ANTELOPE VALLEY SCHOOLS TRANSPORTATION AGENCY
(A Joint Powers Authority)
LOS ANGELES COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2020

NIGRO & NIGRO PC

ANTELOPE VALLEY SCHOOLS TRANSPORTATION AGENCY
For the Fiscal Year Ended June 30, 2020
Table of Contents

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

FINDINGS AND RECOMMENDATIONS

Financial Section

NIGRO & NIGRO PC
A PROFESSIONAL ACCOUNTANCY CORPORATION

INDEPENDENT AUDITORS' REPORT

Board of Directors
Antelope Valley Schools Transportation Agency
Lancaster, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities and General Fund of Antelope Valley Schools Transportation Agency, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency'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.

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Antelope Valley Schools Transportation Agency, as of June 30, 2020, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

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Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information on pages 45 and 46 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 44 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 20, 2021, on our consideration of the Agency'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
January 20, 2021

This discussion and analysis of Antelope Valley Schools Transportation Agency's financial performance provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the Agency's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The Agency's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by $178,542, or 8.8%.
- Governmental expenses were $17.2 million. Revenues were $17.4 million.
- The Agency acquired $2.7 million in new capital assets during the year. These expenses were incurred primarily for new school buses.
- The Agency increased its outstanding long-term debt by $541,629. This was primarily due to a new bus lease offset by paying down previous leases.
- The General Fund balance increased by $730,829.
- Reserves for the General Fund increased by $202,501, or 22.8%. Revenues were $18.5 million and expenditures were $17.8 million.

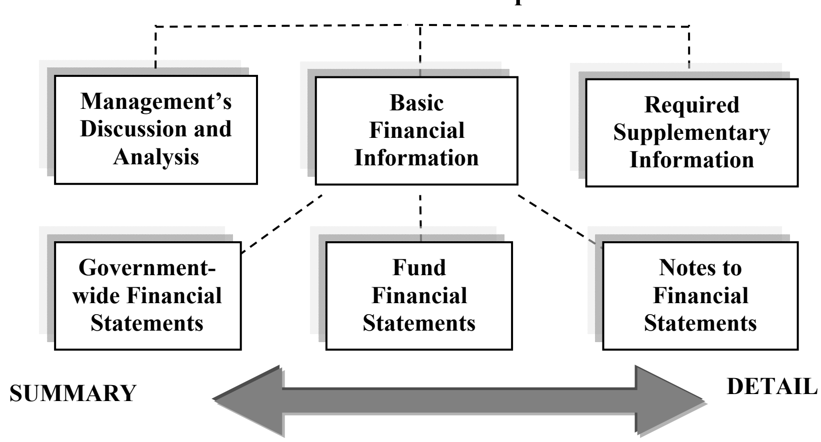
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Agency:

- The first two statements are *Government-wide financial* statements that provide both short-term and long-term information about the Agency's overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the Agency, reporting the Agency's operations in more detail than the Government-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education transportation were financed in the short term as well as what remains for future spending.
  - *Fiduciary funds* statement provides information about the financial relationships in which the Agency acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Antelope Valley Schools Transportation Agency's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Government-Wide Statements
The Government-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Agency'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 Agency's net position and how it has changed. Net position – the difference between the Agency's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the Agency's financial health, or *position*.

- Over time, increases and decreases in the Agency's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the Agency, you need to consider additional nonfinancial factors such as changes in the Agency's demographics and the condition of school equipment and other facilities.

- In the Government-wide financial statements, the Agency's activities are categorized as *Governmental Activities*. Most of the Agency's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

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

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

- The Agency establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that is properly using certain revenues.

The Agency has two kinds of funds:

1) ***Governmental funds*** – Most of the Agency's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. Because this information does not encompass the additional long-term focus of the Agency-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

2) ***Fiduciary funds*** – The Agency is the trustee, or fiduciary, for assets that belong to others, such as the payroll clearance fund. The Agency is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the Agency's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the Government-wide financial statements because the Agency cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

Net Position. The Agency's combined net position was higher on June 30, 2020, than it was the year before – increasing 8.8% to $(1,858,500) (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase
	2020	2019	(Decrease)
Assets			
Current assets	$ 4,669,889	$ 3,974,511	$ 695,378
Capital assets	7,937,200	6,292,043	1,645,157
Total assets	12,607,089	10,266,554	2,340,535
Deferred outflows of resources	2,725,472	2,604,941	120,531
Liabilities			
Current liabilities	318,523	353,974	(35,451)
Long-term liabilities	4,615,997	4,074,368	541,629
Net pension liability	11,528,555	10,085,904	1,442,651
Total liabilities	16,463,075	14,514,246	1,948,829
Deferred inflows of resources	727,986	394,291	333,695
Net position			
Net investment in capital assets	6,872,824	5,720,595	1,152,229
Unrestricted	(8,731,324)	(7,757,637)	(973,687)
Total net position	$ (1,858,500)	$ (2,037,042)	$ 178,542

Changes in net position, governmental activities. The Agency's total revenues increased 2.7% to $17.4 million (See Table A-2). The increase is due primarily to increased charges to member school districts.

