



Financial Statements
June 30, 2021

Hanford Elementary School District

Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Government Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Government Fund Financial Statements	
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Proprietary Fund Financial Statements	
Statement of Net Position – Proprietary Funds	21
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	23
Notes to Financial Statements	24
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	64
Schedule of Changes in the District’s Total OPEB Liability and Related Ratios	65
Schedule of the District’s Proportionate Share of the Net OPEB Liability – MPP Program	66
Schedule of the District’s Proportionate Share of the Net Pension Liability	67
Schedule of the District Contributions	69
Notes to Required Supplementary Information	71
Supplementary Information	
Schedule of Expenditures of Federal Awards	73
Local Education Agency Organization Structure	74
Schedule of Instructional Time	75
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	76
Schedule of Financial Trends and Analysis	77
Combining Balance Sheet – Non-Major Governmental Funds	78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	79
Notes to Supplementary Information	80
Independent Auditor’s Reports	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	82
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance	84

Independent Auditor’s Report on State Compliance86

Schedule of Findings and Questioned Costs

 Summary of Auditor’s Results89

 Financial Statement Findings90

 Federal Awards Findings and Questioned Costs91

 State Compliance Findings and Questioned Costs92

 Summary Schedule of Prior Audit Findings.....93



Independent Auditor's Report

To the Governing Board
Hanford Elementary School District
Hanford, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanford Elementary School District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hanford Elementary School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 15 to the financial statements, Hanford Elementary School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 28, 2022 on our consideration of Hanford Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hanford Elementary School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hanford Elementary School District's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed address and date.

Fresno, California
January 28, 2022

Hanford Elementary School District



714 N. White Street
P.O. Box 1067
Hanford, CA 93232

(559) 585-3600

Superintendent
Joy C. Gabler

Governing Board
Robert "Bobby" Garcia
Jeff Garner
Lupe Hernandez
Timothy L. Revious
Greg Strickland

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

INTRODUCTION

The Hanford Elementary School District's goal is to provide, in an atmosphere of care and concern, an opportunity for every student to recognize and fully develop his/her particular academic, technical, physical and social skills. Hanford Elementary School District students graduate prepared to continue on to high school.

The Management Discussion and Analysis of Hanford Elementary School District's financial statements provide an overall review of the District's financial activities for the fiscal year ended June 30, 2021, with comparative information for the fiscal year ended June 30, 2020. This analysis will look at the District's financial performance as a whole. The management discussion and analysis should be reviewed in conjunction with the auditor's transmittal letter, notes to the basic financial statements and the basic governmental wide financial statements to enhance the understanding of the District's financial performance.

The Hanford Elementary School District is a medium-sized rural school district offering instruction to students from kindergarten through eighth grade. During the 2020-2021 school year, the District operated eight elementary schools, one k-8 magnet school and two junior high schools, and one community day school on the traditional August through June schedule, for the instruction of approximately 5,690 students.

USING THE ANNUAL FINANCIAL REPORT

- This annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.
- The Management Discussion and Analysis Statement is provided to assist our citizens, taxpayers and investors in reviewing the District's finances and to show the District's accountability for the money it receives.

FINANCIAL HIGHLIGHTS

- The Hanford Elementary School District's Government-wide Statement of Net Position illustrates total deficit net position of \$(71) thousand, the result of assets and deferred outflows of \$128.6 million minus liabilities and deferred inflows of \$128.7 million.
- General Revenues accounted for \$68.2 million or 74.6 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$23.2 million or 25.4 percent of total revenues of \$91.4 million.
- The District had \$87.3 million in expenses related to governmental activities.
- The General Fund reported a positive fund balance of \$28.9 million.

STUDENT ENROLLMENT & DEMOGRAPHIC TRENDS

- The School District has an enrollment of approximately 5,690 students for the current 2020-2021 school year, with enrollment projected to decrease to 5,526 for the coming 2021-2022 school year.
- In addition to tracking enrollment, the District also watches actual Average Daily Attendance (ADA). The ADA is typically lower than a District's enrollment, although the two terms are often (though incorrectly) used interchangeably. The anticipated 2021-2022 ADA for the District is 5,336 excluding ADA from County run programs. The ratio of actual attendance to enrollment summarizes the District's changes and efforts to increase attendance. Figure 1 summarizes a historical analysis of the District's enrollment to actual positive attendance ratios. Due to the pandemic, the District will be funded at 2019-2020 ADA level for the 2020-2021 and the 2021-2022 school years.

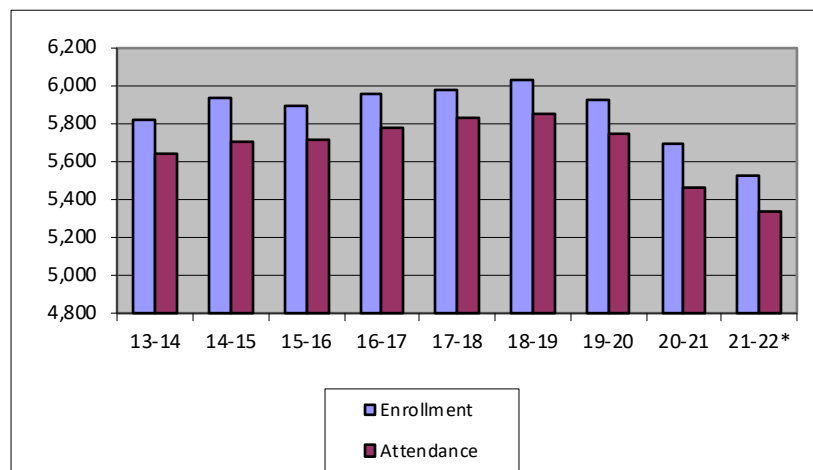


Figure 1. District Enrollment to Actual Attendance Data

School districts have traditionally placed great importance on the accurate projection of student enrollment for the ensuing budget year, due to the broad range of funding and programs impacted by this number. These impacts range from the very basic funding for California school districts which calculates the number of days attended by the enrolled students times a unique "revenue amount", to how much a particular special program will receive, to the amount of one-time monies a district may receive. Increased ADA is intended to generate additional dollars to help offset normal inflationary costs of operating the business of education, and related growth cost for the additional enrollment.

REPORTING THE DISTRICT AS A WHOLE

- THE STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" "The Statement of Net Position and the Statement of Activities" reports information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Hanford Elementary School District's net position and changes in them. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors, such as property tax base, current property tax laws, student enrollment, and facility conditions in arriving at their conclusion regarding the overall health of the District.

- FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various provisions. The District's three types of funds, governmental, proprietary, and fiduciary use different accounting approaches as further described in the notes to the financial statements.

- GOVERNMENTAL FUNDS

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting. Governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's program. The Relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the notes to the financial statements.

Governmental funds include most of the major funds of the District. A more detailed discussion of Governmental funds follows.

- PROPRIETARY FUNDS

Proprietary funds use the same basis of accounting as business-type activities, therefore the statements will essentially match. Our District has only one such Internal Service Fund – the Self-Insurance Employee Benefits – Dental Fund.

- NOTES TO THE FINANCIAL STATEMENTS

The notes provided additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

- THE DISTRICT AS A WHOLE

The "Statement of Net Position" provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for fiscal years 2020-2021 and 2019-2020, respectively.

Table 1. Net Position

	Governmental Activities	
	2021	2020 As Restated
Assets		
Current and other assets	\$ 49,253,399	\$ 36,329,406
Capital assets	58,344,205	51,757,781
Total assets	<u>107,597,604</u>	<u>88,087,187</u>
Deferred outflows of resources	<u>21,006,054</u>	<u>20,682,708</u>
Liabilities		
Current liabilities	6,389,232	5,216,868
Long-term liabilities	<u>120,031,840</u>	<u>103,843,809</u>
Total liabilities	<u>126,421,072</u>	<u>109,060,677</u>
Deferred inflows of resources	<u>2,253,895</u>	<u>4,163,271</u>
Net Position		
Net investment in capital assets	38,361,293	35,115,208
Restricted	9,097,846	7,398,203
Unrestricted (Deficit)	<u>(47,530,448)</u>	<u>(46,750,597)</u>
Total net position (Deficit)	<u>\$ (71,309)</u>	<u>\$ (4,237,186)</u>

Table 2 shows the changes in net position for fiscal years 2020-2021 and 2019-2020, respectively.

