

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 Evergreen 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, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position (deficit) 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 on page 4 through 15, budgetary comparison information on page 63, schedule of changes in the District's total OPEB liability and related ratios on page 64, schedule of the District's proportionate share of the net pension liability on page 65, and the schedule of the District contributions for pension on page 66, 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 Evergreen 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 February 2, 2022 on our consideration of Evergreen 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 Evergreen 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 Evergreen 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 name and date.

Menlo Park, California
February 2, 2022



Evergreen School District

From strong roots grow bright futures

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Evergreen School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021, with comparative information for the year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

DISTRICT PROFILE

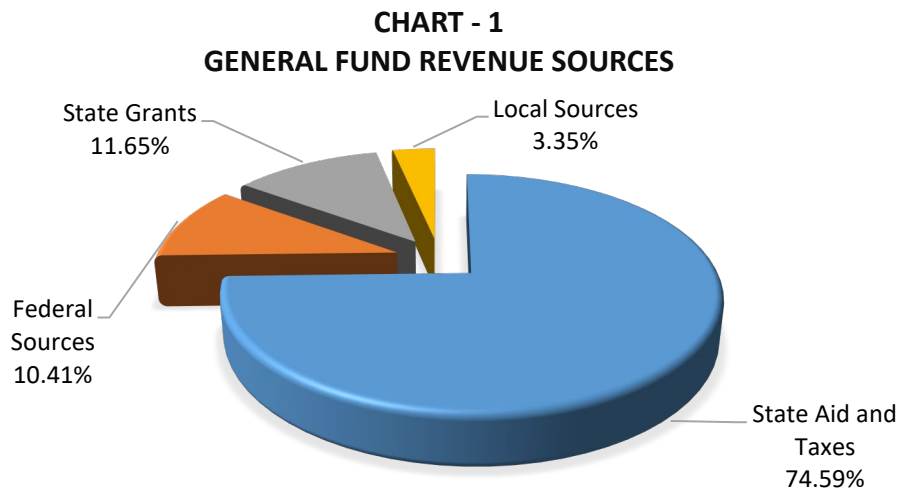
Evergreen School District (the District) was formed in 1860 and is one of the oldest school districts in Santa Clara County. The District is located along the Mount Hamilton mountain range in the southeastern part of San Jose and extends West Highway 101 and North Tully Road. It encompasses an area of approximately 32 square miles and has an estimated population of approximately 90,000. The District has fifteen elementary schools and three middle schools. The Average Daily Attendance (ADA) in 2020-2021 was not collected due to COVID-19. 2019-20 ADA of 10,098 was used for 2020-21's Local control funding formula (LCFF) funding calculation.

All of our eighteen schools have been identified by the California State Department of Education as California Distinguished Schools and several have achieved this recognition multiple times. Twelve have also been identified by the United States Department of Education as National Blue Ribbon Schools.

FINANCIAL HIGHLIGHTS

LCFF is the largest component of the District's General Fund budget. The District received a basic allocation per unit of average daily attendance (ADA) of \$8,972.

The General Fund also received funds from various State, Federal and other local programs. (See Chart - 1).



2021 RESULTS OF OPERATIONS

Major Governmental Fund Statements

General Fund

The District's General Fund revenues was higher than expenditures by \$2,795,250. The unrestricted General Fund ending fund balance was \$20,292,177. Of this amount, \$3,617,450 is unassigned but reserved for economic uncertainties. By way of comparison, the unrestricted ending fund balance at June 30, 2020 was \$28,425,759, thus the District has decreased its available reserves by \$8,133,582. These reserves are inclusive of the Special Reserve Fund for Postemployment Benefits.

Building Fund

The District's Building Fund balance has increased by \$26,108,901 to \$61,882,836. The net increase resulted from County Treasury earned interest, Proceeds from the Sale of Bonds, and construction expenditures for District modernization projects incurred during the current year.

Bond Interest and Redemption Fund

The District's Bond Interest and Redemption Fund balance has increased by \$1,147,261 to \$14,517,334. The decrease was the result of payments of interest and principal exceeding tax revenues and a net increase in fair value of investments.

Non Major Governmental Fund Statements

The non-major governmental funds financial statements are displayed in this annual report in the supplementary information section.

Student Activity Fund

The District's Student Activity Fund balance has decreased by \$31,716 to \$114,665. The decrease was due to less fundraising activities due to COVID-19 pandemic quarantine.

Cafeteria Fund

The District's Cafeteria Fund balance has decreased by \$101,600 to \$0. The decrease was net of applicable expenditures from COVID-19 resources made due to Board determined pandemic quarantine sites shutdown.

Deferred Maintenance Fund

The District's Deferred Maintenance Fund balance has decreased by \$3,704 to \$10. The decrease represents the District spent remaining fund on maintenance projects exceeds interest earnings and decrease in investments.

Capital Facilities Fund

The District's Capital Facilities Fund balance has increased by \$727,511 to \$3,035,690. The increase was due to the interest earned and developer fee collections exceeding construction expenditures.

Mello Roos Debt Service Fund

The District's Mello Roos Debt Service Fund balance has decreased by \$1,299 to \$785,108. The decrease resulted from combination of interest earnings and decrease in investments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's General Fund budget, both the adopted and final version, with year-end actual.

Government-Wide Statements

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

The two government-wide statements report the District's *net position* and how they have changed. Net position the difference between the District's assets, deferred outflows of resources and liabilities and deferred inflows of resources – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District one needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like federal grants).

The District has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was a deficit \$48.42 million at June 30, 2021, a decrease of \$2.87 million from 2019-2020. However, without the effect of these long-term items, our unrestricted net position includes \$3.62 million earmarked for economic uncertainty. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use the net position for day-to-day operations.

Changes in Net Position

The results of this year's and previous year's operations for the District as a whole are reported in the Statement of Activities. Table 2 takes the information from the statement and compares the current and prior year revenues and expenses. The comparison includes depreciation expense allocated to each function. The amount of depreciation allocated is detailed at Note 4 to the financial statements. Table 3 further analyzes the cost of the District's largest functions, net of revenues, grants and contributions generated by the activities.

Governmental Activities

As reported in the Statement of Activities, the cost of all of our governmental activities for the current year was \$144.44 million. However, the amount that our taxpayers ultimately financed for those activities through local taxes and other general revenues was only \$122.56 million because of certain grants and contributions along with charges for services that financed a portion of those expenses.