The total cost of all programs and services decreased 2.3% to $17.2 million. The Agency's expenses are predominantly related to transporting students, 89.1%. The purely administrative activities of the Agency accounted for just 0.8% of total costs. A significant contributor to the decrease in costs was reduced costs due to the school closures caused by the COVID-19 pandemic.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase
	2020	**2019**	**(Decrease)**
Revenues			
Program Revenues:			
Charges for services	$ 17,324,858	$ 16,822,758	$ 502,100
General Revenues:			
Other general revenues	79,127	117,922	(38,795)
Total Revenues	17,403,985	16,940,680	463,305
Expenses			
Pupil services	15,354,997	15,536,690	(181,693)
Administration	135,650	137,804	(2,154)
Plant services	105,479	108,126	(2,647)
All other activities	1,629,317	1,856,938	(227,621)
Total Expenses	17,225,443	17,639,558	(414,115)
Increase (decrease) in net position	178,542	(698,878)	877,420
Net Position	$ (1,858,500)	$ (2,037,042)	$ 178,542

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

The financial performance of the Agency as a whole is reflected in its General Fund. As the Agency completed this year, the General Fund reported a fund balance of $4,351,366, which is above last year's ending fund balance of $3,620,537. The primary cause of the increased fund balance is a new capital lease agreement for $1.1 million.

Table A-3: The Agency's Fund Balance

	Fund Balance				
	July 1, 2019	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2020
Fund					
General Fund	$ 3,620,537	$ 17,403,985	$ 17,816,690	$ 1,143,534	$ 4,351,366

General Fund Budgetary Highlights
Over the course of the year, the Agency did not revise the annual operating budget.

While the Agency's final budget for the General Fund anticipated that expenditures would match revenues, the actual results for the year show that expenditures exceeded revenues by $412,705. Actual revenues were $28,821 more than anticipated, and expenditures were $441,526 more than budgeted. That amount consists primarily of a new bus lease that was not budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019-20 the Agency had invested $2.7 million in new capital assets, related to bus acquisitions. (More detailed information about capital assets can be found in Note 5 to the financial statements). Total depreciation expense for the year was $1.1 million.

Table A-4: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance Increase
	2020	2019	(Decrease)
Land	$ 953,963	$ 953,963	$ -
Buildings	782,655	829,685	(47,030)
Equipment	6,200,582	4,508,395	1,692,187
Total	$ 7,937,200	$ 6,292,043	$ 1,645,157

Long-Term Debt

At year-end the Agency had $4.6 million in long-term debt other than pensions – an increase of 13.3% from last year – as shown in Table A-5. (More detailed information about the Agency's long-term liabilities is presented in Note 6 to the financial statements).

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance Increase
	2020	2019	(Decrease)
Capital leases	$ 1,064,376	$ 571,448	$ 492,928
Compensated absences	317,724	289,705	28,019
Other postemployment benefits	3,233,897	3,213,215	20,682
Total	$ 4,615,997	$ 4,074,368	$ 541,629

Net pension liability increased during the year by $1.4 million.

FACTORS BEARING ON THE AGENCY'S FUTURE

1. The COVID epidemic has exacerbated the acute driver shortage and major efforts will need to be undertaken to address that shortage.
2. The rise of restrictions on fossil fuel driven vehicles will precipitate increased costs in bus replacement based on the current cost of zero emissions vehicles.
3. The need for the purchase and development of additional property will generate budget considerations.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Jo Anne Downen at AVSTA, 670 W. Ave. L-8, Lancaster, California 93534.

ANTELOPE VALLEY SCHOOLS TRANSPORTATION AGENCY

Statement of Net Position

June 30, 2020

		Total Governmental Activities
ASSETS		
Deposits and investments	$	4,220,507
Accounts receivable		112,752
Inventories		336,630
Capital assets:		
Non-depreciable assets		953,963
Depreciable assets		22,356,858
Less accumulated depreciation		(15,373,621)
Total Assets		12,607,089
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		2,426,241
Deferred outflows related to OPEB		299,231
Total deferred outflows of resources		2,725,472
LIABILITIES		
Accounts payable		318,523
Long-term liabilities other than pensions:		
Portion due or payable within one year		378,684
Portion due or payable after one year		4,237,313
Net pension liability		11,528,555
Total liabilities		16,463,075
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		299,155
Deferred inflows related to OPEB		428,831
Total deferred inflows of resources		727,986
NET POSITION		
Net investment in capital assets		6,872,824
Unrestricted		(8,731,324)
Total net position	$	(1,858,500)