Table 2. Changes in Net Position

	Governmental Activities	
	2021	2020*
Revenues		
Program revenues		
Charges for services	\$ 133,610	\$ 159,077
Operating grants and contributions	23,097,498	13,196,103
Capital grants and contributions	7,626	15,663
General revenues		
Federal and State aid not restricted	61,961,064	61,344,072
Property taxes	5,110,020	4,727,064
Other general revenues	1,145,579	1,881,318
Total revenues	<u>91,455,397</u>	<u>81,323,297</u>
Expenses		
Instruction-related	59,101,725	53,062,964
Pupil services	11,400,014	11,630,771
Administration	4,965,152	5,037,436
Plant services	8,355,659	7,745,826
Other	3,505,699	4,719,280
Total expenses	<u>87,328,249</u>	<u>82,196,277</u>
Change in net position	<u>\$ 4,127,148</u>	<u>\$ (872,980)</u>

* The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

GOVERNMENTAL FUNDS

- The District's Governmental Funds include Special Revenue Funds for Deferred Maintenance and Cafeteria, Debt Service Funds for repayments of general obligation bonds, Capital Projects Funds, and most importantly, the General Fund. Figure 2 summarizes District Revenue by source of the District's Governmental Funds. Figure 3 summarize the District's Governmental Expenditures by function.

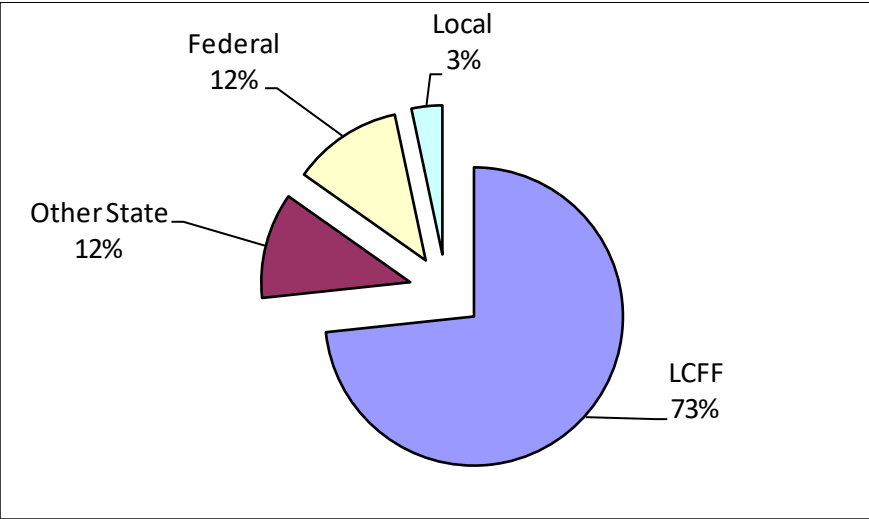


Figure 2. Revenues by Source

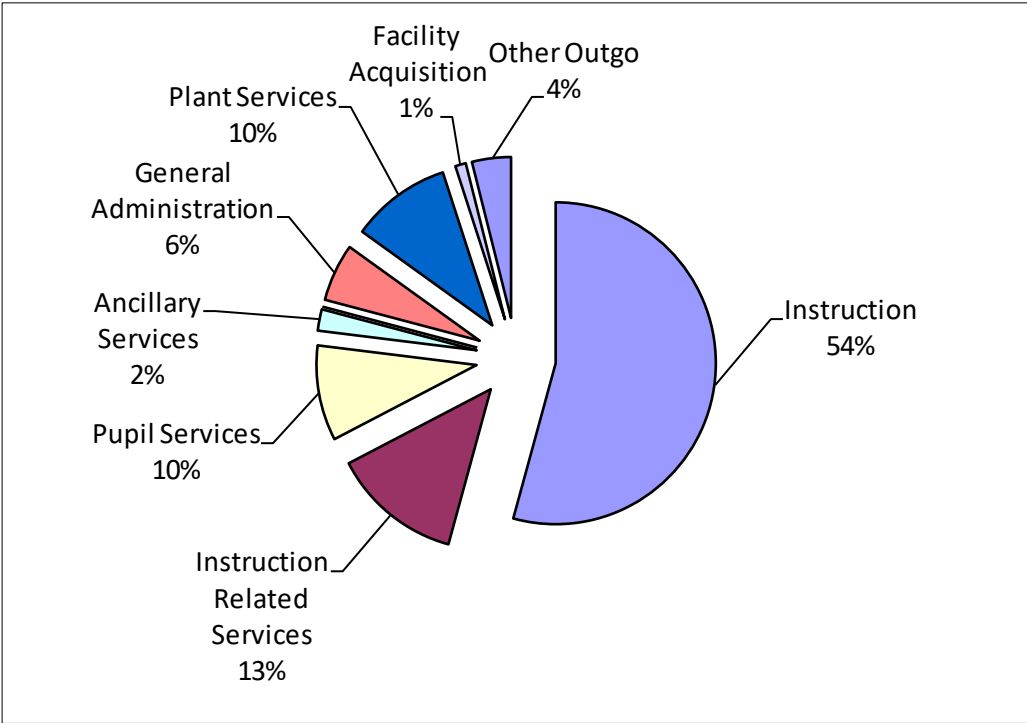


Figure 3. Expenditures by Function

GENERAL FUND BUDGET INFORMATION

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

The District begins the budget process in January of each year, to be completed by June 30. After updating of the forecast for changes in revenue and expenditure assumptions, the operating budget begins at the school level. Each school in the District receives a per pupil allocation augmented with resources for special education students. The schools and departments provide input to the superintendent and to Fiscal Services for their budget needs. The site and department budgets are reviewed monthly to ensure management becomes aware of any significant variations during the year.

- GENERAL FUND BUDGET VARIATIONS

In June of each year, a Budget is adopted by the District's Board of Trustees, effective July 1 through June 30. The Budget is based on year-ending projections from the previous year's budget. As the school year progresses, the Budget is revised and updated, with numerous financial reports made public outlining the revisions. Finally, in August of the following year, the books are closed for the July 1 – June 30 fiscal year, and the results are audited, yielding actual final numbers.

There are several reasons for Budget revisions. Most notable are any salary increases granted by the Board of Trustees for district employees for the original budget does not presume salary increases unless they have already been agreed to in a multi-year contract. Also, any changes in the number of staff and/or staff utilization of health and welfare benefits that vary from the original projections would also yield budget revisions.

The implementation of new instructional or categorical programs can also affect budget projections. For the Hanford Elementary School District, the increased emphasis on closing the achievement gap for all of our students continue to push forward several academic-focused programs that impact expenditures in personnel, instructional materials, outside services and supplies.

The State and Federal budget issues have an impact on the District's General Fund budget. As revenues from these two sources change, so do District revenues, since 96 percent of District revenues come from State and Federal revenue streams.

The final actual numbers of the General Fund that will be certified by February of the next year will be the reflection of the culmination of these several factors.

The net difference in fund balance between the adopted budget and the final budget was an increase of \$10.7 million and may be summarized as follows:

- \$19.1 million increase in total revenue mainly due to increases in state and other local revenue.

- \$8.0 million increase in total expenditures due primarily to projected increased spending for capital outlay.

CAPITAL ASSETS AND DEBT ADMINISTRATION

- CAPITAL ASSETS

At June 30, 2020, the District had \$51.8 million in a broad range of capital assets, including land, buildings, and furniture and equipment, net of accumulated depreciation. At June 30, 2021, the District's net capital assets were \$58.3 million. This amount represents a net increase (including additions and deductions) of \$6.6 million, or 12.7 percent, from last year. Table 3 presents capital asset balances for each year and the net change. The year's major additions included \$1.3 million for construction in progress and \$5.3 million for completed projects and purchases during the year.

Table 3. Changes in Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 9,878,875	\$ 8,595,733
Buildings and improvements	43,706,825	40,271,699
Equipment	4,758,505	2,890,349
Total	\$ 58,344,205	\$ 51,757,781

- LONG-TERM LIABILITIES

At the end of this year, the District had \$120.0 million in long-term liabilities outstanding versus \$103.6 million last year, an increase of \$16.4 million. Table 4 summarizes these obligations.

Table 4. Outstanding Obligations

	Governmental Activities	
	2021	2020
Long-Term Liabilities		
General obligation bonds	\$ 24,220,000	\$ 17,765,000
Unamortized premiums	1,667,130	1,072,381
Compensated absences	472,747	460,694
Claims liability	66,980	73,128
Net OPEB liability	14,484,325	12,954,777
Aggregate net pension liability	78,502,370	71,300,961
Total	\$ 120,031,840	\$ 103,626,941

The District's general obligation bond insured S&P bond rating at the time of their last issuance was "AA".

