

LEGGETT VALLEY UNIFIED SCHOOL DISTRICT

**AUDIT REPORT
JUNE 30, 2020**

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
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JUNE 30, 2020**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Leggett Valley Unified School District
Leggett, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020 on our consideration of Leggett Valley Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Leggett Valley Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Leggett Valley Unified School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
November 24, 2020

LEGGETT VALLEY UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

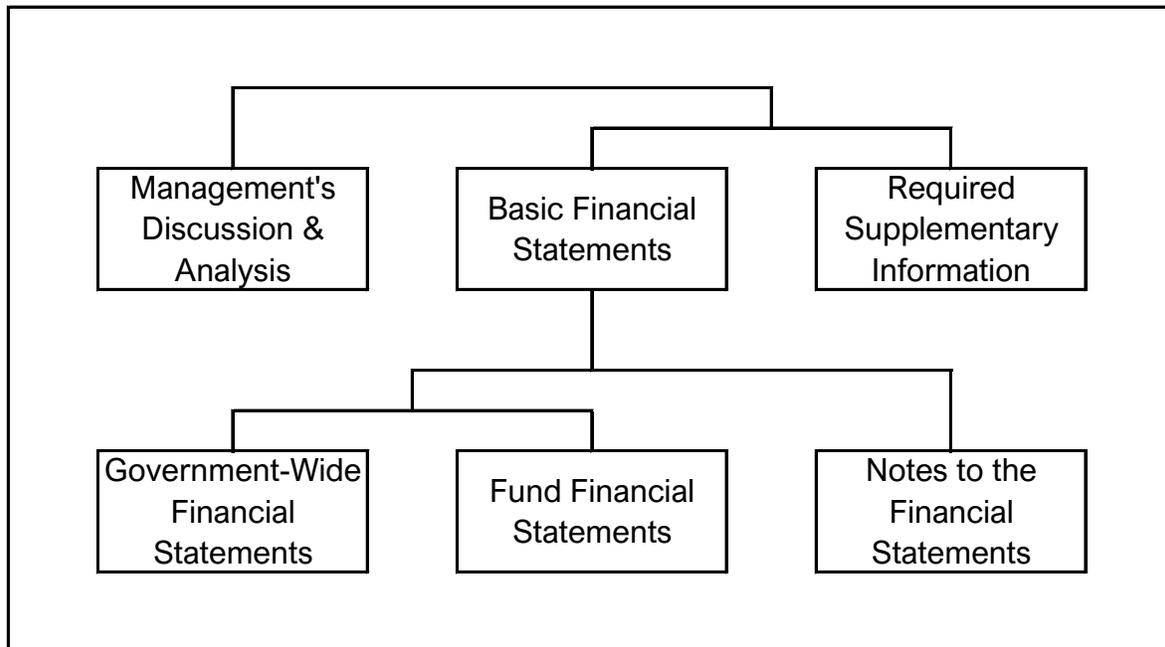
Our discussion and analysis of Leggett Valley Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

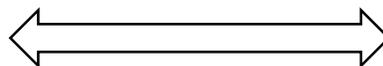
- The District's total net position was \$1,138,349 at June 30, 2020. This was a decrease of \$303,451 from the prior year, after restatement.
- Overall revenues were \$2,624,276 which were less than expenses of \$2,927,727.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



Summary



Detail

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

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

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

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

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

Government-Wide Statements

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

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

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$1,138,349 at June 30, 2020, as reflected in the table below. Of this amount, \$(734,108) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2020	2019	Net Change
ASSETS			
Current and other assets	\$ 1,299,669	\$ 1,135,290	\$ 164,379
Capital assets	1,816,436	1,941,542	(125,106)
Total Assets	3,116,105	3,076,832	39,273
DEFERRED OUTFLOWS OF RESOURCES	815,735	894,525	(78,790)
LIABILITIES			
Current liabilities	227,564	71,885	155,679
Long-term liabilities	2,383,858	2,265,731	118,127
Total Liabilities	2,611,422	2,337,616	273,806
DEFERRED INFLOWS OF RESOURCES	182,069	200,529	(18,460)
NET POSITION			
Net investment in capital assets	1,816,436	1,941,542	(125,106)
Restricted	56,021	71,322	(15,301)
Unrestricted	(734,108)	(579,652)	(154,456)
Total Net Position	\$ 1,138,349	\$ 1,433,212	\$ (294,863)

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities		
	2020	2019	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 61,719	\$ 57,987	\$ 3,732
Operating grants and contributions	225,161	275,530	(50,369)
General revenues			
Property taxes	348,210	356,499	(8,289)
Unrestricted federal and state aid	1,941,783	1,848,719	93,064
Other	47,403	71,447	(24,044)
Total Revenues	2,624,276	2,610,182	14,094
EXPENSES			
Instruction	1,786,882	1,690,414	96,468
Instruction-related services	262,040	255,905	6,135
Pupil services	260,667	311,584	(50,917)
General administration	289,649	282,168	7,481
Plant services	307,599	351,423	(43,824)
Ancillary and community services	20,890	24,951	(4,061)
Total Expenses	2,927,727	2,916,445	11,282
Change in net position	(303,451)	(306,263)	2,812
Net Position - Beginning, as Restated	1,441,800	1,739,475	(297,675)
Net Position - Ending	\$ 1,138,349	\$ 1,433,212	\$ (294,863)

The cost of all our governmental activities this year was \$2,927,727 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$348,210 because a portion of the cost was paid by other government organizations who subsidize certain programs with grants and contributions.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District’s functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2020	2019
Instruction	\$ 1,562,376	\$ 1,448,547
Instruction-related services	258,788	248,969
Pupil services	222,841	253,735
General administration	269,240	266,483
Plant services	306,800	340,481
Ancillary and community services	20,802	24,713
Total Expenses	\$ 2,640,847	\$ 2,582,928