ANTELOPE VALLEY SCHOOLS TRANSPORTATION AGENCY

Statement of Activities
For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Net (Expense) Revenue and Changes in Net Position
Governmental Activities			
Pupil Support Services:			
Home-to-school transportation	$ 15,354,997	$ 17,324,858	$ 1,969,861
General Administration Services:			
Data processing services	113,966	-	(113,966)
Other general administration	21,684	-	(21,684)
Plant services	105,479	-	(105,479)
Ancillary services	521,611	-	(521,611)
Interest on long-term debt	12,925	-	(12,925)
Depreciation (unallocated)	1,094,781	-	(1,094,781)
Total Governmental Activities	$ 17,225,443	$ 17,324,858	99,415
General Revenues:			
Interest and investment earnings			26,525
Interagency revenues			52,602
Total general revenues			79,127
Change in net position			178,542
Net position - July 1, 2019			(2,037,042)
Net position - June 30, 2020			$ (1,858,500)

ANTELOPE VALLEY SCHOOLS TRANSPORTATION AGENCY
Balance Sheet
June 30, 2020

		General Fund
ASSETS		
Deposits and investments	$	4,220,507
Accounts receivable		112,752
Stores inventories		336,630
Total Assets	$	4,669,889
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$	318,523
Fund Balances		
Nonspendable		339,130
Committed		1,215,146
Assigned		1,708,353
Unassigned		1,088,737
Total Fund Balances		4,351,366
Total Liabilities and Fund Balances	$	4,669,889

The notes to financial statements are an integral part of this statement.

ANTELOPE VALLEY SCHOOLS TRANSPORTATION AGENCY

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

Total fund balances - governmental funds			$ 4,351,366
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 at historical cost:	23,310,821	
	Accumulated depreciation:	(15,373,621)	
	Total:		7,937,200
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:			
	Capital leases	1,064,376	
	Compensated absences	317,724	
	Other postemployment benefits	3,233,897	(4,615,997)
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.			(11,528,555)
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	2,426,241	
	Deferred inflows of resources	(299,155)	
	Total		2,127,086
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.			
	Deferred outflows of resources	299,231	
	Deferred inflows of resources	(428,831)	
	Total		(129,600)
Total net position - governmental activities			$ (1,858,500)

ANTELOPE VALLEY SCHOOLS TRANSPORTATION AGENCY
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2020

	General Fund
REVENUES	
Other local sources	$ 17,403,985
Total Revenues	17,403,985
EXPENDITURES	
Current:	
Pupil support services:	
Home-to-school transportation	16,451,623
General administration services:	
Data processing services	113,966
Other general administration	21,684
Plant services	105,479
Ancillary services	460,407
Debt service:	
Principal	650,606
Interest	12,925
Total Expenditures	17,816,690
Excess (Deficiency) of Revenues Over (Under) Expenditures	(412,705)
OTHER FINANCING SOURCES (USES)	
Proceeds from capital leases	1,143,534
Total Other Financing Sources and Uses	1,143,534
Net Change in Fund Balances	730,829
Fund Balances, July 1, 2019	3,620,537
Fund Balances, June 30, 2020	$ 4,351,366

ANTELOPE VALLEY SCHOOLS TRANSPORTATION AGENCY

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2020

Total net change in fund balances - governmental funds			$ 730,829
Amounts reported for governmental *activities* in the statement of activities are different because:			
Capital outlay is reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is 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	2,739,938	
	Depreciation expense	(1,094,781)	1,645,157
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			650,606
In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount were:			(1,143,534)
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:			(191,574)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:			(1,484,923)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.			(28,019)
Change in net position of governmental activities			$ 178,542

ANTELOPE VALLEY SCHOOLS TRANSPORTATION AGENCY
Statement of Fiduciary Net Position
June 30, 2020

	Agency Funds
	Payroll Clearance Fund
ASSETS	
Investments	$ 142,296
Accounts receivable	945
Total Assets	$ 143,241
LIABILITIES	
Due to regulatory agencies	$ 143,241
Total Liabilities	$ 143,241

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Antelope Valley Schools Transportation Agency (the "Agency") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

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 Agency consists of all funds, departments, and agencies that are not legally separate from the Agency. For the Agency, this includes general operations, student transportation, and other related activities of the Agency.

Component units are legally separate organizations for which the Agency is financially accountable. Component units may also include organizations that are fiscally dependent on the Agency, in that the Agency 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 Agency is not financially accountable but the nature and significance of the organization's relationship with the Agency is such that exclusion would cause the Agency's financial statements to be misleading or incomplete.

The Agency has identified no organizations that are required to be reported as component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the Agency). These statements include the financial activities of the overall government.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency'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. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Fund Financial Statements

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

Governmental Funds

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Governmental Funds (continued)
The Agency maintains only a General Fund. The General Fund accounts for all financial resources. The General Fund balance is available to the Agency for any purposes provided it is expended according to the general laws of California.

Fiduciary Funds
Fiduciary funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the Agency'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. The Agency maintains the following fiduciary fund:

Payroll Clearance Fund: This fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, transfers to credit unions, and other contributions.

2. Measurement Focus, Basis of Accounting
The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the Government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The agency fund has no measurement focus and utilizes the accrual basis of accounting for reporting its assets and liabilities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. 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 Agency 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 budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

D. Encumbrances

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

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

1. Cash

The Agency considers cash to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be cash.