At year-end, the District had a net pension liability of \$78.5 million versus \$71.3 million last year, an increase of \$7.2 million, or 10.1 percent. The District also reported deferred outflows of resources from pension activities of \$18.8 million, and deferred inflows of resources from pension activities of \$1.9 million.

We present more detailed information regarding our long-term liabilities in the Notes to Financial Statements.

FOR THE FUTURE

The District's system of budgeting and internal controls is well regarded and it will take all of the District's financial abilities to meet the challenges of the future.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Hanford Elementary School District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact David Endo, Chief Business Officer, Hanford Elementary School District, P. O. Box 1067, Hanford, CA 93232.

Hanford Elementary School District
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Deposits and investments	\$ 39,742,749
Receivables	9,169,745
Prepaid expense	70,040
Stores inventories	270,865
Capital assets not depreciated	9,878,875
Capital assets, net of accumulated depreciation	48,465,330
Total assets	107,597,604
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	2,218,625
Deferred outflows of resources related to pensions	18,787,429
Total deferred outflows of resources	21,006,054
Liabilities	
Accounts payable	4,864,276
Unearned revenue	1,524,956
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	1,055,000
Long-term liabilities other than OPEB and pensions due in more than one year	25,990,145
Net other postemployment benefits liability (OPEB)	14,484,325
Aggregate net pension liabilities	78,502,370
Total liabilities	126,421,072
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	303,913
Deferred inflows of resources related to pensions	1,949,982
Total deferred inflows of resources	2,253,895
Net Position	
Net investment in capital assets	38,361,293
Restricted for	
Debt service	2,158,465
Capital projects	716,734
Educational programs	4,745,858
Food service	1,447,407
Student activities	29,382
Unrestricted (deficit)	(47,530,448)
Total net position (deficit)	\$ (71,309)

Hanford Elementary School District
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 47,861,494	\$ -	\$ 11,996,581	\$ 7,626	\$ (35,857,287)
Instruction-related activities					
Supervision of instruction	2,572,503	-	1,580,218	-	(992,285)
Instructional library, media, and technology	2,327,964	2,851	969,493	-	(1,355,620)
School site administration	6,339,764	-	678,061	-	(5,661,703)
Pupil services					
Home-to-school transportation	1,645,316	-	255,972	-	(1,389,344)
Food services	3,166,846	40,392	2,971,425	-	(155,029)
All other pupil services	6,587,852	-	1,630,696	-	(4,957,156)
Administration					
Data processing	1,291,574	-	167,558	-	(1,124,016)
All other administration	3,673,578	1,796	465,738	-	(3,206,044)
Plant services	8,355,659	5,546	768,506	-	(7,581,607)
Ancillary services	1,837,951	135	1,174,941	-	(662,875)
Interest on long-term liabilities	1,023,746	-	-	-	(1,023,746)
Other outgo	644,002	82,890	438,309	-	(122,803)
Total governmental activities	\$ 87,328,249	\$ 133,610	\$ 23,097,498	\$ 7,626	(64,089,515)
General Revenues and Subventions					
Property taxes, levied for general purposes					3,291,790
Property taxes, levied for debt service					1,779,728
Taxes levied for other specific purposes					38,502
Federal and State aid not restricted to specific purposes					61,961,064
Interest and investment earnings					268,186
Special and extraordinary					222,126
Miscellaneous					655,267
Subtotal, general revenues					68,216,663
Change in Net Position					4,127,148
Net Position - Beginning, as Restated (Deficit)					(4,198,457)
Net Position - Ending (Deficit)					\$ (71,309)

Hanford Elementary School District

Balance Sheet – Governmental Funds

June 30, 2021

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 26,024,823	\$ 6,522,506	\$ 6,517,848	\$ 39,065,177
Receivables	8,999,192	-	169,163	9,168,355
Prepaid expenditures	70,040	-	-	70,040
Stores inventories	143,582	-	127,283	270,865
Total assets	\$ 35,237,637	\$ 6,522,506	\$ 6,814,294	\$ 48,574,437
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 4,794,983	\$ -	\$ 60,963	\$ 4,855,946
Unearned revenue	1,524,956	-	-	1,524,956
Total liabilities	6,319,939	-	60,963	6,380,902
Fund Balances				
Nonspendable	218,722	-	127,693	346,415
Restricted	4,745,856	6,522,506	4,381,372	15,649,734
Committed	-	-	101,995	101,995
Assigned	7,541,191	-	2,142,271	9,683,462
Unassigned	16,411,929	-	-	16,411,929
Total fund balances	28,917,698	6,522,506	6,753,331	42,193,535
Total liabilities and fund balances	\$ 35,237,637	\$ 6,522,506	\$ 6,814,294	\$ 48,574,437

Hanford Elementary School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2021

Total Fund Balance - Governmental Funds		\$ 42,193,535
<p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
The cost of capital assets is	\$ 91,007,517	
Accumulated depreciation is	<u>(32,663,312)</u>	
Net capital assets		58,344,205
<p>An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.</p>		
		603,652
<p>Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to</p>		
Other postemployment benefits (OPEB)	2,218,625	
Net pension liability	<u>18,787,429</u>	
Total deferred outflows of resources		21,006,054
<p>Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to</p>		
Other postemployment benefits (OPEB)	(303,913)	
Net pension liability	<u>(1,949,982)</u>	
Total deferred inflows of resources		(2,253,895)
<p>Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(78,502,370)
<p>The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(14,484,325)
<p>Long-term liabilities, excluding claims liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.</p>		
<p>Long-term liabilities at year-end consist of</p>		
General obligation bonds including unamortized premiums	(25,887,130)	
Capital leases	(618,288)	
Compensated absences (vacations)	<u>(472,747)</u>	
Total long-term liabilities		<u>(26,978,165)</u>
Total net position - governmental activities		<u>\$ (71,309)</u>

Hanford Elementary School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	\$ 61,825,548	\$ -	\$ 300,000	\$ 62,125,548
Federal sources	9,809,937	-	2,716,701	12,526,638
Other State sources	11,314,074	-	239,340	11,553,414
Other local sources	3,110,414	55,156	1,971,672	5,137,242
Total revenues	<u>86,059,973</u>	<u>55,156</u>	<u>5,227,713</u>	<u>91,342,842</u>
Expenditures				
Current				
Instruction	42,288,788	-	-	42,288,788
Instruction-related activities				
Supervision of instruction	2,251,233	-	-	2,251,233
Instructional library, media, and technology	2,364,041	-	-	2,364,041
School site administration	5,601,418	-	-	5,601,418
Pupil services				
Home-to-school transportation	3,410,937	-	-	3,410,937
Food services	120,446	-	2,829,560	2,950,006
All other pupil services	5,855,896	-	-	5,855,896
Administration				
Data processing	1,398,384	-	-	1,398,384
All other administration	3,118,703	-	106,500	3,225,203
Plant services	7,869,362	-	134,177	8,003,539
Ancillary services	1,674,831	-	9,662	1,684,493
Other outgo	1,354,737	-	-	1,354,737
Facility acquisition and construction	835,023	708,400	4,428,444	5,971,867
Debt service				
Principal	-	-	1,145,000	1,145,000
Interest and other	-	222,127	801,619	1,023,746
Total expenditures	<u>78,143,799</u>	<u>930,527</u>	<u>9,454,962</u>	<u>88,529,288</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,916,174</u>	<u>(875,371)</u>	<u>(4,227,249)</u>	<u>2,813,554</u>
Other Financing Sources (Uses)				
Transfers in	-	-	3,671,558	3,671,558
Sources from capital leases	618,288	-	-	618,288
Sources from proceeds of bond sale	-	7,600,000	-	7,600,000
Sources from premium on bond sale	-	222,127	450,484	672,611
Transfers out	(1,000,000)	(2,619,058)	(52,500)	(3,671,558)
Net Financing Sources (Uses)	<u>(381,712)</u>	<u>5,203,069</u>	<u>4,069,542</u>	<u>8,890,899</u>
Net Change in Fund Balances	7,534,462	4,327,698	(157,707)	11,704,453
Fund Balance - Beginning, as Restated	21,383,236	2,194,808	6,911,038	30,489,082
Fund Balance - Ending	<u>\$ 28,917,698</u>	<u>\$ 6,522,506</u>	<u>\$ 6,753,331</u>	<u>\$ 42,193,535</u>

Hanford Elementary School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities
 Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 11,704,453