FINANCIAL ANALYSIS OF THE DISTRICT’S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$1,048,629, which is less than last year’s ending fund balance of \$1,050,966. The District’s General Fund had \$61,199 more in operating revenues than expenditures for the year ended June 30, 2020. The Deferred Maintenance Fund had \$9,463 more in operating revenues than expenditures for the year ended June 30, 2020

CURRENT YEAR BUDGET 2019-2020

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2019-2020 the District had invested \$1,816,436 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2020	2019	Net Change
CAPITAL ASSETS			
Land	\$ 5,761	\$ 5,761	\$ -
Land improvements	800,299	800,299	-
Buildings & improvements	2,572,983	2,572,983	-
Furniture & equipment	413,727	413,727	-
Accumulated depreciation	(1,976,334)	(1,851,228)	(125,106)
Total Capital Assets	\$ 1,816,436	\$ 1,941,542	\$ (125,106)

Long-Term Liabilities

At year-end, the District had \$2,383,858 in long-term liabilities, an increase of 5.21% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2020	2019	Net Change
LONG-TERM LIABILITIES			
Compensated absences	\$ 1,082	\$ 741	\$ 341
Net pension liability	2,382,776	2,264,990	117,786
Total Long-term Liabilities	\$ 2,383,858	\$ 2,265,731	\$ 118,127

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

According to the UCLA Anderson Forecast, the U.S. economy is in a "depression-like crisis" and it will take at least three years before its GDP and unemployment rate return to the levels it saw before the COVID-19 pandemic struck. Between February 2020 and April 2020, California lost 2.56 million nonfarm payroll jobs, a 15% drop that is nearly double the job loss during the Great Recession in 2008 and 2009.

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. Governor Gavin Newsom and the State Legislature provided resources and support beyond the Proposition 98 requirement in 2020–21, giving one-time federal resources and pension rate relief and promising more than the minimum guarantee in 2021–22.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (continued)

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

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

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2020. The amount of the liability is material to the financial position of the District. In response to the ongoing pandemic, the 2020-21 State Budget reduced employer contribution rates in 2020-21 and 2021-22. This will reduce the CalSTRS employer rate from 18.4% to approximately 16.15% in 2020-21 and from 18.2% to 16.02% in 2021-22. The CalPERS employer contribution rate will be reduced from CalPERS recently set rate for 2020-21 of 22.68% to 20.7% and 2021-22 estimated rate of 24.6% to 22.84%. Despite this reduction in the planned rate increases, the projected increased pension costs to school employers remain a significant fiscal factor.

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

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act provides California K-12 education with \$1.65 billion in Elementary and Secondary School Emergency Relief (ESSER) Funds, \$355 million in Governor's Emergency Education Relief (GEER) Funds, and \$4.4 billion in Coronavirus Relief Funds (CRF). Collectively, GEER Funds, CRF, and \$540 million in state General Fund (GF) contributions are known as Learning Loss Mitigation Funding (LLMF). CARES Act funds will be apportioned in 2020-21, however, ESSER and GEER are to be used on eligible expenditures beginning March 13, 2020 through September 30, 2022, GF is to be used on eligible expenditures beginning March 1, 2020 through June 30, 2021, and CRF is to be used on eligible expenditures beginning March 1, 2020 through December 30, 2020.

All of these factors were considered in preparing the District's budget for the 2020-21 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Brianna Parkinson, Business Manager, 1 School Way, P.O. Box 186, Leggett, CA 95585, (707) 925-6285.

**LEGETT VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 924,718
Accounts receivable	374,951
Capital assets, not depreciated	5,761
Capital assets, net of accumulated depreciation	<u>1,810,675</u>
Total Assets	<u>3,116,105</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>815,735</u>
Total Deferred Outflows of Resources	<u>815,735</u>
LIABILITIES	
Deficit cash	66,646
Accrued liabilities	160,918
Long-term liabilities, non-current portion	<u>2,383,858</u>
Total Liabilities	<u>2,611,422</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>182,069</u>
Total Deferred Inflows of Resources	<u>182,069</u>
NET POSITION	
Net investment in capital assets	1,816,436
Restricted:	
Educational programs	56,012
All others	9
Unrestricted	<u>(734,108)</u>
Total Net Position	<u>\$ 1,138,349</u>

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 1,786,882	\$ 50,982	\$ 173,524	\$ (1,562,376)
Instruction-related services				
School site administration	262,040	1,584	1,668	(258,788)
Pupil services				
Home-to-school transportation	110,637	-	-	(110,637)
Food services	144,797	5,496	30,438	(108,863)
All other pupil services	5,233	805	1,087	(3,341)
General administration				
Centralized data processing	53,053	-	-	(53,053)
All other general administration	236,596	2,512	17,897	(216,187)
Plant services	307,599	340	459	(306,800)
Ancillary services	20,890	-	88	(20,802)
Total Governmental Activities	\$ 2,927,727	\$ 61,719	\$ 225,161	(2,640,847)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				348,210
Federal and state aid not restricted for specific purposes				1,941,783
Interest and investment earnings				16,097
Interagency revenues				10,100
Miscellaneous				21,206
Subtotal, General Revenue				2,337,396
CHANGE IN NET POSITION				(303,451)
Net Position - Beginning, as Restated				1,441,800
Net Position - Ending				\$ 1,138,349