	Governmental Activities	
	2021	Restated 2020
Current and other assets	\$ 124.89	\$ 93.85
Capital assets	191.03	195.91
Total Assets	<u>315.92</u>	<u>289.76</u>
Deferred amount on refunding	0.49	0.66
OPEB	3.63	2.38
Pension activities	24.92	26.43
Total Deferred Outflows of Resources	<u>29.04</u>	<u>29.47</u>
Current liabilities	9.91	8.99
Long-term liabilities	358.07	336.95
Total Liabilities	<u>367.98</u>	<u>345.94</u>
OPEB	11.27	2.68
Pension activities	14.12	16.16
Total Deferred Inflows of Resources	<u>25.40</u>	<u>18.84</u>
Net Position		
Net investment in capital assets	50.25	53.23
Restricted	23.41	20.33
Unrestricted		
Reserved for uncertainty	3.62	28.43
Unassigned	<u>(125.69)</u>	<u>(147.54)</u>
Total Net Position (Deficit)	<u>\$ (48.42)</u>	<u>\$ (45.55)</u>

Note: Totals may not add due to rounding.

Major funding sources for governmental activities included charges for services to those who benefited from certain programs of \$0.93 million; operating grants and contributions from Federal and State agencies, and other local organizations of \$18.09 million; Federal and State Aid, including Local Control Funding Formula (LCFF) funding of \$44.93 million.

For the prior year, the cost of all of our governmental activities was \$139.24 million. However, the amount that our taxpayers ultimately financed for those activities through local taxes and other general revenues was only \$118.16 million.

For the prior year, major funding sources for governmental activities included charges for services to those who benefited from certain programs of \$0.93 million; operating grants and contributions from federal and state agencies; and other local organizations of \$18.09 million; Federal and State Aid, including LCFF funding of \$44.93 million.

	2021	2020*	Changes
Program Revenues			
Charges for services	\$ 0.93	\$ 0.93	\$ (0.00)
Operating granting and contributios	18.09	18.09	0.34
General Revenues			
Federal and state sources	44.93	44.93	1.57
Property taxes	71.32	71.32	1.83
Other general revenues	6.31	1.91	(2.49)
Total Revenues	\$ 141.58	\$ 137.18	\$ 1.24
Functional Expenses			
Instruction and instruction-related activities	\$ 103.62	\$ 98.90	\$ 0.85
Home-to-school transportation	1.24	1.35	(0.09)
Food services	2.56	3.16	(0.45)
All other pupil services	3.76	3.25	(0.05)
Administration	5.72	4.89	0.41
Plant services	10.35	7.46	(1.01)
Ancillary services	0.17	0.06	
Interest on long-term obligations	5.97	6.95	(1.35)
Other outgo	0.52	3.59	0.94
Depreciation	10.52	9.63	(0.14)
Total Expenses	\$ 144.44	\$ 139.24	\$ (0.88)
Changes in Net Position	\$ (2.87)	\$ (2.06)	\$ 2.12
<i>Note: Totals may not add due to rounding.</i>			

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

Table 3 presents the net cost of each of the District's largest functions. As discussed above, net cost shows the financial burden that was required to support primarily by state LCFF revenue sources and local property taxes.

Table 3			
Evergreen School District			
Net Cost of Governmental Activities			
(in millions of dollars)			
	2021	2020*	Changes
Instruction and instruction-related activities	\$ 103.62	\$ 98.90	\$ 4.72
Home-to-school transportation	1.24	1.35	(0.11)
Food services	2.56	3.16	(0.60)
All other pupil services	3.76	3.25	0.51
Administration	5.72	4.89	0.83
Plant services	10.35	7.46	2.89
Ancillary services	0.17	0.06	0.11
Interest on long-term obligations	5.97	6.95	(0.98)
Other outgo	0.52	3.59	(3.07)
Depreciation	10.52	9.63	0.89
Total Net Cost of Governmental Activities	\$ 144.44	\$ 139.24	\$ 5.20

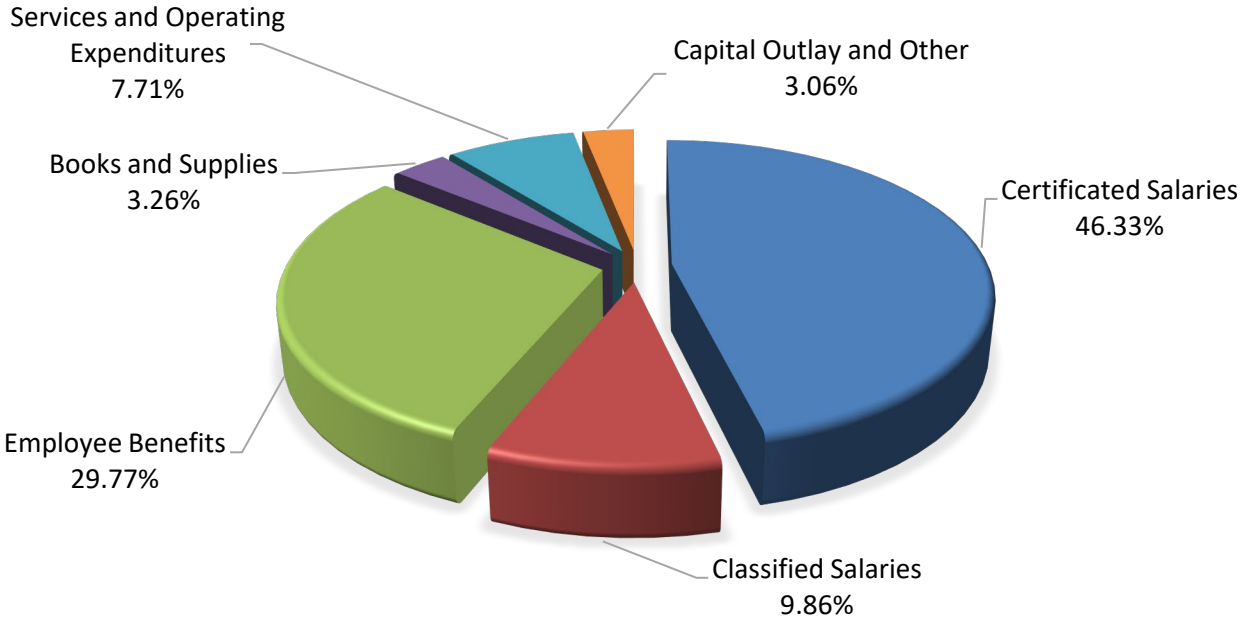
Note: Totals may not add due to rounding.