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	5-50 years
Furniture and Equipment	5-15 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Accrued Liabilities and Long-Term Obligations
All payables, accrued liabilities, and long-term obligations are reported in the Government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental fund.

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

5. Deferred Outflows/Inflows of Resources
In addition to assets, the Statement of Net Position 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 Statement of Net Position 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 will not be recognized as an inflow of resources (revenue) until that time.

6. Postemployment Benefits Other Than Pensions (OPEB)
For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Agency Plan and CalSTRS Medicare Premium Payment (MPP) Program 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, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Fund Balances

The fund balance for Governmental Funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The Agency's highest decision-making level of authority rests with the Agency's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the Agency's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the Agency for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the Agency's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

9. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Net Position (continued)

- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

G. New GASB Pronouncement
In May 2020, the GASB issued Statement No. 95. The primary objective of this Statement is to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished 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 effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update-2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update-2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in *each* pronouncement as originally issued.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Future Accounting Pronouncements
GASB pronouncements which will be effective in future periods, are as follows:

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

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

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

   The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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

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

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

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Future Accounting Pronouncements (continued)

4. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

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

   This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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

   This Statement also addresses arrangements – often characterized as leases – that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.

   Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Future Accounting Pronouncements (continued)

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

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

6. In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement 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. This Statement addresses a variety of topics and includes specific provisions about the following:

   - The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
   - Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
   - The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74*, Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, as amended, to reporting assets accumulated for postemployment benefits
   - The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
   - Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
   - Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
   - Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
   - Terminology used to refer to derivative instruments

   The requirements of this Statement are effective as follows:

   - The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
   - The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Future Accounting Pronouncements (continued)

6. (continued)

- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Earlier application is encouraged and is permitted by topic.

7. In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates.* Some governments have entered into agreements in which variable payments made or received depending on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases,* as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of *reference rate,* as it is used in Statement 53, as amended

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Future Accounting Pronouncements (continued)

7. (continued)
   The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

8. In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

   This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

   This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, *Leases,* as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA.

   This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement).

   This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts.

   This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Future Accounting Pronouncements (continued)

8. (continued)
   An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

   The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Governmental funds	$ 4,220,507
Fiduciary funds	142,296
Total deposits and investments	$ 4,362,803

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

Cash on hand and in banks	$ 62,467
Cash in revolving fund	2,500
Investments	4,297,836
Total deposits and investments	$ 4,362,803

Pooled Funds
In accordance with Education Code Section 41001, the Agency maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the Agency's deposits are maintained in a recognized pooled investment fund under the care of a third party and the Agency's share of the pool does not consist of specific, identifiable investment securities owned by the Agency, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2020, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the Agency’s deposits may not be returned to it. The Agency does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public 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, $24,578 of the Agency's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the Agency.

Investments - Interest Rate Risk
The Agency’s investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Agency’s investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Trustees. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2020, consist of the following:

	Reported Amount	Less Than One Year	One Year Through Five Years	Fair Value Measurement	Rating
Investments:					
County Pool	$ 4,297,836	$ 4,297,836	$ -	Uncategorized	N/A

Investments - Credit Risk
The Agency’s investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by *State Government Code* Section 53600. At June 30, 2020, all investments represented governmental securities which were issued, registered and held by the Agency’s agent in the Agency’s name.

Investments - Concentration of Credit Risk
The Agency does not place limits on the amount it may invest in any one issuer. At June 30, 2020, the Agency had no investments outside of the County investment pool.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

Uncategorized – Investments in the Los Angeles County Treasury Investment Pool are not measured using the input levels above because the Agency'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.

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund/ Activities
Local:	
Aides and assessments	$ 112,523
Other local revenue	229
Total	$ 112,752

NOTE 4 – FUND BALANCES

At June 30, 2020, fund balances of the Agency's governmental funds were classified as follows:

	General Fund
Nonspendable:	
Revolving Cash	$ 2,500
Stores	336,630
Total Nonspendable	339,130
Committed:	
FY 19-20 Bus Purchases	235,408
Student Management System	76,016
Board Approved FY 18-19	2,772
Board Approved FY 19-20	950
Litigation	900,000
Total Committed	1,215,146
Assigned:	
Board Reserve for Economic Uncertainties	816,850
CNG Compressor	891,503
Total Assigned	1,708,353
Unassigned:	
Reserve for Economic Uncertainties	1,088,737
Total Unassigned	1,088,737
Total	$ 4,351,366

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance July 1, 2019	Additions	Retirements	Balance, June 30, 2020
Capital assets not being depreciated:				
Land	$ 953,963	$ -	$ -	$ 953,963
Total capital assets not being depreciated	953,963	-	-	953,963
Capital assets being depreciated:				
Buildings and Improvements	2,294,209	43,558	-	2,337,767
Equipment	17,940,241	2,696,380	617,530	20,019,091
Total capital assets being depreciated	20,234,450	2,739,938	617,530	22,356,858
Accumulated depreciation for:				
Buildings and Improvements	(1,464,524)	(90,588)	-	(1,555,112)
Equipment	(13,431,846)	(1,004,193)	(617,530)	(13,818,509)
Total accumulated depreciation	(14,896,370)	(1,094,781)	(617,530)	(15,373,621)
Total capital assets being depreciated, net	5,338,080	1,645,157	-	6,983,237
Governmental activity capital assets, net	$ 6,292,043	$ 1,645,157	$ -	$ 7,937,200

