,983	\$ 4,731,479	\$ 4,770,390	\$ 1,073,580
Available Reserves as a Percentage of Total Outgo	7.5%	7.9%	5.9%	6.2%
Total Long-Term Liabilities **	\$ 192,203,028	\$ 199,862,640	\$ 206,001,781	\$ 210,685,948
Average Daily Attendance at P-2	7,869	7,860	7,835	7,742

* Reported balances are a component of available reserves.

** Reported balances reflect the long-term liabilities of governmental activities only.

The fund balance of the General Fund increased \$4,488,830 (32.9%) over the past two years. The fiscal year 2020-21 budget projects a decrease of \$1,983,928 (10.9%). For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District incurred an operating deficit of \$424,632 during fiscal year 2017-18, and produced operating surpluses of \$1,618,816 and \$2,870,014 during fiscal years 2018-19 and 2019-20, respectively.

Long-term liabilities decreased \$10,823,308 over the past two years, due primarily to the reduction of the outstanding balances for capital leases and general obligation bonds.

Average daily attendance (ADA) increased 118 ADA (1.5%) over the past two years.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Combining Statements

Combining statements are presented for purposes of additional analysis and are not a required part of the District's basic financial statements. These statements present more detailed information about the financial position and financial activities of the District's individual funds.

B. Schedule of Average Daily Attendance

Average daily attendance 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 spans and in different programs.

C. Schedule of Instructional Time

This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

D. Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2020. 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position, and where applicable, cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rates

The District has not elected to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

D. Schedule of Expenditures of Federal Awards (Concluded)

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances, and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts consists of timing differences between when Federal program funds are recorded as revenues and when they are recorded as expenditures.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 3,472,730
Less: Current year Medi-Cal Billing revenue not expended in the current fiscal year	93.778	<u>(412,879)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 3,059,851</u>

E. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the Annual Financial and Budget Report to the audited financial statements.

F. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Liberty Union High School District
Brentwood, California

Report on State Compliance

We have audited Liberty Union High School District's compliance with the types of compliance requirements described in the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state programs identified on the following page for the fiscal year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (Audit Guide)*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Liberty Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. Our audit does not provide a legal determination of Liberty Union High School District's compliance with those requirements.

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

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

Opinion on State Compliance

In our opinion, Liberty Union High School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which is described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Finding 2020-001**. Our opinion on state compliance on the programs previously identified is not modified with respect to this matter.

District's Response to Finding

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2020

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

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

Board of Trustees
Liberty Union High School District
Brentwood, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Liberty Union High School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2020

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

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

Board of Trustees
Liberty Union High School District
Brentwood, California

Report on Compliance for Each Major Federal Program

We have audited Liberty Union High School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Liberty Union High School District's major federal programs for the year ended June 30, 2020. 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 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 Liberty Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Liberty Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Liberty Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 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 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.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2020

FINDINGS AND QUESTIONED COSTS SECTION

LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Federal Programs</u>
10.553 / 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

State Awards

Any audit findings required to be reported in accordance with the 2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting? X Yes No

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

**LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to report for the fiscal year ended June 30, 2020.

**LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2020.

LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2020 - 001 / 70000

INSTRUCTIONAL MATERIALS FUNDING REALIGNMENT PROGRAM

<u>Criteria:</u>	In accordance with the requirements of Education Code Section 60119(b), the governing board shall provide 10 days' notice of the public hearing or hearings set forth in subdivision (a). The notice shall contain the time, place, and purpose of the hearing and shall be posted in three public places within the school district.
<u>Condition:</u>	The required public hearing notice was not posted ten (10) days prior to the public hearing as required by Education Code Section 60119(b).
<u>Questioned Costs:</u>	None. This noncompliance has no fiscal impact.
<u>Context:</u>	The District posted the public hearing notice nine (9) days prior to the public hearing.
<u>Effect:</u>	The District did not comply with the requirements of Education Code Section 60119(b).
<u>Cause:</u>	The District did not have appropriate procedures in place to ensure that the public hearing notice posting requirements had been complied with.
<u>Recommendation:</u>	The District should establish procedures to ensure that the public hearing notice posting requirements are adhered to.
<u>District Response:</u>	District administration met with staff to communicate the importance of posting the notice of public hearing regarding the sufficiency of instructional materials at least 10 days in advance of the hearing. This deficiency has been cured for the 2020-21 school year.

**LIBERTY UNION HIGH SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

There were no matters reported in the prior year audit report.