* The total and net cost of services for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

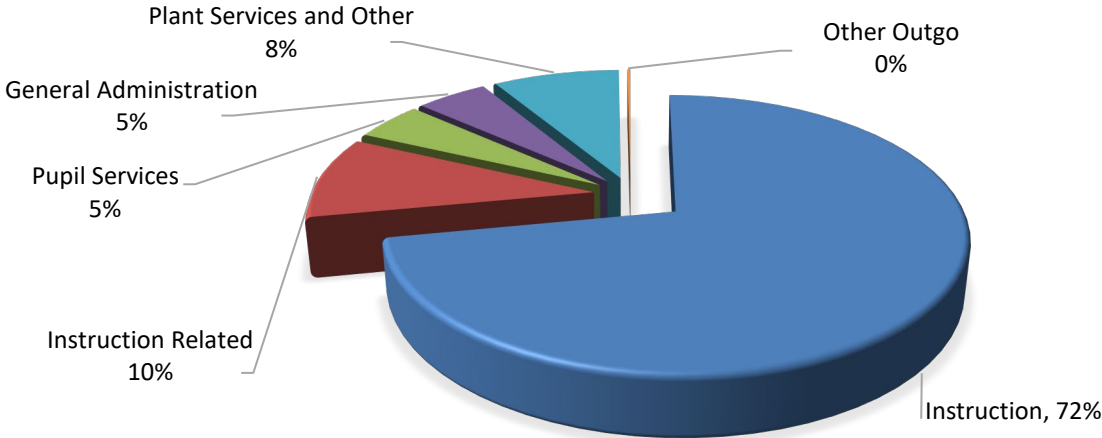
Charts 2 and 3 provide a breakdown of the General Fund expenditures. As it is common with virtually all school districts, the majority of expenditures in the General Fund are for salaries and benefits of approximately 86% (certificated, classified, and benefits). From a functional cost standpoint, Chart 3 shows that approximately 82% of total General Fund expenditures are on instruction and instruction-related activities.

The District must spend at least 60% of its total certificated salaries component on classroom instruction activities. For the current fiscal year, the District spent approximately 66.4% of the District's salaries on classroom instruction activity.

**CHART - 2
 GENERAL FUND EXPENDITURES BY OBJECT**



**CHART - 3
 GENERAL FUND EXPENDITURES BY FUNCTION**



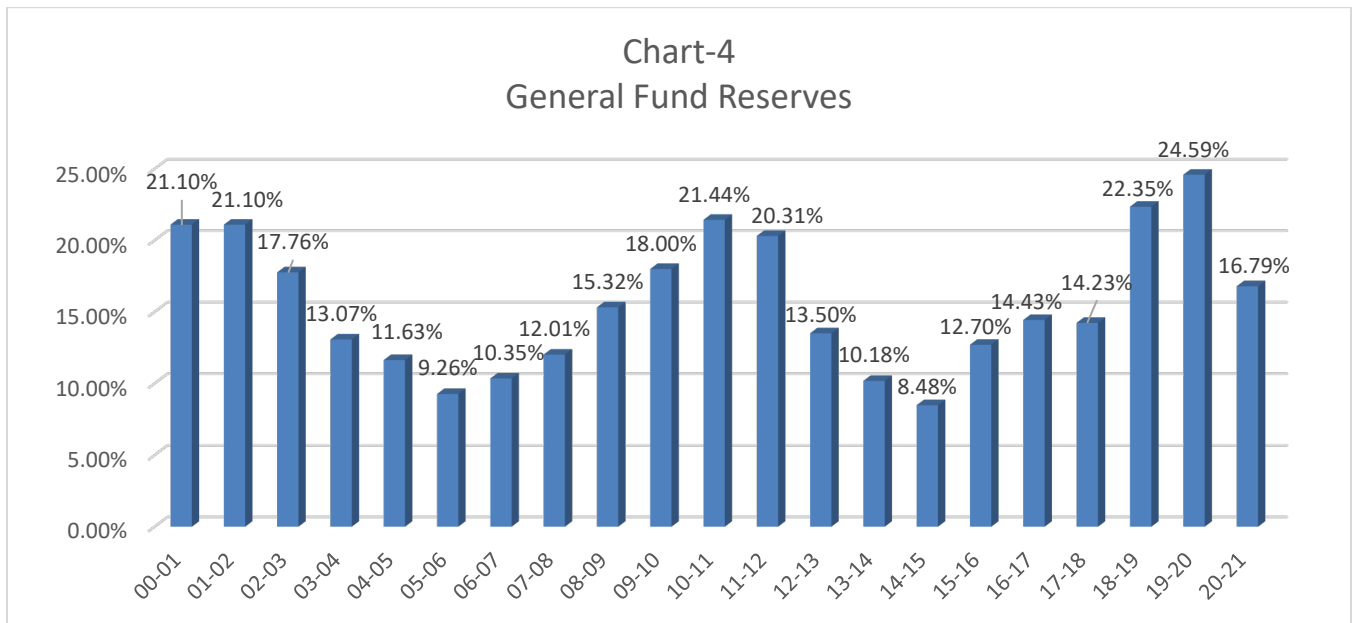
Available Reserves

The General Fund has the total available reserve balance of \$20.29 million. In the Government-wide statement of net position, committed and assigned ending fund balance are considered unrestricted, but they are not a component of available reserves.

General Fund Budgetary Highlights

Chart 4 illustrates an operating deficit from 2000-2001 through 2020-2021. One time funding and continuing program reductions in 2006-2007 and 2007-2008 created a positive operating balance for the unrestricted reserve. The increases in 2008-2009 through 2010-2011 unrestricted reserves were due to the flexibility provision of transferring State Restricted Tier III program balances and one time revenue from Federal ARRA funds. The District used all available one-time revenues in the amount of \$3.1 million and continued to utilize State allowed flexibilities for the District's general operations during fiscal year 2011-2012. The District had operating deficits in 2011-2012 through 2014-2015. The 2015-2016 year is the first year the District had an operating surplus since fiscal year 2010-2011.

The District reserves declined since 2011-2012 but inched up to 24.59% in the prior year; the District is working on its long-range budgeting process to address the structural issues of operating deficits. We are working with all District stakeholders to prioritize the expenditure allocations that will focus on the services to students and balancing the budget.



The following table summarizes the General Fund final budget-to-actual information for the year ended June 30, 2021.

	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues	\$ 121,936,198	\$ 123,653,748	\$ (1,717,550)
Total Expenditures	\$ 127,655,772	\$ 120,581,674	\$ 7,074,098

The favorable variances of \$7,074,098 in total expenditures and transfers out, and unfavorable variances of \$1,717,550 in total revenues were primarily due to contributions to Fund 130 Cafeteria Fund from CARES Act funds; increased restricted and local funds, and adjusted accounts payable for LCFF deferral. Restricted funds included one-time grants from COVID-19 pandemic funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020-2021, the District had invested \$349.59 million in a broad range of capital assets, including school buildings, athletic facilities and computer and audio-visual equipment (see Table 5). This amount represents a net increase of \$5.64 million from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements).

Table 5			
Evergreen School District			
Capital Assets at Year-end			
(in millions of dollars)			
	2021	2020	Changes
Land	\$ 26.87	\$ 26.87	\$ -
Construction in progress	0.04	16.91	(16.87)
Buildings and improvements	316.43	294.96	21.47
Equipment and vehicles	6.25	5.21	1.04
Total	\$ 349.59	\$ 343.95	\$ 5.64

Capital Projects

In November of 1989, the voters of the District approved authorization of \$35 million in general obligation bonds that were used for building multipurpose rooms at seven of the oldest schools, expanding library rooms, upgrading fields, removing of asbestos and building a Central Kitchen facility for the student lunch program. The District has issued this entire authorization. The District established a Community Facilities District and in September 1992 issued Special Tax Bonds in the amount of \$7,380,000 that helped fund the construction of Silver Oak Elementary School. In November of 1997, the voters approved a \$60 million general obligation bond for the acquisition, construction and improvement of certain school facilities. As of July 1, 2004, the District had issued all bonds from this authorization.