NOTE 6 – LONG-TERM DEBT OTHER THAN PENSIONS

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

	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020	Amount Due Within One Year
Capital Leases	$ 571,448	$ 1,143,534	$ 650,606	$ 1,064,376	$ 378,684
Compensated Absences	289,705	28,019	-	317,724	-
Other Postemployment Benefits	3,213,215	552,138	531,456	3,233,897	-
Totals	$ 4,074,368	$ 1,723,691	$ 1,182,062	$ 4,615,997	$ 378,684

A. Capital Leases

The Agency has entered into agreements to lease various equipment valued at $1.9 million. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The Agency's liability on lease agreements with options to purchase is summarized below:

The capital leases have minimum lease payments as follows:

Fiscal Year	Lease Payments
2020-21	$ 410,346
2021-22	242,926
2022-23	242,926
2023-24	242,926
Sub-Total	1,139,124
Less: interest	(74,748)
Total	$ 1,064,376

The Agency will not receive sublease rental revenues or pay any contingent rentals for the equipment.

B. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2020, the Agency reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense as follows:

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Agency Plan	$ 3,233,897	$ 299,231	$ 428,831	$ 268,857

The details of the plan are as follows:

Plan description

The Agency administers a single-employer defined benefit OPEB plan, which provides medical and dental insurance benefits to eligible retirees and their spouses. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. Benefits vary by employee group. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

NOTE 6 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

Benefits provided
Both Classified Bargaining Unit employees and Management/Confidential employees must have attained age 55 and completed at least 15 years of service in order to be eligible for AVSTA paid retiree healthcare benefits. For Classified Bargaining Unit employees hired on or after July 1, 2009, the service requirement is 20 years rather than 15. AVSTA pays a percentage of the cost of single or two-party coverage for an eligible retiree.

Classified retirees retiring before age 60 receive an AVSTA contribution of 50% of their medical premiums. Classified retirees retiring at or after age 60 receive an AVSTA contribution of 100% of their medical premiums. Management/Confidential retirees receive an AVSTA contribution of 100% of their medical and dental premiums. AVSTA-paid benefits end at age 65 for both groups.

Employees retiring on or after July 1, 2013 also have the option of retiring after the later of age 50 and 25 years of service. Employees retiring under this provision receive a contribution of 50% of premium, and benefits are paid for the lesser of 10 years or until age 65.

Employees covered by benefit terms
At July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Active employees	180
Total	189

Total OPEB Liability
The Agency's Net OPEB Liability of $3,233,897 was measured as of June 30, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2019. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial assumptions and other inputs
The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2019
Inflation	3.00%
Salary increases	3.00%
Healthcare cost trend rates	6.00% for 2019; 5.90 percent for 2020; 5.80 percent for 2021; and decreasing 0.10 percent per year to an ultimate rate of 5.00 percent for 2029 and later years
Retirees' share of benefit-related costs	Agency pays 100% of cost for all other eligible retirees.

Discount Rate
The discount rate of 3.13% is the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

NOTE 6 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

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

Actuarial assumptions used in the July 1, 2019 valuation were based on a review of plan experience during the period July 1, 2017 to June 30, 2019.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	$ 3,213,215
Changes for the year:	
Service cost	179,536
Interest	120,251
Difference between expected and	(388,396)
Changes of assumptions	252,351
Benefit payments	(143,060)
Net changes	20,682
Balance at June 30, 2019	$ 3,233,897

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate	OPEB Liability
1% decrease (2.13%)	$ 3,497,256
Current discount rate (3.13%)	$ 3,233,897
1% increase (4.13%)	$ 2,993,063

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

Healthcare Cost Trend Rate	OPEB Liability
1% decrease (4.00%)	$ 2,919,652
Current rate (5.00%)	$ 3,233,897
1% increase (6.00%)	$ 3,598,900

NOTE 6 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2020, the Agency recognized OPEB expense of $268,857. In addition, at June 30, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 341,601
Changes of assumptions	221,947	87,230
Agency contributions subsequent to the measurement date of the net OPEB liability	77,284	-
	$ 299,231	$ 428,831

The deferred outflows of resources related to OPEB resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year. The deferred outflows and inflows of resources related to changes of assumptions and differences between expected and actual experience in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the current measurement period is 8.3 years, and for previous measurement periods it is 8.0 years.

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	$ 30,404	$ 61,334
2022	30,404	61,334
2023	30,404	61,334
2024	30,404	61,334
2025	30,404	61,334
Thereafter	69,927	122,161
Total	$ 221,947	$ 428,831

NOTE 7 – PENSION PLAN

Plan Description, Benefits Provided and Employees Covered
The Agency participates in the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan administered by CalPERS. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan's June 30, 2018 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website.