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

	General Fund	Deferred Maintenance Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 612,903	\$ 288,331	\$ 8	\$ 901,242
Accounts receivable	362,868	-	12,083	374,951
Due from other funds	-	100,000	54,902	154,902
Total Assets	\$ 975,771	\$ 388,331	\$ 66,993	\$ 1,431,095
LIABILITIES				
Deficit cash	\$ -	\$ -	\$ 66,646	\$ 66,646
Accrued liabilities	160,588	-	330	160,918
Due to other funds	154,902	-	-	154,902
Total Liabilities	315,490	-	66,976	382,466
FUND BALANCES				
Nonspendable	1,000	-	-	1,000
Restricted	56,004	-	17	56,021
Committed	-	388,331	-	388,331
Assigned	193,256	-	-	193,256
Unassigned	410,021	-	-	410,021
Total Fund Balances	660,281	388,331	17	1,048,629
Total Liabilities and Fund Balances	\$ 975,771	\$ 388,331	\$ 66,993	\$ 1,431,095

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2020**

Total Fund Balance - Governmental Funds \$ 1,048,629

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

Capital assets:

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

Capital assets	\$ 3,792,770	
Accumulated depreciation	<u>(1,976,334)</u>	1,816,436

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	\$ 1,082	
Net pension liability	<u>2,382,776</u>	(2,383,858)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 815,735	
Deferred inflows of resources related to pensions	<u>(182,069)</u>	633,666

Internal service funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

23,476

Total Net Position - Governmental Activities \$ 1,138,349

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Deferred Maintenance Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 2,246,138	\$ 7,700	\$ -	\$ 2,253,838
Federal sources	76,159	-	26,289	102,448
Other state sources	152,990	-	1,997	154,987
Other local sources	140,387	3,992	53,271	197,650
Total Revenues	2,615,674	11,692	81,557	2,708,923
EXPENDITURES				
Current				
Instruction	1,605,465	-	56,724	1,662,189
Instruction-related services				
School site administration	245,672	-	-	245,672
Pupil services				
Home-to-school transportation	83,909	-	-	83,909
Food services	42,773	-	90,590	133,363
All other pupil services	5,233	-	-	5,233
General administration				
Centralized data processing	49,161	-	-	49,161
All other general administration	217,766	-	7,242	225,008
Plant services	283,779	2,229	-	286,008
Ancillary services	20,717	-	-	20,717
Total Expenditures	2,554,475	2,229	154,556	2,711,260
Excess (Deficiency) of Revenues Over Expenditures	61,199	9,463	(72,999)	(2,337)
Other Financing Sources (Uses)				
Transfers in	-	100,000	58,906	158,906
Transfers out	(158,906)	-	-	(158,906)
Net Financing Sources (Uses)	(158,906)	100,000	58,906	-
NET CHANGE IN FUND BALANCE	(97,707)	109,463	(14,093)	(2,337)
Fund Balance - Beginning	757,988	278,868	14,110	1,050,966
Fund Balance - Ending	\$ 660,281	\$ 388,331	\$ 17	\$ 1,048,629

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Governmental Funds \$ (2,337)

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

Capital outlay:

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

Expenditures for capital outlay:	\$	-	
Depreciation expense:		<u>(125,106)</u>	(125,106)

Compensated absences:

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

(341)

Pensions:

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

(178,116)

Internal Service Funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:

2,449

Change in Net Position of Governmental Activities \$ (303,451)

LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities <hr/> Self-Insurance Fund (Vision) <hr/>
ASSETS	
Current assets	
Cash and investments	\$ 23,476
Total Assets	<hr/> 23,476 <hr/>
 NET POSITION	
Restricted	23,476
Total Net Position	<hr/> \$ 23,476 <hr/>

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2020**

	Governmental Activities
	Self-Insurance Fund (Vision)
OPERATING REVENUES	
Charges for services	\$ 2,450
Total operating revenues	<u>2,450</u>
OPERATING EXPENSES	
Professional services	327
Total operating expenses	<u>327</u>
Operating income/(loss)	<u>2,123</u>
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	326
Total non-operating revenues/(expenses)	<u>326</u>
CHANGE IN NET POSITION	2,449
Net Position - Beginning, as Restated	21,027
Net Position - Ending	<u>\$ 23,476</u>

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

**LEGETT VALLEY UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Governmental Activities</u>
	<u>Self-Insurance Fund (Vision)</u>
Cash flows from operating activities	
Cash received from user charges	\$ 2,450
Cash payments for payroll, insurance, and operating costs	(327)
Net cash provided by (used for) operating activities	<u>2,123</u>
Cash flows from investing activities	
Interest received	326
Net cash provided by (used for) investing activities	<u>326</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,449
 CASH AND CASH EQUIVALENTS	
Beginning of year, as Restated	21,027
End of year	<u>\$ 23,476</u>
 Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income/(loss)	\$ 2,123
Net cash provided by (used for) operating activities	<u>\$ 2,123</u>

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization’s relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

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

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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

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

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

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

Major Governmental Funds

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

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

LEGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds

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

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

Proprietary Funds

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Self-Insurance Fund (Vision): Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Staywell Foundation Employee Health Trust Fund: This fund is used to account separately for gifts or bequests per *Education Code Section 41031* that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs. The District maintains one private purpose trust fund, the Staywell Employee Health Trust Fund, which is used to account for an employee side-benefit fund in which the employee may earn a vested interest.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements

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

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

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 internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Governmental Funds

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

Revenues – Exchange and Non-Exchange Transactions

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

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

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Unearned Revenue

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

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

Expenses/Expenditures

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

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

Cash and Cash Equivalents

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

Investments

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

Inventories

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$20,000 for equipment and \$50,000 for buildings. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over an estimated useful life of 5 to 50 years depending on the asset class.