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

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

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

Depreciation expense	\$ (2,093,584)
Capital outlays	<u>8,680,612</u>

Net expense adjustment	6,587,028
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Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (604)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position. (618,288)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used. (12,053)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (5,654,969)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year. (843,266)

Hanford Elementary School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2021

Proceeds received from general obligation bonds or certificates of participation are a revenue in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.	(7,600,000)
Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium on issuance recognized	(672,611)
Premium amortization	77,862
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	1,145,000
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	14,596
Change in net position of governmental activities	<u>\$ 4,127,148</u>

Hanford Elementary School District
Statement of Net Position – Proprietary Funds
June 30, 2021

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Current assets	
Deposits and investments	\$ 677,572
Receivables	<u>1,390</u>
Total current assets	<u>678,962</u>
Liabilities	
Current liabilities	
Accounts payable	<u>8,330</u>
Noncurrent liabilities	
Claims liabilities	<u>66,980</u>
Total liabilities	<u>75,310</u>
Net Position	
Restricted for claims	<u><u>\$ 603,652</u></u>

Hanford Elementary School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2021

	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues	
Charges for services	<u>\$ 710,531</u>
Operating Expenses	
Professional and contract services	<u>701,902</u>
Operating Income	<u>8,629</u>
Nonoperating Revenues	
Fair market value adjustments	683
Interest income	<u>5,284</u>
Total nonoperating revenues	<u>5,967</u>
Change in Net Position	14,596
Total Net Position - Beginning	<u>589,056</u>
Total Net Position - Ending	<u><u>\$ 603,652</u></u>

Hanford Elementary School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021

	<u>Governmental Activities - Internal Service Fund</u>
Operating Activities	
Cash receipts from operating funds	\$ 710,094
Cash payments for claims and services	<u>(699,720)</u>
Net Cash From Operating Activities	<u>10,374</u>
Investing Activities	
Interest on investments	<u>5,284</u>
Net Change in Cash and Cash Equivalents	15,658
Cash and Cash Equivalents, Beginning	<u>661,914</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 677,572</u></u>
Reconciliation of Operating Income to Net Cash From Operating Activities	
Operating income	\$ 8,629
Changes in assets and liabilities	
Fair Value Adjustment to Cash in County Treasury	683
Receivables	(1,120)
Claims liability	<u>2,182</u>
Net Cash From Operating Activities	<u><u>\$ 10,374</u></u>

Note 1 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The Hanford Elementary School District (the District) was organized under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates eight elementary schools, one K-8 magnet school, two junior high schools, and one community day school.

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 15, Pupil Transportation Equipment Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as an extension of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$7.2 million.

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

Non-Major Governmental Funds

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

- **Student Activities Fund** The Student Activities Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Charter School Fund** The Charter School Fund may be used by authorizing districts to account separately for the operating activities of district-operated charter school that would otherwise be reported in the authorizing District's General Fund.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).
- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term liabilities.

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

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following internal service fund:

- **Internal Service Fund** Internal service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a Self-Insurance Fund for dental coverage that is accounted for in an internal service fund.

Basis of Accounting - Measurement Focus

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

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Proprietary Funds** Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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

Cash and Cash Equivalents

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

Investments

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

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds.

Capital Assets and Depreciation

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

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

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position as long-term liabilities.

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

Accounts Payable and Long-Term Liabilities

Accounts payable and long-term liabilities are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full, from current financial resources are reported as liabilities of the funds.

Premiums

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

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. Premiums received on debt issuance are also reported as other financing sources.

Deferred Outflows/Inflows of Resources

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

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

The deferred amounts related to pension and OPEB relate to differences between expected and actual experience, changes of assumptions, and other pension and OPEB related changes.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, where applicable, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium payment (MPP) Program and additions to/deductions from the MPP's fiduciary net position have been determined on the same basis as they are reported by the MPP. For this purpose, the District Plan and MPP recognizes benefit payments when due and payable in accordance with the benefit terms. The MPP fiduciary net position reports investments 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. The total District Plan and MPP OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2021, fund balances of the governmental funds are classified as follows:

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

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

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

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Superintendent or Assistant Superintendent, Fiscal Services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$9,097,846 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are dental premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles**Implementation of GASB Statement No. 84**

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activities from fiduciary to governmental. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 15.

New Accounting Pronouncements

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

The requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 39,065,177
Proprietary funds	<u>677,572</u>
Total deposits and investments	<u><u>\$ 39,742,749</u></u>

Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	\$ 41,882
Cash in revolving	5,510
Investments	<u>39,695,357</u>
Total deposits and investments	<u><u>\$ 39,742,749</u></u>

Policies and Practices

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

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

General Authorizations

Limitations as they relate to interest rate risk are indicated in the schedules below:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$39,695,357 in the Kings County Treasury Investment Pool that has an average weighted maturity of 612 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment with the Kings County Investment Pool is currently not rated, nor is it required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, none of the District’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 agent.

Note 3 - Receivables

Receivables at June 30, 2021, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Governmental Funds Total	Proprietary Funds	Governmental Activities Total
Federal Government Categorical aid	\$ 929,721	\$ 94,913	\$ 1,024,634	\$ -	\$ 1,024,634
State Government Grants and entitlements	5,934,268	-	5,934,268	-	5,934,268
Other State	2,056,882	7,940	2,064,822	-	2,064,822
Local sources	78,321	66,310	144,631	1,390	146,021
Total	\$ 8,999,192	\$ 169,163	\$ 9,168,355	\$ 1,390	\$ 9,169,745

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, are as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 3,016,579	\$ -	\$ -	\$ 3,016,579
Construction in progress	5,579,154	1,999,361	(716,219)	6,862,296
Total capital assets not being depreciated	8,595,733	1,999,361	(716,219)	9,878,875
Capital assets being depreciated				
Land improvements	7,994,228	700,373	-	8,694,601
Buildings and improvements	58,829,602	4,237,975	-	63,067,577
Furniture and equipment	7,674,497	2,459,122	(767,155)	9,366,464
Total capital assets being depreciated	74,498,327	7,397,470	(767,155)	81,128,642
Total capital assets	83,094,060	9,396,831	(1,483,374)	91,007,517
Accumulated depreciation				
Land improvements	(5,421,450)	(189,122)	-	(5,610,572)
Buildings and improvements	(21,130,681)	(1,314,100)	-	(22,444,781)
Furniture and equipment	(4,784,148)	(590,362)	766,551	(4,607,959)
Total accumulated depreciation	(31,336,279)	(2,093,584)	766,551	(32,663,312)
Governmental activities capital assets, net	\$ 51,757,781	\$ 7,303,247	\$ (716,823)	\$ 58,344,205

Depreciation expense was charged to the following functions as follows:

Governmental Activities	
Instruction	\$ 985,230
Supervision of instruction	73,306
School site administration	154,145
Home-to-school transportation	96,017
Food services	151,063
All other pupil services	60,472
Ancillary services	30,118
All other administration	203,167
Plant services	340,066
	<hr/>
Total depreciation expenses governmental activities	<u>\$ 2,093,584</u>

Note 5 - Interfund Transactions

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2021, consist of the following:

The Building Fund transferred to the County School Facilities Non-Major Governmental Fund for a potential state funded project.	\$ 2,619,058
The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for potential future projects.	1,000,000
The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred to the County School Facilities Fund for a potential state funded project.	<hr/> 52,500
Total	<u>\$ 3,671,558</u>

Note 6 - Accounts Payable

Accounts payable at June 30, 2021, consist of the following:

	General Fund	Non-Major Governmental Funds	Governmental Funds Total	Proprietary Funds	Governmental Activities Total
Vendor payables	\$ 2,682,814	\$ 60,963	\$ 2,743,777	\$ 8,330	\$ 2,752,107
Salaries and benefits	12,893	-	12,893	-	12,893
Deferred payroll	2,099,276	-	2,099,276	-	2,099,276
Total	\$ 4,794,983	\$ 60,963	\$ 4,855,946	\$ 8,330	\$ 4,864,276

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2021, consists of the following:

	General Fund
Federal financial assistance	\$ 576,731
State categorical aid	948,225
Total	\$ 1,524,956

Note 8 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 17,765,000	\$ 7,600,000	\$ (1,145,000)	\$ 24,220,000	\$ 1,055,000
Unamortized debt					
premiums	1,072,381	672,611	(77,862)	1,667,130	-
Capital leases	-	618,288	-	618,288	-
Compensated absences	460,694	12,053	-	472,747	-
Claims liability (Note 11)	73,128	(6,148)	-	66,980	-
Total	\$ 19,371,203	\$ 8,896,804	\$ (1,222,862)	\$ 27,045,145	\$ 1,055,000