In November of 2006, the voters approved a \$150 million general obligation bond, Measure I, based on a specific project list. In February 2007 the District issued the first series of bonds for \$30 million. The second series of bonds issued in February 2009 for the amount of \$29,998,712.

A \$100 million general obligation bond, Measure M, was passed by Evergreen voters on November 4, 2014. Measure M is meant to provide a safe, modern learning environment that supports academic achievements by upgrading and constructing classrooms and hands-on science and technology labs and restrooms, increasing campus security and improving overall energy efficiency. In 2015-16, the District issued \$50 million of the \$100 million authorized amount. In 2017-18, the District issued \$35 million of the remaining \$50 million remaining authorized amount. The District issued the final \$15 million in remaining Measure M bond authorization with proceeds received in February 2020.

In November of 2020, the voters approved a \$80 million general obligation bond, Measure P, based on a specific project list. In June 2021, the District issued the first series of bonds for \$32.05 million.

Long-Term Debt

At year-end the District had \$200.36 million in general obligation bonds, an increase of \$21.25 million from prior year and \$0.24 million in unpaid compensated absence, a decrease of \$0.13 million from last year - as shown in Table 6. (More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements).

Table 6			
Evergreen School District			
Outstanding Long-Term Debt			
<i>(in millions of dollars)</i>			
	2021	2020	Changes
General obligation bonds	\$ 203.15	\$ 179.11	\$ 24.04
Compensated absence	0.24	0.37	(0.13)
Total	\$ 203.39	\$ 179.48	\$ 23.91

In addition to the long-term debt required to be recorded in the Statement of Net Position, the District is obligated under contract provisions to provide health benefits to retirees (see Note 9 and 12).

At year-end, the District has a net pension liability of \$118,048,193 versus \$114,982,208 last year, an increase of \$3,065,985, or 2.7% and an OPEB liability of \$36,625,377 versus \$42,488,565 last year, a decrease of \$5,863,188, or 16.0%.

Per Government Accounting Standards Board (GASB) Statement Number 68 – *Accounting and Reporting for Pensions*, and GASB Statement Number 75 – *Accounting and Reporting for Postemployment Benefits other than Pensions*, the District recognized its proportionate share of its unfunded pension liabilities with CalPERS and CalSTRS and recognized OPEB liabilities on the financial statements. As a result, the District recognized over \$154.7 million in pension and OPEB liabilities on the current year's financial statements. These amounts were presented as long-term liabilities and are funded as a component of the annual required contribution that District makes to CalPERS/CalSTRS/OPEB on behalf of its employees.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Continuing from the impacts of the COVID-19 pandemic, the district is diligently working on balancing the budget and complying with all audit guidelines. The FY 2020-21 ending fund balance included continued declining enrollment resulting in a reduction to revenue based upon Average Daily Attendance (ADA); increases in step and column movement on salary schedules; higher medical and liability insurance premiums and special education program contributions. There was an offset reduction in contribution to the Child Nutrition Fund due to COVID-19 CARES Act funds and operational expenditure decreases. Restricted General Fund balance increased for State COVID-19 funds, lottery, routine restricted maintenance and carryover of local site funds.

The District's multi-year projections show a consistent decline in enrollment. The District anticipated continuing deficit spending in the Unrestricted General Fund in FY 2021-22. In order to control deficit spending, in October 2019, the District Board updated and approved a multi-year, \$12 million Fiscal Stabilization Plan to budget increased revenue and decreased expenditures. The plan included the projected closure of three school sites, where two of the schools have already been closed. The decision was made to permanently close the Dove Hill and Laurelwood sites prior to the temporary closure of all school sites for the pandemic. A third site is yet to be identified.

Even though the district is able to show fiscal solvency during the pandemic, it is due to many one-time funds. Once one-time funds are fully expended, long-term stability is dependent on working with the Santa Clara County Office of Education and identifying areas that might need to still be exercised from the district's Fiscal Stabilization Plan. The spending of one-time funds for any on-going expenditures is not sustainable. Without some needed reductions to ongoing operations and staffing, the District will soon deplete the reserves to a level which may lead to insolvency.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, employees, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Dr. Emy Flores, Superintendent, Evergreen School District, 3188 Quimby Road, San Jose, CA 95148.

Evergreen School District
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Deposits and investments	\$ 102,981,539
Receivables	21,501,403
Prepaid expense	269,338
Stores inventories	141,804
Capital assets not depreciated	26,918,572
Capital assets, net of accumulated depreciation	164,109,846
Total assets	315,922,502
Deferred Outflows of Resources	
Deferred charge on refunding	488,101
Deferred outflows of resources related to OPEB	3,631,037
Deferred outflows of resources related to pensions	24,915,977
Total deferred outflows of resources	29,035,115
Liabilities	
Accounts payable	5,695,061
Interest payable	3,489,498
Unearned revenue	725,971
Long-term liabilities	
Long-term liabilities other than OPEB and pensions	
Due within one year	12,236,069
Due in more than one year	191,157,606
Total other postemployment benefits liability (OPEB)	36,625,377
Aggregate net pension liabilities	118,048,193
Total liabilities	367,977,775
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	11,272,668
Deferred inflows of resources related to pensions	14,122,785
Total deferred inflows of resources	25,395,453
Net Position	
Net investment in capital assets	50,246,934
Restricted for	
Debt service	11,812,944
Capital projects	3,035,690
Educational programs	8,559,060
Unrestricted	(122,070,239)
Total net position (deficit)	\$ (48,415,611)

Evergreen School District
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction	\$ 98,581,252	\$ -	\$ 11,537,790	\$ (87,043,462)
Instruction-related activities				
Supervision of instruction	5,317,131	-	962,198	(4,354,933)
Instructional library, media, and technology	1,066,865	-	-	(1,066,865)
School site administration	7,101,882	-	5,506	(7,096,376)
Pupil services				
Home-to-school transportation	1,340,313	-	-	(1,340,313)
Food services	2,774,982	885,201	1,567,582	(322,199)
All other pupil services	4,067,802	-	660,152	(3,407,650)
Administration				
Data processing	1,067,848	-	-	(1,067,848)
All other administration	5,080,356	31,325	137,750	(4,911,281)
Plant services	11,384,249	8,624	16,847	(11,358,778)
Ancillary services	169,259	-	-	(169,259)
Interest on long-term liabilities	5,967,930	-	-	(5,967,930)
Other outgo	523,712	-	3,198,440	2,674,728
Total governmental activities	\$ 144,443,581	\$ 925,150	\$ 18,086,265	(125,432,166)
General Revenues and Subventions				
Property taxes, levied for general purposes				55,066,371
Property taxes, levied for debt service				13,189,084
Taxes levied for other specific purposes				3,066,525
Federal and State aid not restricted to specific purposes				44,930,191
Interest and investment earnings				1,401,805
Miscellaneous				4,910,842
Total general revenues				122,564,818
Change in Net Position				(2,867,348)
Net Position (Deficit) - Beginning, as restated				(45,548,263)
Net Position (Deficit) - Ending				\$ (48,415,611)