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Premiums and Discounts

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

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

Fund Balance

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

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

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

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance (continued)

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

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

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

F. Interfund Activity

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

G. Estimates

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Budgetary Data

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

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

I. Property Tax

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

J. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2019. The District has not yet determined the impact on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has not yet determined the impact on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has not yet determined the impact on the financial statements.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This standard’s primary objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. A portion of this statement was effective upon issuance, while the majority of this statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 95 – In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This standard’s primary objective is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The statement is effective immediately. The District has implemented GASB Statement No. 95.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Governmental Activities	Fiduciary Funds
Investment in county treasury*	\$ 899,942	\$ 23,476	\$ 923,418	\$ 9,557
Cash on hand and in banks	300	-	300	-
Cash in revolving fund	1,000	-	1,000	-
Total	\$ 901,242	\$ 23,476	\$ 924,718	\$ 9,557

*does not include deficit cash of \$66,646

B. Policies and Practices

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Policies and Practices (continued)

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Mendocino County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$957,077 and an amortized book value of \$932,975, net of deficit cash. The average weighted maturity for this pool is 376 days.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 2 – CASH AND INVESTMENTS (continued)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2020, the pooled investments in the County Treasury on average were rated AA+/Aa1.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

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

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

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

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

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

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

	<u>Uncategorized</u>
Investment in county treasury*	<u>\$ 957,077</u>
Total	<u>\$ 957,077</u>

* does not include deficit cash

LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020 consisted of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government			
Categorical aid	\$ 5,484	\$ 8,761	\$ 14,245
State Government			
Apportionment	320,624	-	320,624
Categorical aid	4,179	752	4,931
Lottery	13,797	-	13,797
Local Government			
Other local sources	18,784	2,570	21,354
Total	\$ 362,868	\$ 12,083	\$ 374,951

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2019	Additions	Deletions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 5,761	\$ -	\$ -	\$ 5,761
Total Capital Assets not Being Depreciated	5,761	-	-	5,761
Capital assets being depreciated				
Land improvements	800,299	-	-	800,299
Buildings & improvements	2,572,983	-	-	2,572,983
Furniture & equipment	413,727	-	-	413,727
Total Capital Assets Being Depreciated	3,787,009	-	-	3,787,009
Less Accumulated Depreciation				
Land improvements	160,928	28,624	-	189,552
Buildings & improvements	1,358,406	73,056	-	1,431,462
Furniture & equipment	331,894	23,426	-	355,320
Total Accumulated Depreciation	1,851,228	125,106	-	1,976,334
Governmental Activities				
Capital Assets, net	\$ 1,941,542	\$ (125,106)	\$ -	\$ 1,816,436

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Instruction	\$ 103,893
Home-to-school transportation	21,213
Total depreciation expense	\$ 125,106

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Interfund receivable and payable balances for the year ended June 30, 2020 were as follows:

	<u>Due From Other Funds</u>		
	<u>Deferred Maintenance Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
<u>Due To Other Funds</u>			
General Fund	\$ 100,000	\$ 54,902	\$ 154,902
Total	\$ 100,000	\$ 54,902	\$ 154,902

The General Fund owed the Deferred Maintenance Fund for future projects.	\$	100,000
The General Fund owed the Non-Major Cafeteria Fund to cover expenditures.		54,902
Total	\$	154,902

B. Operating Transfers

Interfund transfers for the year ended June 30, 2020 consisted of the following:

	<u>Interfund Transfers In</u>		
	<u>Deferred Maintenance Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
<u>Interfund Transfers Out</u>			
General Fund	\$ 100,000	\$ 58,906	\$ 158,906
Total	\$ 100,000	\$ 58,906	\$ 158,906

The General Fund transferred to the Deferred Maintenance Fund for future projects.	\$	100,000
The General Fund transferred to the Non-Major Child Development Fund to cover expenditures.		4,004
The General Fund transferred to the Non-Major Cafeteria Fund to cover expenditures.		54,902
Total	\$	158,906

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2020 consisted of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Governmental Activities</u>
Payroll	\$ 1,567	\$ -	\$ 1,567
Vendors payable	29,923	330	30,253
Due to grantor government	129,098	-	129,098
Total	\$ 160,588	\$ 330	\$ 160,918

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 7 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2020 consisted of the following:

	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020	Balance Due In One Year
Governmental Activities					
Compensated absences	\$ 741	\$ 341	\$ -	\$ 1,082	\$ -
Net pension liability	2,264,990	117,786	-	2,382,776	-
Total	\$ 2,265,731	\$ 118,127	\$ -	\$ 2,383,858	\$ -

- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2020 amounted to \$1,082. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Net Pension Liability

The District's beginning net pension liability was \$2,264,990 and increased by \$117,786 during the year ended June 30, 2020. The ending net pension liability at June 30, 2020 was \$2,382,776. See Note 9 for additional information regarding the net pension liability.

NOTE 8 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2020:

	General Fund	Deferred Maintenance Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 1,000	\$ -	\$ -	\$ 1,000
Total non-spendable	1,000	-	-	1,000
Restricted				
Educational programs	56,004	-	8	56,012
All others	-	-	9	9
Total restricted	56,004	-	17	56,021
Committed				
Deferred maintenance	-	388,331	-	388,331
Total committed	-	388,331	-	388,331
Assigned				
Textbooks	15,000	-	-	15,000
Special reserve for other than capital outlay	54,283	-	-	54,283
Vehicle replacement	123,973	-	-	123,973
Total assigned	193,256	-	-	193,256
Unassigned	410,021	-	-	410,021
Total Fund Balance	\$ 660,281	\$ 388,331	\$ 17	\$ 1,048,629

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 10 percent of General Fund expenditures and other financing uses.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 9 – PENSION PLANS

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

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 1,388,985	\$ 575,139	\$ 167,623	\$ 232,952
PERS Pension	993,791	240,596	14,446	202,173
Total	\$ 2,382,776	\$ 815,735	\$ 182,069	\$ 435,125

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 9 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2020, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2020 was 18.13% of annual payroll reduced to 17.10% pursuant to California Senate Bill 90 (SB 90). The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$157,653 for the year ended June 30, 2020.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$105,706 to CalSTRS.