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The premium will be amortized over the life of the related debt. The capital leases will be paid by the General Fund. The compensated absences will be paid by the fund for which the employee worked. The claims liability will be paid by Self Insurance Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Fiscal Year Issued	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Issued	Redeemed	Bonds Outstanding June 30, 2021
2010	9/2024	2.0-5.0%	\$ 5,740,000	\$ 2,080,000	\$ -	\$ (485,000)	\$ 1,595,000
2017	8/2047	2.0-5.0%	8,800,000	8,085,000	-	-	8,085,000
2019	8/2049	1.875-5.250%	7,600,000	7,600,000	-	(660,000)	6,940,000
2020	8/2045	2.375-4.00%	7,600,000	-	7,600,000	-	7,600,000
Total				\$ 17,765,000	\$ 7,600,000	\$ (1,145,000)	\$ 24,220,000

Debt Service Requirements to Maturity

2010 General Obligation Bonds

On December 9, 2010, the District issued general obligation refunding bonds in the amount of \$5,740,000 for the purpose of refunding the outstanding 1998 General Obligation Bonds of the District originally issued to fund improvements to real property for school purposes. The bond interest rates range from 2.0 percent to 5.0 percent. Interest on the Bonds is payable semiannually each March 1 and September 1, commencing on March 1, 2011.

The bonds were sold at a premium of \$210,148 which is being amortized over the life of the bonds at \$15,011 per year. The unamortized premium as of June 30, 2021, amounted to \$45,030.

2016A General Obligation Bonds

On May 24, 2017, the District issued \$8,800,000 Election of 2016, Series A General Obligation Bonds. The bonds were authorized at an election of the registered voters of the District held on November 8, 2016, which authorized the issuance of \$24,000,000 principal amount of general obligation bonds to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the bonds. The bonds were issued as current interest bonds. Interest on the bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2018.

The bonds were sold at a premium of \$452,164 which is being amortized over the life of the bonds at \$15,072 per year. The unamortized premium as of June 30, 2021, amounted to \$391,876.

2016B General Obligation Bonds

On March 27, 2019, the District issued \$7,600,000 Election of 2016, Series B General Obligation Bonds. The bonds were authorized at an election of the registered voters of the District held on November 8, 2016, which authorized the issuance of \$24,000,000 principal amount of general obligation bonds to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the bonds. The bonds were issued as current interest bonds. Interest on the bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2018.

The bonds were sold at a premium of \$626,269 which is being amortized over the life of the bonds at \$20,876 per year. The unamortized premium as of June 30, 2021, amounted to \$584,517.

2016C General Obligation Bonds

On September 9, 2020, the District issued \$7,600,000 Election of 2016, Series C General Obligation Bonds. The bonds were authorized at an election of the registered voters of the District held on November 8, 2016, which authorized the issuance of \$24,000,000 principal amount of general obligation bonds to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the bonds. The bonds were issued as current interest bonds. Interest on the bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2018.

The bonds were sold at a premium of \$672,611 which is being amortized over the life of the bonds at \$28,025 per year. The unamortized premium as of June 30, 2021, amounted to \$645,707.

The bonds have debt service payments as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2022	\$ 1,055,000	\$ 942,156	\$ 1,997,156
2023	865,000	904,400	1,769,400
2024	680,000	868,050	1,548,050
2025	160,000	848,475	1,008,475
2026	200,000	841,275	1,041,275
2027-2031	1,710,000	4,018,796	5,728,796
2032-2036	3,175,000	3,534,241	6,709,241
2037-2041	5,055,000	2,798,091	7,853,091
2042-2046	7,445,000	1,744,581	9,189,581
2047-2049	3,875,000	315,481	4,190,481
Total	\$ 24,220,000	\$ 16,815,546	\$ 41,035,546

Capital Leases

During the year, the District entered into a capital lease arrangement with the California Energy Commission for an energy efficiency project not to exceed \$2,473,151. As of June 30, 2021, the District has submitted invoices for reimbursement of \$618,288.

Principal payments are due and payable in semiannual installments beginning on or before December 22 of the fiscal year following the year in which the project is completed and continuing thereafter on each June 22 and December 22 until said principal shall be paid in full. As of June 30, 2021, the project was in progress and the estimated date of completion is July 30, 2022. As such, the below payment schedule is estimated until the completion of the project:

	Energy Efficiency
Balance, July 1, 2020	\$ -
Additions	618,288
Balance, July 1, 2021	<u>\$ 618,288</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$472,747.

Note 9 - Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2021, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 14,075,028	\$ 2,218,625	\$ 303,913	\$ 1,320,450
Medicare Premium Payment (MPP) Program	409,297	-	-	57,244
Total	<u>\$ 14,484,325</u>	<u>\$ 2,218,625</u>	<u>\$ 303,913</u>	<u>\$ 1,377,694</u>

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

At June 30, 2020, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	38
Active employees	<u>452</u>
Total	<u><u>490</u></u>

Benefits Provided

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

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Hanford Elementary Teachers Association (HETA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, HETA, CSEA, and the unrepresented groups. For measurement period of June 30, 2020, the District paid \$528,390 to the plan which includes \$24,200 related to the implicit rate subsidy..

Total OPEB Liability of the District

The District’s total OPEB liability of \$14,075,028 was measured as of June 30, 2020.

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 actuarial measurement was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	2.45 percent
Healthcare cost trend rates	5.90 percent for 2020, declining to 5.00 in 2029 and later years

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

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 and Females, as appropriate, without projection.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2019.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2019	\$ 12,602,724
Service cost	711,522
Interest	408,564
Changes of assumptions or other inputs	878,429
Benefit payments	(526,211)
Net change in total OPEB liability	1,472,304
Balance, June 30, 2020	\$ 14,075,028

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The discount rate changed from 3.13 percent to 2.45 percent since the previous valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (1.45%)	\$ 15,480,648
Current discount rate (2.45%)	14,075,028
1% increase (3.45%)	12,804,367

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

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

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (4.90/4.00%)	\$ 12,334,320
Current healthcare cost trend rate (5.90/5.00%)	14,075,028
1% increase (6.90/6.00%)	16,143,937

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

At June 30, 2021, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 528,390	\$ -
Differences between expected and actual experience	90,695	-
Changes of assumptions	<u>1,599,540</u>	<u>303,913</u>
Total	<u>\$ 2,218,625</u>	<u>\$ 303,913</u>

The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to changes of assumptions and the difference between expected and actual experience 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 and will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2022	\$ 265,027
2023	265,027
2024	265,027
2025	265,027
2026	265,027
Thereafter	<u>365,100</u>
Total	<u>\$ 1,690,235</u>
<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2022	\$ (64,663)
2023	(64,663)
2024	(64,663)
2025	(64,663)
2026	(45,261)
Thereafter	<u>607,826</u>
Total	<u>\$ 303,913</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2021, the District reported a liability of \$409,297 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.0966 percent and 0.0945 percent, resulting in a net increase in the proportionate share of 0.0021 percent.

For the year ended June 30, 2021, the District recognized OPEB expense of \$57,244.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Experience Study	June 30, 2014 through June 30, 2018	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.21%	3.50%
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

For the valuation as of June 30, 2019, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18 percent of the potentially eligible population (159,339).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2020, is 2.21 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29 percent from 3.50 percent as of June 30, 2019.

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

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (1.21%)	\$ 452,591
Current discount rate (2.21%)	409,297
1% increase (3.21%)	372,456

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District’s proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 371,123
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	409,297
1% increase (5.50% Part A and 6.40% Part B)	453,241

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 5,100	\$ -	\$ 410	\$ 5,510
Stores inventories	143,582	-	127,283	270,865
Prepaid expenditures	70,040	-	-	70,040
Total nonspendable	<u>218,722</u>	<u>-</u>	<u>127,693</u>	<u>346,415</u>
Restricted				
Legally restricted programs	4,745,856	-	1,506,173	6,252,029
Capital projects	-	6,522,506	716,734	7,239,240
Debt services	-	-	2,158,465	2,158,465
Total restricted	<u>4,745,856</u>	<u>6,522,506</u>	<u>4,381,372</u>	<u>15,649,734</u>
Committed				
Deferred maintenance program	-	-	101,995	101,995
Assigned				
Other postemployment benefits	7,541,191	-	-	7,541,191
Future capital outlay projects	-	-	2,142,271	2,142,271
Total assigned	<u>7,541,191</u>	<u>-</u>	<u>2,142,271</u>	<u>9,683,462</u>
Unassigned				
Reserve for economic uncertainties	7,796,000	-	-	7,796,000
Remaining unassigned	8,615,929	-	-	8,615,929
Total unassigned	<u>16,411,929</u>	<u>-</u>	<u>-</u>	<u>16,411,929</u>
Total	<u>\$ 28,917,698</u>	<u>\$ 6,522,506</u>	<u>\$ 6,753,331</u>	<u>\$ 42,193,535</u>

Note 11 - Risk Management**Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, the District contracted with Northern California Regional Excess Liability Fund 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 2021, the District participated in the Kings County Self-Insured Schools (KCSIC), an insurance purchasing pool. The intent of KCSIC is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in KCSIC. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in KCSIC. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of KCSIC. Participation in KCSIC is limited to districts that can meet KCSIC's selection criteria.