See Notes to Financial Statements

Evergreen School District
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 21,237,023	\$ 62,888,004	\$ 14,504,501	\$ 4,351,684	\$ 102,981,212
Receivables	21,329,444	58,858	12,833	100,267	21,501,402
Due from other funds	463,948	-	-	46,976	510,924
Prepaid expenditures	269,338	-	-	-	269,338
Stores inventories	37,626	-	-	104,178	141,804
Total assets	\$ 43,337,379	\$ 62,946,862	\$ 14,517,334	\$ 4,603,105	\$ 125,404,680
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 4,427,351	\$ 1,064,026	\$ -	\$ 203,684	\$ 5,695,061
Due to other funds	46,976	-	-	463,948	510,924
Unearned revenue	725,971	-	-	-	725,971
Total liabilities	5,200,298	1,064,026	-	667,632	6,931,956
Fund Balances					
Nonspendable	321,964	-	-	-	321,964
Restricted	8,444,395	61,882,836	14,517,334	3,935,463	88,780,028
Assigned	9,078,545	-	-	10	9,078,555
Unassigned	20,292,177	-	-	-	20,292,177
Total fund balances	38,137,081	61,882,836	14,517,334	3,935,473	118,472,724
Total liabilities and fund balances	\$ 43,337,379	\$ 62,946,862	\$ 14,517,334	\$ 4,603,105	\$ 125,404,680

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

Total Fund Balance - Governmental Funds \$ 118,472,724

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

Capital assets used in governmental activities are not financial
 resources and, therefore, are not reported as assets in
 governmental funds.

The cost of capital assets is \$ 349,600,889
 Accumulated depreciation is (158,572,471)

Net capital assets 191,028,418

In governmental funds, unmatured interest on long-term
 liabilities is recognized in the period when it is due. On the
 government-wide financial statements, unmatured interest on
 long-term liabilities is recognized when it is incurred. (3,489,498)

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. 328

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

Debt refundings (deferred charge on refunding) 488,101
 Other postemployment benefits (OPEB) 3,631,037
 Net pension liability 24,915,977

Total deferred outflows of resources 29,035,115

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

Other postemployment benefits (OPEB) (11,272,668)
 Net pension liability (14,122,785)

Total deferred inflows of resources (25,395,453)

Net pension liability is not due and payable in the current period,
 and is not reported as a liability in the funds. (118,048,193)

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

The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(36,625,377)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	(203,152,421)	
Compensated absences (vacations)	<u>(241,254)</u>	
Total long-term liabilities		<u>(203,393,675)</u>
Total net position - governmental activities		<u><u>\$ (48,415,611)</u></u>

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local control funding formula	\$ 92,227,908	\$ -	\$ -	\$ -	\$ 92,227,908
Federal sources	12,877,627	-	-	1,210,876	14,088,503
Other state sources	14,403,315	-	73,558	190,223	14,667,096
Other local sources	4,144,898	(88,514)	14,156,949	809,204	19,022,537
Total revenues	123,653,748	(88,514)	14,230,507	2,210,303	140,006,044
Expenditures					
Current					
Instruction	86,824,946	-	-	-	86,824,946
Instruction-related activities					
Supervision of instruction	4,736,701	-	-	-	4,736,701
Instructional library, media, and technology	947,334	-	-	-	947,334
School site administration	6,263,845	-	-	-	6,263,845
Pupil services					
Home-to-school transportation	1,175,489	-	-	-	1,175,489
Food services	752,950	-	-	1,728,698	2,481,648
All other pupil services	3,646,494	-	-	-	3,646,494
Administration					
Data processing	959,495	-	-	-	959,495
All other administration	4,820,590	-	-	63,701	4,884,291
Plant services	10,135,266	938,220	-	11,776	11,085,262
Ancillary services	71,676	-	-	90,077	161,753
Other outgo	246,888	-	-	-	246,888
Capital outlay	-	4,717,365	-	3,683	4,721,048
Debt service					
Principal	-	-	8,929,100	-	8,929,100
Interest and other	-	197,000	5,967,049	-	6,164,049
Total expenditures	120,581,674	5,852,585	14,896,149	1,897,935	143,228,343
Excess (Deficiency) of Revenues Over Expenditures	3,072,074	(5,941,099)	(665,642)	312,368	(3,222,299)
Other Financing Sources (Uses)					
Transfers in	-	-	-	276,824	276,824
Proceeds from sales of bonds	-	32,050,000	1,812,903	-	33,862,903
Transfers out	(276,824)	-	-	-	(276,824)
Net Financing Sources (Uses)	(276,824)	32,050,000	1,812,903	276,824	33,862,903
Net Change in Fund Balances	2,795,250	26,108,901	1,147,261	589,192	30,640,604
Fund Balance - Beginning, as restated	35,341,831	35,773,935	13,370,073	3,346,281	87,832,120
Fund Balance - Ending	\$ 38,137,081	\$ 61,882,836	\$ 14,517,334	\$ 3,935,473	\$ 118,472,724

Evergreen 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 \$ 30,640,604

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 depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (10,520,468)	
Capital outlays	<u>5,643,412</u>	
Net expense adjustment		(4,877,056)

The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was

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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.

126,253

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.

(2,539,842)

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.

(1,479,627)

Proceeds received from certificates of participation is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

(34,840,213)

Evergreen 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

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	(1,812,903)
Premium amortization	2,395,611
Deferred charge on refunding amortization	(175,591)

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	10,215,000
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Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.

(519,588)

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.

4

Change in net position of governmental activities

\$ (2,867,348)

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

	Governmental Activities - Internal Service Fund
Assets	
Current assets	
Deposits and investments	\$ 327
Receivables	1
	328
Total assets	328
Net Position	
Restricted for insurance programs	328
Total net position	\$ 328

Evergreen 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>
Nonoperating Revenues (Expenses)	
Interest income	<u>\$ 4</u>
Change in Net Position	4
Total Net Position - Beginning	<u>324</u>
Total Net Position - Ending	<u><u>\$ 328</u></u>

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

	<u>Governmental Activities - Internal Service Fund</u>
Investing Activities	
Interest on investments	\$ 3
Cash and Cash Equivalents, Beginning	<u> 324</u>
Cash and Cash Equivalents, Ending	<u><u> 327</u></u>

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Evergreen School District (District) was organized in 1860 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 State and/or Federal agencies. The District operates fifteen elementary and three middle schools.

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 the 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 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements. Modify as needed.

As a result, the General Fund reflects an increase in fund balance of \$488.

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.