Pension Liabilities, Pension Expense, and 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 that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 1,388,985
State's proportionate share of the net pension liability associated with the District	<u>757,789</u>
Total	<u>\$ 2,146,774</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 applying update procedures to an actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the District’s proportion was 0.002 percent, which did not change from its proportion measured as of June 30, 2018.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 9 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2020, the District recognized pension expense of \$232,952. In addition, the District recognized pension expense and revenue of \$20,733 for 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>
Differences between projected and actual earnings on plan investments	\$ -	\$ 53,504
Differences between expected and actual experience	3,506	39,139
Changes in assumptions	175,676	-
Changes in proportion and differences between District contributions and proportionate share of contributions	238,304	74,980
District contributions subsequent to the measurement date	157,653	-
Total	<u>\$ 575,139</u>	<u>\$ 167,623</u>

The \$157,653 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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 June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 130,151	\$ 40,169
2022	130,148	77,314
2023	66,874	40,695
2024	66,917	1,069
2025	19,978	4,319
2026	3,418	4,057
Total	<u>\$ 417,486</u>	<u>\$ 167,623</u>

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
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%
	100%	

*20-year geometric average

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 9 – PENSION PLANS (continued)

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

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 2,068,313	\$ 1,388,985	\$ 825,692

Pension Plan Fiduciary Net Position

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 9 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits Provided

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

Contributions

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2020 was 20.733% of annual payroll reduced to 19.721% pursuant to California Senate Bill 90 (SB 90). Contributions to the plan from the District were \$99,356 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$993,791 for its proportionate share of the net pension liability. 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 applying update procedures to an actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the District's proportion was 0.003 percent, which did not change from its proportion measured as of June 30, 2018.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 9 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2020, the District recognized pension expense of \$202,173. 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>
Differences between projected and actual earnings on plan investments	\$ -	\$ 9,218
Differences between expected and actual experience	72,189	-
Changes in assumptions	47,308	-
Changes in proportion and differences between District contributions and proportionate share of contributions	21,743	5,228
District contributions subsequent to the measurement date	99,356	-
Total	<u>\$ 240,596</u>	<u>\$ 14,446</u>

The \$99,356 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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 June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 83,167	\$ 13,306
2022	38,931	(17,154)
2023	17,979	(2,754)
2024	1,163	21,048
Total	<u>\$ 141,240</u>	<u>\$ 14,446</u>

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from 1997 through 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

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

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

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

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

Discount Rate

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

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

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District’s proportionate share of the net pension liability	\$ 1,432,485	\$ 993,791	\$ 629,865

Pension Plan Fiduciary Net Position

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2020.

NOTE 11 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in three joint ventures under joint powers authorities (JPAs), the Northern California Schools Insurance Group, the Schools Insurance Group Northern Alliance, and the Schools Excess Liability Fund. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

NOTE 12 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 9. At June 30, 2020, total deferred outflows related to pensions was \$815,735 and total deferred inflows related to pensions was \$182,069.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 13 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities, Self-Insurance Fund (Vision) and Staywell Foundation Employee Health Trust Fund have been restated in order to properly state the cash balances. The effect on beginning net position is presented as follows:

	Governmental Activities	Self-Insurance Fund (Vision)	Staywell Foundation Employee Health Trust Fund
Net Position - Beginning, as Previously Reported	\$ 1,433,212	\$ 12,439	\$ 17,968
Restatement	8,588	8,588	(8,588)
Net Position - Beginning, as Restated	<u>\$ 1,441,800</u>	<u>\$ 21,027</u>	<u>\$ 9,380</u>

REQUIRED SUPPLEMENTARY INFORMATION

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 2,185,799	\$ 2,238,946	\$ 2,246,138	\$ 7,192
Federal sources	72,249	81,483	76,159	(5,324)
Other state sources	94,760	94,760	152,990	58,230
Other local sources	108,407	108,407	139,553	31,146
Total Revenues	2,461,215	2,523,596	2,614,840	91,244
EXPENDITURES				
Certificated salaries	945,510	945,824	948,231	(2,407)
Classified salaries	473,588	471,829	454,994	16,835
Employee benefits	800,047	804,875	793,466	11,409
Books and supplies	106,128	130,592	82,801	47,791
Services and other operating expenditures	268,958	300,728	250,974	49,754
Other outgo				
Transfers of indirect costs	(4,682)	(4,682)	(7,242)	2,560
Total Expenditures	2,589,549	2,649,166	2,523,224	125,942
Excess (Deficiency) of Revenues Over Expenditures	(128,334)	(125,570)	91,616	217,186
Other Financing Sources (Uses)				
Transfers in	-	10,000	-	(10,000)
Transfers out	(69,541)	(67,432)	(208,906)	(141,474)
Net Financing Sources (Uses)	(69,541)	(57,432)	(208,906)	(151,474)
NET CHANGE IN FUND BALANCE	(197,875)	(183,002)	(117,290)	65,712
Fund Balance - Beginning	603,471	614,576	617,125	2,549
Fund Balance - Ending	\$ 405,596	\$ 431,574	\$ 499,835	\$ 68,261

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

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other than Capital Outlay Projects and the Pupil Transportation Equipment Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.
- An audit adjustment of \$17,810 is not included on this schedule.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
DEFERRED MAINTENANCE FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 7,700	\$ 7,700	\$ 7,700	\$ -
Other local sources	500	500	3,992	3,492
Total Revenues	8,200	8,200	11,692	3,492
EXPENDITURES				
Books and supplies	-	-	1,419	(1,419)
Services and other operating expenditures	-	-	810	(810)
Total Expenditures	-	-	2,229	(2,229)
Excess (Deficiency) of Revenues Over Expenditures	8,200	8,200	9,463	1,263
Other Financing Sources (Uses):				
Transfers in	-	-	100,000	100,000
Transfers out	-	10,000	-	(10,000)
Net Financing Sources (Uses)	-	10,000	100,000	90,000
NET CHANGE IN FUND BALANCE	8,200	18,200	109,463	91,263
Fund Balance - Beginning	257,882	278,928	278,868	(60)
Fund Balance - Ending	\$ 266,082	\$ 297,128	\$ 388,331	\$ 91,203