Employee Medical and Vision Benefits

The District has contracted with the Self-Insured Schools of California (SISC III) to provide employee medical benefits. SISC III is a shared risk pool comprised of agencies in California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool. The District has a contract with Keenan-Medical Eye Services for employee vision benefits. The plan is fully insured.

Employee Dental Benefits Claims Liabilities

The District records an estimated liability for dental claims paid out of the Internal Service Fund of the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience. The following represent the changes in approximate aggregate liabilities for the District from June 30, 2019 to June 30, 2021 (in thousands):

	<u>Dental Care</u>
Liability Balance, July 1, 2019	\$ 69,989
Claims and changes in estimates	<u>3,139</u>
Liability Balance, June 30, 2020	73,128
Claims and changes in estimates	<u>(6,148)</u>
Liability Balance, June 30, 2021	<u>\$ 66,980</u>
Assets available to pay claims at June 30, 2021	<u>\$ 678,962</u>

Note 12 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 53,714,913	\$ 14,539,664	\$ 1,698,466	\$ 7,879,729
CalPERS	<u>24,787,457</u>	<u>4,247,765</u>	<u>251,516</u>	<u>4,952,665</u>
Total	<u>\$ 78,502,370</u>	<u>\$ 18,787,429</u>	<u>\$ 1,949,982</u>	<u>\$ 12,832,394</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	16.15%	16.15%
Required employer contribution rate	10.328%	10.328%
Required state contribution rate		

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District’s total contributions were \$4,874,047.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 53,714,913
State’s proportionate share of the net pension liability	<u>27,690,044</u>
Total	<u><u>\$ 81,404,957</u></u>

The net pension liability was measured as of June 30, 2020. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District’s proportionate share for the measurement periods June 30, 2020 and June 30, 2019, respectively was 0.0554 percent and 0.0534 percent, resulting in a net increase in the proportionate share of 0.0020 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$7,879,729. In addition, the District recognized pension expense and revenue of \$3,879,103 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,874,047	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,056,913	183,612
Differences between projected and actual earnings on pension plan investments	1,275,957	-
Differences between expected and actual experience in the measurement of the total pension liability	94,782	1,514,854
Changes of assumptions	5,237,965	-
Total	\$ 14,539,664	\$ 1,698,466

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2022	\$ (778,581)
2023	434,742
2024	867,359
2025	752,437
Total	\$ 1,275,957

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 2,039,634
2023	1,857,300
2024	1,940,891
2025	387,474
2026	264,647
2027	201,248
Total	<u>\$ 6,691,194</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting

Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	(0.4%)

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 81,155,751
Current discount rate (7.10%)	53,714,913
1% increase (8.10%)	31,058,637

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total District contributions were \$2,303,378.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$24,787,457. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.0808 percent and 0.0790 percent, resulting in a net increase in the proportionate share of 0.0018 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$4,952,665. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,303,378	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	108,111	251,516
Differences between projected and actual earnings on pension plan investments	515,996	-
Differences between expected and actual experience in the measurement of the total pension liability	1,229,383	-
Changes of assumptions	90,897	-
	<u>\$ 4,247,765</u>	<u>\$ 251,516</u>
Total	<u>\$ 4,247,765</u>	<u>\$ 251,516</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2022	\$ (193,096)
2023	172,235
2024	299,372
2025	<u>237,485</u>
Total	<u>\$ 515,996</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ 772,291
2023	348,419
2024	54,032
2025	<u>2,133</u>
Total	<u>\$ 1,176,875</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 35,636,489
Current discount rate (7.15%)	24,787,457
1% increase (8.15%)	15,783,304

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings Social Security.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,133,675 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Note 13 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

Litigation

The District is not currently a party to any legal proceedings.

Construction Commitments

As of June 30, 2021, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Richmond modernization	\$ 2,565,243	11/01/21
Roosevelt modernization	1,486,820	08/01/22
Wilson re-roof	59,193	08/01/21
Bus barn solar project	31,443	10/01/21
MLK shade structure	120,769	08/01/22
King solar parking canopy	817,539	12/01/21
Monroe shade structure	127,100	08/01/22
Monroe solar parking canopy	484,674	12/01/21
Simas solar parking canopy	552,647	12/01/21
Wilson HVAC gym	453,112	07/01/22
	<u> </u>	
Total	<u>\$ 6,698,540</u>	

Note 14 - Participation in Joint Powers Authorities

The District is a member of the Northern California Regional Excess Liability Fund (NorCal ReLiEF), the Self-Insured Schools of California (SISC III), the Kings County Self-Insured Schools (KCSIS), and the Kings Schools Transportation Authority (KSTA) joint powers authorities (JPAs). The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

The District has an appointed representative to the governing board of NorCal ReLiEF.

During the year ended June 30, 2021, the District made payment of \$457,961 to NorCal ReLiEF for property and liability insurance.

The District has appointed no members to the governing board of SISC III.

During the year ended June 30, 2021, the District made payment of \$7,097,168 to SISC III for health insurance.

The District has an appointed representative to the governing board of KCSIS.

During the year ended June 30, 2021, the District made payment of \$832,124 to KCSIS for workers' compensation insurance.

The District has an appointed representative to the governing board of KSTA.

During the year ended June 30, 2021, the District made payment of \$601,817 to KSTA for student transportation services.

Note 15 - Restatement of Prior Year Net Position and Fund Balance

As of July 1, 2020, the Hanford Elementary School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. The following table describes the effects of the implementation on beginning fund balance/net position.

	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Beginning Fund Balance previously reported at June 30, 2020	\$ 6,872,309	\$ 30,450,353
Reclassification of student activity funds from agency funds to a special revenue fund	38,729	38,729
Fund Balance - Beginning as Restated July 1, 2020	\$ 6,911,038	\$ 30,489,082
 Governmental Activities Financial Statements		
Beginning Governmental Activities Net Position previously reported at June 30, 2020		\$ (4,237,186)
Reclassification of student activity funds from agency funds to a special revenue fund		38,729
Net Position - Beginning as Restated July 1, 2020		\$ (4,198,457)



Required Supplementary Information
June 30, 2021

Hanford Elementary School District

Hanford Elementary School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 62,313,570	\$ 61,825,548	\$ 61,825,548	\$ -
Federal sources	3,503,401	9,809,937	9,809,937	-
Other State sources	7,314,260	11,314,074	11,314,074	-
Other local sources	3,150,075	3,110,414	3,110,414	-
Total revenues ¹	<u>76,281,306</u>	<u>86,059,973</u>	<u>86,059,973</u>	<u>-</u>
Expenditures				
Current				
Certificated salaries	30,354,503	30,617,390	30,617,390	-
Classified salaries	11,964,713	11,570,663	11,570,663	-
Employee benefits	20,283,661	19,513,871	19,513,871	-
Books and supplies	2,740,490	5,527,555	5,527,555	-
Services and operating expenditures	5,064,445	6,080,815	6,080,815	-
Other outgo	1,360,349	3,217,543	3,217,543	-
Capital outlay	1,851,940	1,615,962	1,615,962	-
Total expenditures ¹	<u>73,620,101</u>	<u>78,143,799</u>	<u>78,143,799</u>	<u>-</u>
Excess of Revenues Over Expenditures				
	<u>2,661,205</u>	<u>7,916,174</u>	<u>7,916,174</u>	<u>-</u>
Other Financing Sources/(Uses)				
Proceeds from capital leases	-	618,288	618,288	-
Transfers out	(1,343,450)	(1,000,000)	(1,000,000)	-
Net financing sources/(uses)	<u>(1,343,450)</u>	<u>(381,712)</u>	<u>(381,712)</u>	<u>-</u>
Net Change in Fund Balances	1,317,755	7,534,462	7,534,462	-
Fund Balance - Beginning	21,383,236	21,383,236	21,383,236	-
Fund Balance - Ending	<u>\$ 22,700,991</u>	<u>\$ 28,917,698</u>	<u>\$ 28,917,698</u>	<u>\$ -</u>