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

Non-Major Governmental Funds

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

- **Student Activity Fund** The Student Activity 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.
- **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).

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.

- **Debt Service Fund for Blended Component Units** The Debt Service Fund for Blended Component Units is used to account for interest and principal redemption of debt.

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary 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.

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 segment of the business-type activities of the District and for each governmental function and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, 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 the 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 assets. 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 restrictions. 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 are stated at fair market value. Fair values of investments in county and State investment pools are determined by the County.

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. 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.

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

Interfund Balances

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

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. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

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.

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$241,254.

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements, long-term liabilities are reported as liabilities. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest 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. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

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 deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

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 deferred charges on refunding of debt, for pension related items, and for OPEB related items.

Pensions

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

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. The District currently does not have any committed funds.

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

Unassigned - all other spendable amounts.

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.

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.

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 [name type of sales or other source]. 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

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

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

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 Santa Clara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

As of July 1, 2020, the District adopted GASB issued 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 requirement of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities. Greater consistency and comparability enhances 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 (deficit) 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.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

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

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.

- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application 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	\$ 102,981,212
Proprietary funds	<u>327</u>
Total deposits and investments	<u><u>\$ 102,981,539</u></u>

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

Cash on hand and in banks	\$ 154,029
Revolving cash	15,300
Investments with county treasury	<u>102,812,210</u>
Total deposits and investments	<u><u>\$ 102,981,539</u></u>

Policies and Practices

The District is authorized under California Government Code [or the Entity’s investment policy if different] 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 - 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. The pool is not registered with Stock Exchange Commission.

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool. The fair value of the investment with the County Treasurer at June 30, 2021 was \$102,812,210 and the weighted average maturity of the pool was 615 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County Pool are not required to be rated, nor have they been rated as of June 30, 2021.

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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District has no significant custodial credit risk.

Note 3 - Receivables

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

	General Fund	Building Funds	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Federal Government						
Categorical aid	\$ 6,479,374	\$ -	\$ -	\$ 74,547	\$ 6,553,921	\$ -
State Government						
LCFF apportionment	13,795,756	-	-	-	13,795,756	-
Categorical aid	24,591	-	-	12,791	37,382	-
Lottery	698,211	-	-	-	698,211	-
Local Government						
Interest	72,354	58,858	12,833	6,566	150,611	-
Other local sources	259,158	-	-	6,363	265,521	1
Total	\$ 21,329,444	\$ 58,858	\$ 12,833	\$ 100,267	\$ 21,501,402	\$ 1

Note 4 - Capital Assets

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

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 26,873,690	\$ -	\$ -	\$ 26,873,690
Construction in progress	16,909,707	3,936,392	(20,801,217)	44,882
Total capital assets not being depreciated	<u>43,783,397</u>	<u>3,936,392</u>	<u>(20,801,217)</u>	<u>26,918,572</u>
Capital assets being depreciated				
Buildings and improvements	294,960,903	21,468,456	-	316,429,359
Furniture and equipment	5,213,177	1,039,781	-	6,252,958
Total capital assets being depreciated	<u>300,174,080</u>	<u>22,508,237</u>	<u>-</u>	<u>322,682,317</u>
Total capital assets	<u>343,957,477</u>	<u>26,444,629</u>	<u>(20,801,217)</u>	<u>349,600,889</u>
Accumulated depreciation				
Buildings and improvements	(143,630,360)	(10,149,785)	-	(153,780,145)
Furniture and equipment	(4,421,643)	(370,683)	-	(4,792,326)
Total accumulated depreciation	<u>(148,052,003)</u>	<u>(10,520,468)</u>	<u>-</u>	<u>(158,572,471)</u>
Governmental activities capital assets, net	<u>\$ 195,905,474</u>	<u>\$ 15,924,161</u>	<u>\$ (20,801,217)</u>	<u>\$ 191,028,418</u>

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

Governmental Activities		
Instruction		\$ 7,421,677
Supervision of instruction		404,887
Instructional library, media, and technology		80,977
School site administration		535,425
Home-to-school transportation		100,479
Food services		212,128
All other pupil services		311,697
Data processing		6,127
All other administration		417,502
Plant services		82,016
Facility acquisition and construction		<u>947,553</u>
Total depreciation expenses governmental activities		<u>\$ 10,520,468</u>

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2021, between major and non-major governmental funds are as follows:

Due To	General Fund	Due From Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 46,976	\$ 46,976
Non-Major Governmental Funds	463,948	-	463,948
Total	\$ 463,948	\$ 46,976	\$ 510,924

Operating Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the General Fund transferred \$276,824 to the Cafeteria Non-Major Governmental Fund to cover the expenditure of the food service program.

Note 6 - Deferred Charge on Refunding

Deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. For governmental activities, the net investment in capital assets amount of \$50,246,934 includes the effect of deferring the recognition of loss from advance refunding. The \$488,101 balance of the deferred outflow of resources at June 30, 2021, will be recognized as an expense and as a decrease in net position over the remaining life of related bonds. During the year, \$175,591 was recognized as expense.

Note 7 - Accounts Payable

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

	General Fund	Building Funds	Non-Major Governmental Funds	Total
Vendor payables	\$ 2,433,601	\$ 1,064,026	\$ 203,684	\$ 3,701,311
LCFF apportionment	1,023,185	-	-	1,023,185
Salaries and benefits	970,565	-	-	970,565
Total	\$ 4,427,351	\$ 1,064,026	\$ 203,684	\$ 5,695,061

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					
Current Interest	\$ 122,760,000	\$ 34,840,213	\$ (8,465,000)	\$ 149,135,213	\$ 7,070,000
Capital appreciation	43,962,690	-	(1,750,000)	42,212,690	2,625,706
Unamortized debt premiums	12,387,226	1,812,903	(2,395,611)	11,804,518	2,395,611
Sub total	179,109,916	36,653,116	(12,610,611)	203,152,421	12,091,317
Compensated absences	367,507	94,251	(220,504)	241,254	144,752
Total	<u>\$ 179,477,423</u>	<u>\$ 36,747,367</u>	<u>\$ (12,831,115)</u>	<u>\$ 203,393,675</u>	<u>\$ 12,236,069</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The compensated absences will be paid by the fund for which the employee worked.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Interest Accreted/ Issued	Redeemed/ Refunded	Bonds Outstanding June 30, 2021
2009	8/1/31	3.26-6.53%	\$ 22,498,712	\$ 43,962,690	\$ 2,790,213	\$ (1,750,000)	\$ 45,002,903
2012	9/1/21	2.0-4.0%	7,700,000	2,395,000	-	(1,260,000)	1,135,000
2015	9/1/24	2.0-5.0%	33,990,000	19,425,000	-	(3,405,000)	16,020,000
2016	8/1/45	2.0-5.0%	50,000,000	38,600,000	-	-	38,600,000
2018	8/1/46	3.1-5.0%	35,000,000	32,240,000	-	(2,580,000)	29,660,000
2018	8/1/31	3.5-5.0%	11,140,000	7,575,000	-	(960,000)	6,615,000
2020	8/1/33	2.13-5.0%	7,525,000	7,525,000	-	(260,000)	7,265,000
2020	8/1/30	0.05-3.0%	15,000,000	15,000,000	-	-	15,000,000
2021	8/1/26	2.0-3.0%	32,050,000	-	32,050,000	-	32,050,000
				<u>\$ 166,722,690</u>	<u>\$ 34,840,213</u>	<u>\$ (10,215,000)</u>	<u>\$ 191,347,903</u>