See accompanying note to required supplementary information.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.002%	0.002%	0.001%	0.001%	0.002%	0.001%
District's proportionate share of the net pension liability	\$ 1,388,985	\$ 1,389,070	\$ 1,260,231	\$ 1,088,980	\$ 1,066,110	\$ 584,370
State's proportionate share of the net pension liability associated with the District	757,789	795,311	745,548	620,028	563,853	352,868
Total	\$ 2,146,774	\$ 2,184,381	\$ 2,005,779	\$ 1,709,008	\$ 1,629,963	\$ 937,238
District's covered payroll	\$ 848,420	\$ 799,238	\$ 740,339	\$ 674,643	\$ 686,953	\$ 666,570
District's proportionate share of the net pension liability as a percentage of its covered payroll	163.7%	173.8%	170.2%	161.4%	155.2%	87.7%
Plan fiduciary net position as a percentage of the total pension liability	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.003%	0.003%	0.003%	0.003%	0.004%	0.004%
District's proportionate share of the net pension liability	\$ 993,791	\$ 875,920	\$ 816,660	\$ 661,472	\$ 526,110	\$ 408,688
District's covered payroll	\$ 472,325	\$ 433,304	\$ 436,232	\$ 406,831	\$ 406,281	\$ 377,696
District's proportionate share of the net pension liability as a percentage of its covered payroll	210.4%	202.1%	187.2%	162.6%	129.5%	108.2%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

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

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 157,653	\$ 136,686	\$ 114,205	\$ 92,924	\$ 72,169	\$ 62,817
Contributions in relation to the contractually required contribution*	(157,653)	(136,686)	(114,205)	(92,924)	(72,169)	(62,817)
Contribution deficiency (excess)	<u>\$ -</u>					
District's covered payroll	\$ 938,998	\$ 848,420	\$ 799,238	\$ 740,339	\$ 674,643	\$ 686,953
Contributions as a percentage of covered payroll	16.79%	16.11%	14.29%	12.55%	10.70%	9.14%

*Amounts do not include on-behalf contributions

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 99,356	\$ 85,307	\$ 67,364	\$ 60,552	\$ 47,598	\$ 46,481
Contributions in relation to the contractually required contribution*	(99,356)	(85,307)	(67,364)	(60,552)	(47,598)	(46,481)
Contribution deficiency (excess)	<u>\$ -</u>					
District's covered payroll	\$ 504,111	\$ 472,325	\$ 433,304	\$ 436,232	\$ 406,831	\$ 406,281
Contributions as a percentage of covered payroll	19.71%	18.06%	15.55%	13.88%	11.70%	11.44%

*Amounts do not include on-behalf contributions

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

Changes in Benefit Terms

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

Changes in Assumptions

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

Schedule of District Contributions

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2020, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 945,824	\$ 948,231	\$ 2,407
Deferred Maintenance Fund			
Books and supplies	\$ -	\$ 1,419	\$ 1,419
Services and other operating expenditures	\$ -	\$ 810	\$ 810

SUPPLEMENTARY INFORMATION

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
 FOR THE YEAR ENDED JUNE 30, 2020**

	Second Period Report	Annual Report
	Certificate No. EFC39505	Certificate No. 4EB6AF AE
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	38.71	38.71
Fourth through Sixth		
Regular ADA	30.59	30.59
Seventh through Eighth		
Regular ADA	22.25	22.25
Ninth through Twelfth		
Regular ADA	31.65	31.65
TOTAL SCHOOL DISTRICT	123.20	123.20

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2020**

Leggett Valley School Sites

Grade Level	Minutes Requirement	2019-20 Planned Instructional Minutes	2019-20 Planned Number of Days*	2019-20 Actual Instructional Minutes	2019-20 Actual Number of Days	Instructional Minutes Closed due to COVID-19	Number of Days Certified Closed due to COVID-19**	Status
Kindergarten	36,000	37,425	159	27,090	114	10,335	45	Complied
Grade 1	50,400	55,020	159	39,855	114	15,165	45	Complied
Grade 2	50,400	55,020	159	39,855	114	15,165	45	Complied
Grade 3	50,400	55,020	159	39,855	114	15,165	45	Complied
Grade 4	54,000	55,020	159	39,855	114	15,165	45	Complied
Grade 5	54,000	55,020	159	39,855	114	15,165	45	Complied
Grade 6	54,000	55,800	159	40,635	114	15,165	45	Complied
Grade 7	54,000	55,800	159	39,960	114	15,840	45	Complied
Grade 8	54,000	55,800	159	39,960	114	15,840	45	Complied
Grade 9	64,800	64,980	159	46,830	114	18,150	45	Complied
Grade 10	64,800	64,980	159	46,830	114	18,150	45	Complied
Grade 11	64,800	64,980	159	46,830	114	18,150	45	Complied
Grade 12	64,800	64,980	159	46,830	114	18,150	45	Complied

* Pursuant to Education Code Section 37700, as amended by SB 820, the District may operate schools on a four day school week, if the District complies with the instructional time

**On November 20, 2020, the District certified that Leggett Valley Elementary School and Leggett Valley High School were closed from March 18, 2020 to June 4, 2020 for a total of 45 instructional days due to COVID-19.