¹ Due to the consolidation of Fund 14, Deferred Maintenance Fund, Fund 15, Pupil Transportation Fund, Fund 17, Special Reserve Fund for Other than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

Hanford Elementary School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 711,522	\$ 600,382	\$ 634,895	\$ 616,403
Interest	408,564	406,651	334,563	321,583
Difference between expected and actual experience	-	120,927	-	-
Changes of assumptions	878,429	1,109,739	(497,902)	-
Benefit payments	(526,211)	(531,418)	(524,045)	(522,503)
Net change in total OPEB liability	1,472,304	1,706,281	(52,489)	415,483
Total OPEB Liability - Beginning	12,602,724	10,896,443	10,948,932	10,533,449
Total OPEB Liability - Ending	<u>\$ 14,075,028</u>	<u>\$ 12,602,724</u>	<u>\$ 10,896,443</u>	<u>\$ 10,948,932</u>
Covered Payroll	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Hanford Elementary School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.0966%	0.0945%	0.0927%	0.0914%
Proportionate share of the net OPEB liability	\$ 409,297	\$ 352,053	\$ 354,948	\$ 384,710
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Hanford Elementary School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2021	2020	2019	2018
CaSTRS				
Proportion of the net pension liability	0.0554%	0.0534%	0.0517%	0.0505%
Proportionate share of the net pension liability	\$ 53,714,913	\$ 48,265,346	\$ 47,482,880	\$ 46,711,085
State's proportionate share of the net pension liability	27,690,044	26,331,969	27,186,169	27,633,883
Total	<u>\$ 81,404,957</u>	<u>\$ 74,597,315</u>	<u>\$ 74,669,049</u>	<u>\$ 74,344,968</u>
Covered payroll	<u>\$ 28,765,897</u>	<u>\$ 29,909,842</u>	<u>\$ 27,570,305</u>	<u>\$ 26,685,429</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>186.73%</u>	<u>161.37%</u>	<u>172.22%</u>	<u>175.04%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
CalPERS				
Proportion of the net pension liability	0.0808%	0.0781%	0.0781%	0.0790%
Proportionate share of the net pension liability	\$ 24,787,457	\$ 23,035,615	\$ 20,819,169	\$ 18,847,723
Covered payroll	<u>\$ 10,948,001</u>	<u>\$ 11,636,555</u>	<u>\$ 10,303,580</u>	<u>\$ 10,066,302</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>226.41%</u>	<u>197.96%</u>	<u>202.06%</u>	<u>187.24%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

Hanford Elementary School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CaSTRS			
Proportion of the net pension liability	0.0511%	0.0510%	0.0482%
Proportionate share of the net pension liability	\$ 41,305,968	\$ 34,307,537	\$ 28,163,133
State's proportionate share of the net pension liability	23,514,751	18,144,905	17,006,116
Total	<u>\$ 64,820,719</u>	<u>\$ 52,452,442</u>	<u>\$ 45,169,249</u>
Covered payroll	<u>\$ 25,643,541</u>	<u>\$ 23,320,878</u>	<u>\$ 21,702,145</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>161.08%</u>	<u>147.11%</u>	<u>129.77%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
CaIPERS			
Proportion of the net pension liability	0.0798%	0.0771%	0.0740%
Proportionate share of the net pension liability	\$ 15,760,087	\$ 11,366,384	\$ 8,395,535
Covered payroll	<u>\$ 9,581,751</u>	<u>\$ 8,524,832</u>	<u>\$ 7,842,555</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>164.48%</u>	<u>133.33%</u>	<u>107.05%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

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

Hanford Elementary School District
Schedule of the District Contributions
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
CaSTRS				
Contractually required contribution	\$ 4,874,047	\$ 5,114,583	\$ 4,683,088	\$ 3,978,395
Less contributions in relation to the contractually required contribution	<u>4,874,047</u>	<u>5,114,583</u>	<u>4,683,088</u>	<u>3,978,395</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 30,179,858</u>	<u>\$ 29,909,842</u>	<u>\$ 28,765,897</u>	<u>\$ 27,570,305</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>
CaIPERS				
Contractually required contribution	\$ 2,303,378	\$ 2,294,845	\$ 1,977,428	\$ 1,600,249
Less contributions in relation to the contractually required contribution	<u>2,303,378</u>	<u>2,294,845</u>	<u>1,977,428</u>	<u>1,600,249</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 11,127,430</u>	<u>\$ 11,636,555</u>	<u>\$ 10,948,001</u>	<u>\$ 10,303,580</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.7210%</u>	<u>18.0620%</u>	<u>15.5310%</u>

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

Hanford Elementary School District
Schedule of the District Contributions
Year Ended June 30, 2021

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CaSTRS			
Contractually required contribution	\$ 3,357,027	\$ 2,751,552	\$ 2,070,894
Less contributions in relation to the contractually required contribution	<u>3,357,027</u>	<u>2,751,552</u>	<u>2,070,894</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 26,685,429</u>	<u>\$ 25,643,541</u>	<u>\$ 23,320,878</u>
Contributions as a percentage of covered payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CaIPERS			
Contractually required contribution	\$ 1,398,008	\$ 1,135,150	\$ 1,003,458
Less contributions in relation to the contractually required contribution	<u>1,398,008</u>	<u>1,135,150</u>	<u>1,003,458</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 10,066,302</u>	<u>\$ 9,581,751</u>	<u>\$ 8,524,832</u>
Contributions as a percentage of covered payroll	<u>13.8880%</u>	<u>11.8470%</u>	<u>11.7710%</u>

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

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

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

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

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The discount rate changed from 3.13 percent to 2.45 percent since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The plan rate of investment return assumption was changed from 3.50 percent to 2.21 percent since the previous valuation.

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

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

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



Supplementary Information
June 30, 2021

Hanford Elementary School District

Hanford Elementary School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	\$ 223,141
Special Education Grants to States - (CDE: IDEA Local Assistance, Part B, Sec 611, Private School ISP)	84.027	10115	799
Special Education Grants to States - Mental Health	84.027	15197	67,094
Total Special Education Cluster			<u>291,034</u>
Title I Grants to Local Educational Agencies	84.010	14329	1,056,268
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	260,967
English Language Acquisition State Grants - LEP	84.365	14346	56,117
Student Support and Academic Enrichment Program	84.424	15396	174,444
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER I) Fund	84.425D	15536	1,833,802
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	15547	790,460
COVID-19 - Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	4,097
COVID-19 - Child Nutrition, CARES Act Supplemental Meal Reimbursement	84.425	15535	211,322
Subtotal (84.425)			<u>2,839,681</u>
Total U.S. Department of Education			<u>4,678,511</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
COVID-19 - Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	25516	5,342,749
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	2,682
National School Lunch Program - Commodity Supplemental Food	10.555	13391	221,292
Subtotal (10.555)			<u>223,974</u>
National School Lunch Program - Summer Food Program	10.559	13004	2,281,404
Total Child Nutrition Cluster			<u>2,505,378</u>
Total U.S. Department of Agriculture			<u>2,505,378</u>
Total Federal Financial Assistance			<u>\$ 12,526,638</u>

Organization

The Hanford Elementary School District was established in August 1891 and consists of an area comprising approximately 12.92 square miles. The District operates eight elementary schools, one K-8 magnet school, two junior high schools, and one community day school. There were no boundary changes during the year.

Governing Board

Member	Office	Term Expires
Robert "Bobby" Garcia	President	2022
Timothy Revious	Vice President	2024
Lupe Hernandez	Clerk	2022
Jeff Garner	Trustee	2022
Greg Strickland	Trustee	2024

Administration

Joy C. Gabler	Superintendent
David Endo	Chief Business Official
Jaime Martinez	Assistant Superintendent Human Resources
Jill Rubalcava	Assistant Superintendent Curriculum, Instruction and Professional Development
Karen McConnell	Assistant Superintendent, Special Services

Hanford Elementary School District

Schedule of Instructional Time

Year Ended June 30, 2021

Grade Level	Number of Actual Days		Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar		
Kindergarten	180	N/A	180	Complied
Grades 1 - 3				
Grade 1	180	N/A	180	Complied
Grade 2	180	N/A	180	Complied
Grade 3	180	N/A	180	Complied
Grades 4 - 8				
Grade 4	180	N/A	180	Complied
Grade 5	180	N/A	180	Complied
Grade 6	180	N/A	180	Complied
Grade 7	180	N/A	180	Complied
Grade 8	180	N/A	180	Complied

Hanford Elementary School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2021

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2021.