Debt Service Requirements to Maturity

The capital appreciation bonds mature as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2022	\$ 625,480	\$ 2,000,226	\$ 2,625,706	\$ 24,295	\$ 2,650,001
2023	1,733,347	1,876,365	3,609,712	240,288	3,850,000
2024	1,916,088	1,947,459	3,863,547	486,453	4,350,000
2025	2,579,624	2,722,409	5,302,033	1,047,967	6,350,000
2026	3,392,497	3,680,997	7,073,494	1,951,506	9,025,000
2027-2031	10,114,220	11,511,651	21,625,871	10,449,130	32,075,001
2031-2032	409,256	493,284	902,540	822,458	1,724,998
Total	\$ 20,770,512	\$ 24,232,391	\$ 45,002,903	\$ 15,022,097	\$ 60,025,000

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2022	\$ 7,070,000	\$ 4,352,030	\$ 11,422,030
2023	12,985,000	4,449,050	17,434,050
2024	13,160,000	4,158,589	17,318,589
2025	11,545,000	3,881,865	15,426,865
2026	15,140,000	5,513,601	20,653,601
2027-2031	19,695,000	15,466,447	35,161,447
2032-2036	19,415,000	12,638,909	32,053,909
2037-2041	17,735,000	6,861,633	24,596,633
2042-2046	25,100,000	3,954,651	29,054,651
2047-2051	4,500,000	112,500	4612500
Total	\$ 146,345,000	\$ 61,389,275	\$ 207,734,275

Note 9 - Total Other Postemployment Benefit (OPEB) Liability

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

Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
\$ 36,625,377	\$ 3,631,037	\$ 11,272,668	\$ 2,377,518

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.

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, different bargaining units, the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements. For measurement period of June 30, 2021, the District paid \$724,367 in benefits.

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 measurement date was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75	% annually
Salary increases	3.00	%, average, including inflation
Investment rate of return	2.21	%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	5.00	% for 2019

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

Mortality rates were based on the 2017 CalPERS experience study.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actual experience study available from CalPERS.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	\$ 42,488,565
Service cost	1,840,185
Interest	1,474,423
Changes of benefit terms	22,006
Differences between expected and actual experience	(9,904,534)
Changes of assumptions or other inputs	1,429,099
Benefit payments	(724,367)
Net change in total OPEB liability	(5,863,188)
Balance at June 30, 2020	\$ 36,625,377

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:

Discount Rate	Total OPEB Liability
1% decrease (1.21%)	\$ 40,052,992
Current discount rate (2.21%)	36,625,377
1% increase (3.21%)	33,500,168

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:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (4.0%)	\$ 32,757,105
Current discount rate (5.0%)	36,625,377
1% increase (6.0%)	41,094,358

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$2,332,784. At June 30, 2021, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 1,026,681	\$ -
Differences between expected and actual experience	213,261	8,942,929
Changes of assumptions	2,391,095	2,329,739
Total	\$ 3,631,037	\$ 11,272,668

The deferred outflows/(inflows) of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year. The deferred inflows of resources related to changes in assumptions will be amortized over a closed 13.4 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (1,003,830)
2023	(1,003,830)
2024	(1,003,830)
2025	(1,003,830)
2026	(1,003,830)
Thereafter	(3,649,162)
Total	\$ (8,668,312)

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Funds	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Stores inventories	37,626	-	-	-	37,626
Prepaid expenditures	269,338	-	-	-	269,338
Total nonspendable	<u>321,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>321,964</u>
Restricted					
Educational programs	8,444,395	-	-	-	8,444,395
Student activities	-	-	-	114,665	114,665
Capital projects	-	61,882,836	-	3,035,690	64,918,526
Debt services	-	-	14,517,334	785,108	15,302,442
Total restricted	<u>8,444,395</u>	<u>61,882,836</u>	<u>14,517,334</u>	<u>3,935,463</u>	<u>88,780,028</u>
Assigned					
Deferred maintenance	-	-	-	10	10
Employee benefits	1,849,420	-	-	-	1,849,420
Transportation fleet	320,000	-	-	-	320,000
Legal	200,000	-	-	-	200,000
Special education	2,200,000	-	-	-	2,200,000
LCFF supplemental carryover	1,461,125	-	-	-	1,461,125
Interim HR director	48,000	-	-	-	48,000
Facilities maintenance	3,000,000	-	-	-	3,000,000
Total assigned	<u>9,078,545</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>9,078,555</u>
Unassigned					
Reserve for economic uncertainties	3,617,450	-	-	-	3,617,450
Remaining unassigned	16,674,727	-	-	-	16,674,727
Total unassigned	<u>20,292,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,292,177</u>
Total	<u>\$ 38,137,081</u>	<u>\$ 61,882,836</u>	<u>\$ 14,517,334</u>	<u>\$ 3,935,473</u>	<u>\$ 118,472,724</u>

Note 11 - Risk Management

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases commercial insurance for property damage with coverage up to a maximum of \$1 billion, subject to various policy sublimits generally ranging from \$1 million to \$50 million and deductible of \$10,000 per occurrence. The District also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence and \$2 million aggregate, with excess liability coverage with \$24 million per occurrence limit, subject to deductible of \$5,000 per occurrence. Employee health benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan.

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, 2020, the District was a member of South Bay Area Schools Insurance Authority (SBASIA) for property and liability insurance coverage. The joint powers agreement provides that SBASIA will be self-sustaining through member premiums and will insure through commercial insurance companies for claims in excess of self-insured levels. 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 2020, the District participated in the CSAC Excess Insurance Authority JPA an insurance purchasing pool. The intent of the CSAC Excess Insurance Authority JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the CSAC Excess Insurance Authority JPA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the CSAC Excess Insurance Authority JPA. Each participant pays its workers' compensation premium based on its individual rate. 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 the CSAC Excess Insurance Authority JPA. Participation in the CSAC Excess Insurance Authority JPA is limited to districts that can meet the CSAC Excess Insurance Authority JPA's selection criteria. The firm of Alliant Insurance Services provides administrative, cost control, and actuarial services to the JPA.

Employee Medical Benefits

The District has contracted with the Kaiser and Blue Shield to provide employee health benefits. The rates are set through an annual calculation process. The claims have not exceeded coverages for any of the past three years nor has there been a reduction of coverage to date.