(continued on following page)

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME, continued
 FOR THE YEAR ENDED JUNE 30, 2020**

Whale Gulch School Sites

Grade Level	Minutes Requirement	2019-20 Planned Instructional Minutes	2019-20 Planned Number of Days*	2019-20 Actual Instructional Minutes	2019-20 Actual Number of Days	Instructional Minutes Closed due to COVID-19	Number of Days Certified Closed due to COVID-19**	Status
Kindergarten	36,000	37,425	156	25,430	106	11,995	50	Complied
Grade 1	50,400	55,020	156	37,390	106	17,630	50	Complied
Grade 2	50,400	55,020	156	37,390	106	17,630	50	Complied
Grade 3	50,400	55,020	156	37,390	106	17,630	50	Complied
Grade 4	54,000	55,020	156	37,390	106	17,630	50	Complied
Grade 5	54,000	55,020	156	37,390	106	17,630	50	Complied
Grade 6	54,000	55,800	156	37,920	106	17,880	50	Complied
Grade 7	54,000	55,800	156	37,920	106	17,880	50	Complied
Grade 8	54,000	55,800	156	37,920	106	17,880	50	Complied
Grade 9	64,800	64,980	156	44,160	106	20,820	50	Complied
Grade 10	64,800	64,980	156	44,160	106	20,820	50	Complied
Grade 11	64,800	64,980	156	44,160	106	20,820	50	Complied
Grade 12	64,800	64,980	156	44,160	106	20,820	50	Complied

* Pursuant to Education Code Section 37700, as amended by SB 820, the District may operate schools on a four day school week, if the District complies with the instructional time

**On November 20, 2020, the District certified that Whale Gulch Elementary School and Whale Gulch High School were closed from March 16, 2020 to June 11, 2020 for a total of 50 instructional days due to COVID-19.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

	2021 (Budget)	2020	2019	2018
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 2,655,349	\$ 2,614,840	\$ 2,606,864	\$ 2,412,175
Expenditures And Other Financing Uses	2,792,405	2,732,130	2,651,473	2,670,109
Net change in Fund Balance	\$ (137,056)	\$ (117,290)	\$ (44,609)	\$ (257,934)
Ending Fund Balance	\$ 362,779	\$ 499,835	\$ 617,125	\$ 661,734
Available Reserves*	\$ 258,033	\$ 410,021	\$ 558,913	\$ 464,462
Available Reserves As A Percentage Of Outgo	9.24%	15.01%	21.08%	17.39%
Long-term Liabilities	\$ 2,383,858	\$ 2,383,858	\$ 2,265,731	\$ 2,077,632
Average Daily Attendance At P-2	123	123	117	116

The General Fund balance has decreased by \$161,899 over the past two years. The fiscal year 2020-21 budget projects a further decrease of \$137,056. For a District this size, the State recommends available reserves of at least 5% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in each of the past three years and anticipates incurring an operating deficit during the 2020-21 fiscal year. Total long-term obligations have increased by \$306,226 over the past two years.

Average daily attendance has increased by 7 ADA over the past two years. No change in ADA is anticipated during the 2020-21 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other than Capital Outlay Projects Fund and the Pupil Transportation Equipment Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54. Additionally, an audit adjustment of \$17,810 is not included in this schedule.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Pupil Transportation Equipment Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Self-Insurance Fund (Vision)	Staywell Foundation Employee Health Trust Fund
June 30, 2020, annual financial and budget report fund balance	\$ 499,835	\$ 123,973	\$ 54,283	\$ 33,033	\$ -
Adjustments and reclassifications:					
Increase (decrease) in total fund balances:					
Cash in county	-	-	-	(9,557)	9,557
Accounts payable	(17,810)	-	-	-	-
Fund balance transfer (GASB 54)	178,256	(123,973)	(54,283)	-	-
Net adjustments and reclassifications	160,446	(123,973)	(54,283)	(9,557)	9,557
June 30, 2020, audited financial statement fund balance	\$ 660,281	\$ -	\$ -	\$ 23,476	\$ 9,557

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2020**

There were no charter schools in the Leggett Valley Unified School District as of June 30, 2020.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 JUNE 30, 2020**

	Child Development Fund	Cafeteria Fund	Non-Major Governmental Funds
ASSETS			
Cash and investments	\$ 8	\$ -	\$ 8
Accounts receivable	-	12,083	12,083
Due from other funds	-	54,902	54,902
Total Assets	\$ 8	\$ 66,985	\$ 66,993
LIABILITIES			
Deficit cash	\$ -	\$ 66,646	\$ 66,646
Accrued liabilities	-	330	330
Total Liabilities	-	66,976	66,976
FUND BALANCES			
Restricted	8	9	17
Total Fund Balances	8	9	17
Total Liabilities and Fund Balance	\$ 8	\$ 66,985	\$ 66,993

See accompanying note to supplementary information.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2020**

	Child Development Fund	Cafeteria Fund	Non-Major Governmental Funds
REVENUES			
Federal sources	\$ -	\$ 26,289	\$ 26,289
Other state sources	-	1,997	1,997
Other local sources	47,502	5,769	53,271
Total Revenues	<u>47,502</u>	<u>34,055</u>	<u>81,557</u>
EXPENDITURES			
Current			
Instruction	56,724	-	56,724
Pupil services			
Food services	-	90,590	90,590
General administration			
All other general administration	2,836	4,406	7,242
Total Expenditures	<u>59,560</u>	<u>94,996</u>	<u>154,556</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(12,058)</u>	<u>(60,941)</u>	<u>(72,999)</u>
Other Financing Sources (Uses)			
Transfers in	4,004	54,902	58,906
Net Financing Sources (Uses)	<u>4,004</u>	<u>54,902</u>	<u>58,906</u>
NET CHANGE IN FUND BALANCE	<u>(8,054)</u>	<u>(6,039)</u>	<u>(14,093)</u>
Fund Balance - Beginning	8,062	6,048	14,110
Fund Balance - Ending	<u>\$ 8</u>	<u>\$ 9</u>	<u>\$ 17</u>

See accompanying note to supplementary information.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2020**

The Leggett Valley Unified School District (District) is located entirely in the northwestern section of Mendocino County encompassing an area of approximately 440 square miles. The District, which was formerly a part of the Fort Bragg Unified School District, was established on July 1, 1990 and is entirely composed of necessary small schools. There were no changes in the boundaries of the District during the current year.