Hanford Elementary School District
 Schedule of Financial Trends and Analysis
 Year Ended June 30, 2021

	(Budget) 2022 ¹	2021	2020	2019
General Fund				
Revenues	\$ 89,591,819	\$ 84,329,182	\$ 76,281,307	\$ 71,253,415
Other sources	1,854,863	618,288	199,179	100,000
Total Revenues and Other Sources	<u>91,446,682</u>	<u>84,947,470</u>	<u>76,480,486</u>	<u>71,353,415</u>
Expenditures	91,365,923	76,215,993	73,620,102	67,054,895
Other uses and transfers out	285,000	1,710,735	1,343,450	1,988,428
Total Expenditures and Other Uses	<u>91,650,923</u>	<u>77,926,728</u>	<u>74,963,552</u>	<u>69,043,323</u>
Increase/(Decrease) in Fund Balance	<u>(204,241)</u>	<u>7,020,742</u>	<u>1,516,934</u>	<u>2,310,092</u>
Ending Fund Balance	<u>\$ 20,979,089</u>	<u>\$ 21,183,330</u>	<u>\$ 14,162,588</u>	<u>\$ 12,645,654</u>
Available Reserves ^{2,3}	<u>\$ 18,208,599</u>	<u>\$ 16,411,929</u>	<u>\$ 12,168,823</u>	<u>\$ 10,937,122</u>
Available Reserves as a Percentage of Total Outgo ³	<u>19.87%</u>	<u>21.06%</u>	<u>16.23%</u>	<u>16.44%</u>
Long-Term Liabilities	<u>Not Available</u>	<u>\$ 120,031,840</u>	<u>\$ 103,626,941</u>	<u>\$ 99,444,368</u>
Average Daily Attendance at P-2	<u>5,824</u>	<u>5,741</u>	<u>5,741</u>	<u>5,352</u>

The General Fund balance has increased by \$8,537,676 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$204,241 (0.96 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$20,587,472 over the past two years due primarily to the issuance of general obligation bonds and the implementation of GASB Statement No. 75.

Average daily attendance has increased by 389 over the past two years. Additional growth of 83 ADA is anticipated during fiscal year 2021-2022.

¹ Budget 2022 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

³ General Fund amounts do not include activity related to the consolidation of the Pupil Transportation Fund or the Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

Hanford Elementary School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

	Student Activities Fund	Charter Schools Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets									
Deposits and investments	\$ 29,382	\$ 1,699	\$ 1,397,562	\$ 101,995	\$ 454,712	\$ 231,762	\$ 2,142,271	\$ 2,158,465	\$ 6,517,848
Receivables	-	-	134,553	-	34,610	-	-	-	169,163
Stores inventories	-	-	127,283	-	-	-	-	-	127,283
Total assets	\$ 29,382	\$ 1,699	\$ 1,659,398	\$ 101,995	\$ 489,322	\$ 231,762	\$ 2,142,271	\$ 2,158,465	\$ 6,814,294
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ -	\$ 1,697	\$ 54,916	\$ -	\$ -	\$ 4,350	\$ -	\$ -	\$ 60,963
Fund Balances									
Nonspendable	-	-	127,693	-	-	-	-	-	127,693
Restricted	29,382	2	1,476,789	-	489,322	227,412	-	2,158,465	4,381,372
Committed	-	-	-	101,995	-	-	-	-	101,995
Assigned	-	-	-	-	-	-	2,142,271	-	2,142,271
Total fund balances	29,382	2	1,604,482	101,995	489,322	227,412	2,142,271	2,158,465	6,753,331
Total liabilities and fund balances	\$ 29,382	\$ 1,699	\$ 1,659,398	\$ 101,995	\$ 489,322	\$ 231,762	\$ 2,142,271	\$ 2,158,465	\$ 6,814,294

Hanford Elementary School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2021

	Student Activities Fund	Charter Schools Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues									
Local Control Funding Formula	\$ -	\$ -	\$ -	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ 300,000
Federal sources	-	-	2,716,701	-	-	-	-	-	2,716,701
Other State sources	-	(1,697)	221,637	-	-	-	-	19,400	239,340
Other local sources	315	2	52,908	2,153	122,004	7,624	12,626	1,774,040	1,971,672
Total revenues	315	(1,695)	2,991,246	302,153	122,004	7,624	12,626	1,793,440	5,227,713
Expenditures									
Current									
Pupil services									
Food services	-	-	2,829,560	-	-	-	-	-	2,829,560
Administration									
All other administration	-	-	65,000	-	41,500	-	-	-	106,500
Plant services	-	-	649	10,095	111,360	12,073	-	-	134,177
Ancillary services	9,662	-	-	-	-	-	-	-	9,662
Facility acquisition and construction	-	-	-	194,329	-	4,234,115	-	-	4,428,444
Debt service									
Principal	-	-	-	-	-	-	-	1,145,000	1,145,000
Interest and other	-	-	-	-	-	-	-	801,619	801,619
Total expenditures	9,662	-	2,895,209	204,424	152,860	4,246,188	-	1,946,619	9,454,962
Excess (Deficiency) of Revenues Over Expenditures	(9,347)	(1,695)	96,037	97,729	(30,856)	(4,238,564)	12,626	(153,179)	(4,227,249)
Other Financing Sources (Uses)									
Transfers in	-	-	-	-	-	2,671,558	1,000,000	-	3,671,558
Sources from premium on bond sale	-	-	-	-	-	-	-	450,484	450,484
Transfers out	-	-	-	-	-	-	(52,500)	-	(52,500)
Total Financing Sources (Uses)	-	-	-	-	-	2,671,558	947,500	450,484	4,069,542
Net Change in Fund Balances	(9,347)	(1,695)	96,037	97,729	(30,856)	(1,567,006)	960,126	297,305	(157,707)
Fund Balance - Beginning, as Restated	38,729	1,697	1,508,445	4,266	520,178	1,794,418	1,182,145	1,861,160	6,911,038
Fund Balance - Ending	\$ 29,382	\$ 2	\$ 1,604,482	\$ 101,995	\$ 489,322	\$ 227,412	\$ 2,142,271	\$ 2,158,465	\$ 6,753,331

Note 1 - Purpose of Schedules**Schedule of Expenditures of Federal Awards (SEFA)**Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Hanford Elementary School District (the District) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the District had spent food commodities totaling \$221,292.

Local Education Agency Organization Structure

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

Schedule of Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Section 43504.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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



Independent Auditor's Reports
June 30, 2021

Hanford Elementary School District



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Governing Board
Hanford Elementary School District
Hanford, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanford Elementary School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Hanford Elementary School District’s basic financial statements and have issued our report thereon dated January 28, 2022.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 15 to the financial statements, Hanford Elementary School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fresno, California
January 28, 2022



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Governing Board
Hanford Elementary School District
Hanford, California

Report on Compliance for Each Major Federal Program

We have audited Hanford Elementary School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hanford Elementary School District's major federal programs for the year ended June 30, 2021. Hanford Elementary School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Hanford Elementary School District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Fresno, California
January 28, 2022



Independent Auditor's Report on State Compliance

To the Governing Board
Hanford Elementary School District
Hanford, California

Report on State Compliance

We have audited Hanford Elementary School District's (the District) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Compliance Requirements Tested

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No (see below)
Comprehensive School Safety Plan	Yes
District of Choice	No (see below)
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No (see below)
CHARTER SCHOOLS	
Attendance	No (see below)
Mode of Instruction	No (see below)
Nonclassroom-Based Instruction/Independent Study	No (see below)
Determination of Funding for Nonclassroom-Based Instruction	No (see below)
Charter School Facility Grant Program	No (see below)

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

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

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

Unmodified Opinion

In our opinion, Hanford Elementary School District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Fresno, California
January 28, 2022



Schedule of Findings and Questioned Costs
June 30, 2021

Hanford Elementary School District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing/Federal CFDA Number
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER I) Fund	84.425D
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D
COVID-19 - Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C
COVID-19 - Child Nutrition, CARES Act Supplemental Meal Reimbursement	84.425
COVID-19 - Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019
Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

State Compliance

Type of auditor's report issued on compliance for programs	Unmodified
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None reported.

None reported.

None reported.

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