NOTE 7 – PENSION PLAN (continued)

Contribution Description
Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Net Pension Liability
The Agency's net pension liability for the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability
The June 30, 2018 valuation was rolled forward to determine the June 30, 2019 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal, in accordance with the requirements of GASB 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies By Entry Age and Service
Mortality Rate Table [1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter

[1] The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 7 – PENSION PLAN (continued)

Long-term Expected Rate of Return (continued)
The expected real rates of return by asset class are as follows:

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

[1] In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
[2] An expected inflation of 2.00% used for this period
[3] An expected inflation of 2.92% used for this period

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2018	$ 46,164,275	$ 36,078,371	$ 10,085,904
Changes Recognized for the Measurement Period:			
Service Cost	1,138,025	-	1,138,025
Interest on Total Pension Liability	3,326,300	-	3,326,300
Differences Between Expected and	-		
Actual Experience	969,143	-	969,143
Contributions - Employer	-	1,194,178	(1,194,178)
Contributions - Employees	-	488,921	(488,921)
Net Investment Income	-	2,333,381	(2,333,381)
Benefits Payments, including Refunds of Employee Contributions	(2,361,497)	(2,361,497)	-
Administrative Expense	-	(25,746)	25,746
Other Miscellaneous Income (Expense)	-	83	(83)
Net Changes During 2018-19	3,071,971	1,629,320	1,442,651
Balance at June 30, 2019	$ 49,236,246	$ 37,707,691	$ 11,528,555

NOTE 7 – PENSION PLAN (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following presents the net pension liability of the Agency, calculated using the discount rate of 7.15%, as well as what the Agency's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Plan's Net Pension Liability	$ 17,865,711	$ 11,528,555	$ 6,257,275

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended June 30, 2020, the Agency recognized pension expense of $2,750,379. At June 30, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Plan contributions subsequent to the measurement date	$ 1,259,373	$ -
Changes of assumptions	457,033	(111,754)
Differences between expected and actual experience	709,835	(32,827)
Net difference between projected and actual earnings on plan investments	-	(154,574)
Totals	$ 2,426,241	$ (299,155)

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

Measurement Periods Ended June 30,	Deferred Outflows (Inflows) of Resources
2020	$ 813,613
2021	(79,879)
2022	91,585
2023	42,394
2024	-
Thereafter	-
Total	$ 867,713

NOTE 7 – PENSION PLAN (continued)

Expected Average Remaining Service Lifetime (EARSL)
The EARSL for the Plan for the measurement period ending June 30, 2019 is 3.5 years, which was obtained by dividing the total service years of 2,109 (the sum of remaining service lifetimes of the active employees) by 598 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Payable to the Pension Plan
At June 30, 2020, the Agency did not have any outstanding payables for outstanding contributions to the CalPERS pension plan, required for the fiscal year ended June 30, 2020.

NOTE 8 – JOINT VENTURES

The Agency is a member of SISC III, SIRMA I, SIRMA II, and SIRMA III joint powers authorities (JPA's). The Agency pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the Agency and JPA's are such that they are not component units of the Agency for financial reporting purposes.

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

NOTE 9 – COMMITMENTS AND CONTINGENCIES

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

B. Litigation
The Agency is involved in certain legal matters that arose out of the normal course of business. The Agency has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2020. There was one legal matter that was ultimately paid out for $900,000 in November 2020, but it was not accrued as a liability because of the uncertainty of the outcome at June 30, 2020.

C. Withdrawal of Keppel Union School District
The Keppel Union School District provided a notice of withdrawal from the Agency effective June 30, 2018. The parties have been unable to reach an agreement on the standards for assessing and assigning the Agency's assets and liabilities and on September 5, 2019, the Agency filed a complaint for declaratory relief seeking a judicial declaration to ascertain the parties' right and duties under the Agreement. Discovery requests are in process. The Agency expects this matter to be resolved swiftly once judicial declaration has been rendered. No liability has been recognized in these financial statements for this contingency.

NOTE 9 – COMMITMENTS AND CONTINGENCIES (continued)

D. Impact of COVID-19

On March 13, 2020, a presidential emergency was declared due to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic. The declaration made federal disaster assistance available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act to the State of California to supplement the local recovery efforts by the K-12 education community. On that same date, Governor Newsom issued Executive Order N-26-20, guaranteeing continued State funding, holding LEAs harmless from several regulations, and providing guidelines for LEAs to operate under a "distance learning" environment.

In response, the school districts within the Agency all closed their schools, requiring the Agency to suspend operations.

NOTE 10 – RISK MANAGEMENT

Property and Liability

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, the Agency participated in the Self-Insured Risk Management Association (SIRMA) II public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2019-20, the Agency participated in SIRMA I, an insurance purchasing pool. The intent of SIRMA I is to achieve the benefit of a reduced premium for the Agency by virtue of its grouping and representation with other participants in SIRMA I. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in SIRMA I. Each participant pays its workers' compensation premium based on its individual rate.