GOVERNING BOARD

Member	Office	Term Expires
Marcus Green	Board President	December 2022
Jessica Roemer	Board Clerk	December 2020
Brandie Enright	Board Member	December 2022
Jennifer Parent	Board Member	December 2022
Peter Stuth	Board Member	December 2020

DISTRICT ADMINISTRATORS

Anthony Loumena
Superintendent

Melissa Husley
Business Manager

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections 46200 through 46208*.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

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

Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

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

OTHER INDEPENDENT AUDITORS' REPORTS

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

Independent Auditors' Report

Governing Board
Leggett Valley Unified School District
Leggett, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Leggett Valley Unified School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Leggett Valley Unified School District's basic financial statements, and have issued our report thereon dated November 24, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Christy White, Inc.

San Diego, California
November 24, 2020

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

Governing Board
Leggett Valley Unified School District
Leggett, California

Report on State Compliance

We have audited Leggett Valley Unified School District's compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Leggett Valley Unified School District's state programs for the fiscal year ended June 30, 2020, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Leggett Valley Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Leggett Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Leggett Valley Unified School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, Leggett Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as item #2020-001. Our opinion on state compliance is not modified with respect to these matters.

Leggett Valley Unified School District’s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Leggett Valley Unified School 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.

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
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

(continued on following page)

PROGRAM NAME	PROCEDURES PERFORMED
Charter Schools	
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

Christy White, Inc.

San Diego, California
November 24, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

The District was not subject to Uniform Guidance Single Audit for the year ended June 30, 2020 because federal award expenditures did not exceed \$750,000.

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no financial statement findings or questioned costs for the year ended June 30, 2020.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

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

FINDING #2020-001: COMPREHENSIVE SCHOOL SAFETY PLAN (40000)

Criteria: Pursuant to California Education Code Sections 32280 - 32289, All California public schools, kindergarten and grades one through twelve, must develop a comprehensive school safety plan approved by the board of directors by March 1st of the current 2019-20 school year. Additionally, if the District does not develop and approve a comprehensive school safety plan by October 15, a letter must be submitted to the State Superintendent of Public Instruction.

Condition: In testing the schoolwide comprehensive school safety plan for Leggett Valley Unified School District, it was noted that the current comprehensive school safety plan was not approved prior to the required deadline of March 1st for the current audit year.

Perspective/Context: Testing was performed remotely with constant contact with the district office.

Cause: Insufficient review procedures in place during the implementation process.

Effect: The school district was untimely adhering to comprehensive school safety requirements per California Education Code.

Questioned Costs: None.

Repeat Finding: No, this is not a repeat finding.

Recommendation: We recommend that the District continue to provide oversight and training to staff responsible for implementing new requirements in California Education Code in a timely manner.

Corrective Action Plan: The Leggett Valley Unified Board of Trustees approved a comprehensive school safety plan on the May 11, 2020 agenda where they missed the March 1st deadline requirement. The District will continue to provide oversight and training to staff.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

FINDING #2019-001: CASH RECEIPTS – UNTIMELY DEPOSITS (30000)

Criteria: Proper internal controls over cash collection require adequate segregation of duties, sufficient documentation trail between the point of collection and the point of deposit, as well as, timely deposits.

Condition: During the review of internal controls over cash receipts, four (4) of the eight (8) cash receipts were not deposited within a month of being collected.

Effect: Untimely deposits could lead to loss of funds.

Cause: The District is not going to the bank to make timely deposits.

Repeat Finding: No.

Recommendation: We recommend that the district make deposits within two weeks of the collection date to minimize the potential of misplaced or loss of funds.

District Response: The District understands the importance of timely deposits and will utilize best practices to ensure that proper receipting practices are followed, and deposits are made in a timely manner.

Current Status: Implemented.

**LEGGETT VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS continued
FOR THE YEAR ENDED JUNE 30, 2020**

FINDING #2019-002: BANK ACCOUNTS AND RECONCILIATIONS (30000)

Criteria: The governing board of any school district or any county office of education may authorize any school district governed by it, or any school under its jurisdiction to deposit in one or more bank accounts as clearing accounts any miscellaneous receipts, including receipts from the sale of property or materials pursuant to Section 39526 or 39527, received or collected by the school district or county office of education, and may provide for the withdrawals from those accounts. All moneys in those bank accounts shall be paid into the county treasury within the time periods specified pursuant to Section 41001. Per Education Code 41001, all deposits and payments shall be made daily, unless the county superintendent of schools authorizes them to be made weekly or otherwise, but in no event less frequent than monthly.

Condition: In our testing of cash in banks, we noted that the reconciled balance of the Cafeteria Fund Clearing Account was not recorded to the unaudited actuals indicating that the account is not being properly reconciled and cleared on a monthly basis.

Cause: Inadequate controls and monitoring over the cash receipting cycle.

Effect: Without a timely clearing of the account the financial position of the District is not accurately represented.

Repeat Finding: No.

Recommendation: We recommend that all clearing accounts are reconciled and cleared in a timely manner.

District Response: The District understands the importance of timely bank reconciliations and will utilize best practices to ensure that all bank reconciliations performed in a timely manner.

Current Status: Implemented.