Employee Medical Benefits

The Agency has contracted with the Self-Insured Schools of California III (SISC III) and SIRMA III to provide employee health benefits. SISC III and SIRMA III are shared risk pools comprised of school districts throughout Los Angeles County. Rates are set through an annual calculation process. The Agency pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participants. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a participant subsequent to the settlement of all expenses and claims if a participant withdraws from the pool.

Required Supplementary Information

ANTELOPE VALLEY SCHOOLS TRANSPORTATION AGENCY
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual (Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
Other Local Sources	$ 17,375,164	$ 17,375,164	$ 17,403,985	$ 28,821
Total Revenues	17,375,164	17,375,164	17,403,985	28,821
Expenditures				
Current:				
Classified Salaries	7,343,526	7,343,526	7,006,388	337,138
Employee Benefits	4,294,061	4,294,061	4,162,465	131,596
Books and Supplies	1,824,700	1,824,700	1,394,263	430,437
Services and Other Operating Expenditures	1,922,643	1,922,643	1,842,881	79,762
Capital Outlay	1,570,377	1,570,377	2,990,838	(1,420,461)
Debt Service	419,857	419,857	419,855	2
Total Expenditures	17,375,164	17,375,164	17,816,690	(441,526)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(412,705)	(412,705)
Other Financing Sources and Uses				
Proceeds from Long-term Debt	-	-	1,143,534	1,143,534
Total Other Financing Sources and Uses	-	-	1,143,534	1,143,534
Net Changes in Fund Balances	-	-	730,829	730,829
Fund Balances, July 1, 2019	3,218,177	3,620,537	3,620,537	-
Fund Balances, June 30, 2020	$ 3,218,177	$ 3,620,537	$ 4,351,366	$ 730,829

Last Ten Fiscal Years*

	2019	2018	2017	2016	2015	2014
Total Pension Liability:						
Service cost	$ 1,138,025	$ 1,212,021	$ 1,180,233	$ 993,442	$ 974,592	$ 950,739
Interest on total pension liability	3,326,300	3,113,358	2,986,807	2,852,103	2,738,025	2,589,392
Changes of assumptions	-	(243,228)	2,415,748	-	(656,254)	-
Difference between expected and actual experience	969,143	(71,449)	92,974	(332,431)	156,098	-
Benefit payments, including refunds of employee contributions	(2,361,497)	(2,197,122)	(1,999,481)	(1,913,609)	(1,883,176)	(1,688,751)
Net Change in Total Pension Liability	3,071,971	1,813,580	4,676,281	1,599,505	1,329,285	1,851,380
Total Pension Liability - Beginning	46,164,275	44,350,695	39,674,414	38,074,909	36,745,624	34,894,244
Total Pension Liability - Ending (a)	$ 49,236,246	$ 46,164,275	$ 44,350,695	$ 39,674,414	$ 38,074,909	$ 36,745,624
Plan Fiduciary Net Position						
Contributions - employer	$ 1,194,178	$ 997,038	$ 931,419	$ 708,957	$ 681,886	$ 643,162
Contributions - employee	488,921	489,868	519,001	344,054	367,005	340,106
Net investment income	2,333,381	2,843,605	3,456,849	177,139	707,981	4,820,016
Benefit payments, including refunds of employee contributions	(2,361,497)	(2,197,122)	(1,999,481)	(1,913,609)	(1,883,176)	(1,688,751)
Net plan to plan resource movement	-	(83)	-	-	-	-
Administrative expense	(25,746)	(53,136)	(46,120)	(19,466)	(35,959)	-
Other Miscellaneous Income (Expense)	83	(100,906)	-	-	-	-
Net Change in Fiduciary Net Position	1,629,320	1,979,264	2,861,668	(702,925)	(162,263)	4,114,533
Plan Fiduciary Net Position - Beginning	36,078,371	34,099,107	31,237,439	31,940,364	32,102,627	27,988,094
Plan Fiduciary Net Position - Ending (b)	$ 37,707,691	$ 36,078,371	$ 34,099,107	$ 31,237,439	$ 31,940,364	$ 32,102,627
Agency's Net Pension Liability - (a) - (b)	$ 11,528,555	$ 10,085,904	$ 10,251,588	$ 8,436,975	$ 6,134,545	$ 4,642,997
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.59%	78.15%	76.89%	78.73%	83.89%	87.36%
Covered-Employee Payroll	$ 6,669,938	$ 7,295,176	$ 6,960,150	$ 6,509,676	$ 6,432,953	$ 5,990,791
Agency's Net Pension Liability as a Percentage of Covered-Employee Payroll	172.84%	138.25%	147.29%	129.61%	95.36%	77.50%

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

ANTELOPE VALLEY SCHOOLS TRANSPORTATION AGENCY
Schedule of Agency Pension Contributions
For the Fiscal Year Ended June 30, 2020

Last Ten Fiscal Years*

Employer Fiscal Year End	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 1,194,178	$ 997,038	$ 931,419	$ 708,957	$ 681,886	$ 643,162
Contributions in relation to the contractually required contribution	1,194,178	997,038	931,419	708,957	681,886	643,162
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 6,669,938	$ 7,295,176	$ 6,960,150	$ 6,509,676	$ 6,432,953	$ 5,990,791
Contributions as a percentage of covered-employee payroll	17.904%	13.667%	13.382%	10.891%	10.600%	10.736%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

ANTELOPE VALLEY SCHOOLS TRANSPORTATION AGENCY

Schedule of Changes in the Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2020

Last Ten Fiscal Years*

	2019	2018	2017
Total OPEB liability			
Service cost	$ 179,536	$ 201,834	$ 195,954
Interest	120,251	97,835	94,957
Differences between expected and actual experience	(388,396)	-	-
Changes of assumptions or other inputs	252,351	(116,308)	-
Benefit payments	(143,060)	(190,286)	(207,508)
Net change in total OPEB liability	20,682	(6,925)	83,403
Total OPEB liability - beginning	3,213,215	3,220,140	3,136,737
Total OPEB liability - ending	$ 3,233,897	$ 3,213,215	$ 3,220,140
Covered-employee payroll	$ 7,285,146	$ 6,875,974	$ 6,192,501
Total OPEB liability as a percentage of covered-employee payroll	44.39%	46.73%	52.00%

Notes to Schedule:
During the measurement period ended June 30, 2019, the discount rate was changed from 3.62% to 3.13%.

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

NOTE 1 – PURPOSE OF SCHEDULES

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

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

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

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

> ***Change in benefit terms*** – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
>
> ***Change of assumptions* -** There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

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

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

> ***Change in benefit terms*** – There were no changes in benefit terms since the previous valuation.
>
> ***Change of assumptions*** – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life. The discount rate was changed from 3.62% to 3.13% for the most recent measurement period.

Supplementary Information

The Antelope Valley Schools Transportation Agency (AVSTA) began operating July 1, 1980, as a joint powers agency. The Agency serves two elementary school districts and one high school district by providing student transportation for regular education, special needs education, and field trips to its members. Each member district appoints one representative and an alternate to serve as a member of the Board of Directors for the Agency.

The members of the Board of Directors of the AVSTA holding office during the audit period are as follows:

BOARD OF DIRECTORS

Member	Office	District Representing
Brian Hawkins	President	Antelope Valley Union High School District
Shawn Cabey	Vice-President	Westside Union School District
Diane Grooms	Clerk	Lancaster School District

ADMINISTRATION

Morris Fuselier, III
CEO

ANTELOPE VALLEY SCHOOLS TRANSPORTATION AGENCY

Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2020

General Fund	(Budget) 2020 [2]	2020	2019	2018
Revenues and other financing sources	$ 15,831,749	$ 18,547,519	$ 16,940,681	$ 16,801,943
Expenditures	15,831,749	17,816,690	16,923,653	16,484,369
Change in fund balance (deficit)	-	730,829	17,028	317,574
Ending fund balance	$ 4,351,366	$ 4,351,366	$ 3,620,537	$ 3,603,509
Available reserves [1]	$ 1,147,878	$ 1,088,737	$ 886,236	$ 3,605,022
Available reserves as a percentage of total outgo	7.3%	6.1%	5.2%	21.9%
Total long-term debt	$ 15,765,868	$ 16,144,552	$ 14,160,272	$ 14,708,295

The General Fund balance has increased by $747,857 over the past two years. The fiscal year 2020-21 adopted budget projects no change in fund balance. For a JPA of this size, the State recommends reserves of at least the greater of $69,000 or 5% of expenditures, transfers out, and other financing uses.

The Agency has not incurred an operating deficit in any of the past three years, and does not anticipate incurring an operating deficit during the 2020-21 fiscal year. Long-term debt has increased by $1,436,257 over the past two years.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] Revised Final Budget September, 2020.

ANTELOPE VALLEY SCHOOLS TRANSPORTATION AGENCY

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2020

	General Fund
June 30, 2020, annual financial and budget report (SACS) fund balances	$ 4,079,479
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Cash	(71,097)
Accounts payable	342,984
Net adjustments and reclassifications	271,887
June 30, 2020, audited financial statement fund balances	$ 4,351,366

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Financial Trends and Analysis
This schedule discloses the Agency's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the Agency'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 Unaudited Actuals financial report to the audited financial statements.

Other Independent Auditors' Reports

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

Board of Directors
Antelope Valley Schools Transportation Agency
Lancaster, 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 and major fund of Antelope Valley Schools Transportation Agency as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 20, 2021.

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

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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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nigro & Nigro, PC

Murrieta, California
January 20, 2021

Findings and Recommendations

SECTION I - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.*

There were no financial statement findings in 2019-20.

ANTELOPE VALLEY SCHOOLS TRANSPORTATION AGENCY
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2020

There were no findings or recommendations in 2018-19.