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:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 93,200,226	\$ 20,176,751	\$ 13,067,837	\$ 9,596,664
CalPERS	24,847,967	4,739,226	1,054,948	4,489,284
Total	<u>\$ 118,048,193</u>	<u>\$ 24,915,977</u>	<u>\$ 14,122,785</u>	<u>\$ 14,085,948</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:

	STRP Defined Benefit Program	
	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% 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 \$8,647,637.

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	\$ 93,200,226
State's proportionate share of the net pension liability	<u>48,044,727</u>
Total	<u><u>\$ 141,244,953</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 period June 30, 2020 and June 30, 2019, respectively was 0.0962% and 0.1009%, resulting in a net decrease in the proportionate share of 0.0047%.

For the year ended June 30, 2021, the District recognized pension expense of \$9,596,664. In addition, the District recognized pension expense and revenue of \$6,730,595 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 8,647,637	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	62,414	10,439,430
Differences between projected and actual earnings on pension plan investments	2,213,902	-
Differences between expected and actual experience in the measurement of the total pension liability	164,456	2,628,407
Changes of assumptions	<u>9,088,342</u>	<u>-</u>
Total	<u><u>\$ 20,176,751</u></u>	<u><u>\$ 13,067,837</u></u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (1,350,908)
2023	754,318
2024	1,504,946
2025	1,305,546
Total	\$ 2,213,902

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	\$ (536,418)
2023	(416,103)
2024	518,421
2025	(1,610,543)
2026	(1,069,083)
Thereafter	(638,899)
Total	\$ (3,752,625)

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	January 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%)	\$ 140,812,559
Current discount rate (7.10%)	93,200,226
1% increase (8.10%)	53,889,540

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan(s) regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report(s), Schools Pool Actuarial Valuation, [and the Risk Pool Actuarial Valuation Report, Safety,]. This (These) report(s) 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:

	School Employer Pool (CalPERS)	
	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 \$2,898,469.

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 \$24,847,967. 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 0.0810% and 0.0818%, resulting in a net decrease in the proportionate share of 0.0008%.

For the year ended June 30, 2021, the District recognized pension expense of \$4,489,289. 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	\$ 2,898,469	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	-	1,054,948
Differences between projected and actual earnings on pension plan investments	517,256	-
Differences between expected and actual experience in the measurement of the total pension liability	1,232,383	-
Changes of assumptions	91,118	-
	<u>\$ 4,739,226</u>	<u>\$ 1,054,948</u>
Total	<u>\$ 4,739,226</u>	<u>\$ 1,054,948</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (193,568)
2023	172,656
2024	300,104
2025	238,064
	<u>517,256</u>
Total	<u>\$ 517,256</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:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 304,313
2023	(11,975)
2024	(21,527)
2025	(2,258)
Total	\$ 268,553

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:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 35,723,484
Current discount rate (7.15%)	24,847,967
1% increase (8.15%)	15,821,834

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 \$5,437,234 (10.328% 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.

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 involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.

Construction Commitments

As of June 30, 2021, the District had various site modernization commitments in the amount of \$15.9 million with expected completion date by December 31, 2022.

Note 14 - Participation in Joint Powers Authorities and Other Related Party Transactions

The District is a member of the South Bay Area School Insurance Authority (SBASIA), the PRISM Excess Insurance Authority (PRISM), and the East Valley Transportation Agency (EVT). The District pays an annual premium to the applicable entity for its worker's compensation, property liability coverage, or services provided. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes. These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

The District has appointed its Chief Business Officer to the Governing Board of SBASIA, PRISM and Director of Operations Support Services, Michael Butler to the EVT.

During the year ended June 30, 2021, the District made payments of \$792,077, \$733,550, and \$355,386 to SBASIA, PRISM, and EVT, respectively for services rendered.

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

As of July 1, 2020, the 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 (deficit).

	Non-Major Governmental Funds	Total Governmental Funds
Beginning Fund Balance previously reported at June 30, 2020	\$ 3,199,900	\$ 87,685,739
Reclassification of student activity funds from agency funds to a special revenue fund	146,381	146,381
Fund Balance - Beginning as Restated June 30, 2020	\$ 3,346,281	\$ 87,832,120
 Governmental Activities		
Beginning Net Position (Deficit) Governmental Activity previously reported at June 30, 2020		\$ (45,694,644)
Reclassification of student activity funds from agency funds to a special revenue fund		146,381
Net Position (Deficit) - Beginning as Restated		\$ (45,548,263)

Evergreen 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	\$ 84,270,524	\$ 91,585,829	\$ 92,227,908	\$ 642,079
Federal sources	3,710,317	14,877,995	12,877,627	(2,000,368)
Other State sources	8,791,627	10,017,107	14,403,315	4,386,208
Other local sources	5,587,181	5,455,267	4,144,898	(1,310,369)
Total revenues	<u>102,359,649</u>	<u>121,936,198</u>	<u>123,653,748</u>	<u>1,717,550</u>
Expenditures				
Current				
Certificated salaries	53,879,973	53,990,598	54,888,134	(897,536)
Classified salaries	11,427,089	11,063,589	11,538,644	(475,055)
Employee benefits	33,635,043	33,294,110	33,091,125	202,985
Books and supplies	5,079,811	15,476,045	9,270,093	6,205,952
Services and operating expenditures	9,264,513	11,143,386	10,619,344	524,042
Other outgo	2,781,473	1,234,569	183,187	1,051,382
Capital outlay	-	762,863	991,147	(228,284)
Total expenditures	<u>116,067,902</u>	<u>126,965,160</u>	<u>120,581,674</u>	<u>6,383,486</u>
Excess (Deficiency) of Revenues Over Expenditures	(13,708,253)	(5,028,962)	3,072,074	8,101,036
Other Financing Sources (Uses)				
Transfers out	(690,612)	(690,612)	(276,824)	413,788
Net financing sources (uses)	<u>(690,612)</u>	<u>(690,612)</u>	<u>(276,824)</u>	<u>413,788</u>
Net Change in Fund Balances	(14,398,865)	(5,719,574)	2,795,250	8,514,824
Fund Balance - Beginning	<u>35,341,831</u>	<u>35,341,831</u>	<u>35,341,831</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 20,942,966</u>	<u>\$ 29,622,257</u>	<u>\$ 38,137,081</u>	<u>\$ 8,514,824</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 1,840,185	\$ 1,752,557	\$ 1,900,883	\$ 2,110,864
Interest	1,474,423	1,477,722	1,317,288	1,070,163
Changes of benefit terms	22,006	-	-	-
Difference between expected and actual experience	(9,904,534)	-	307,347	-
Changes of assumptions	1,429,099	1,382,985	(1,054,569)	(2,581,380)
Benefit payments	<u>(724,367)</u>	<u>(617,444)</u>	<u>(1,547,925)</u>	<u>(1,158,977)</u>
Net change in total OPEB liability	(5,863,188)	3,995,820	923,024	(559,330)
Total OPEB Liability - Beginning	<u>42,488,565</u>	<u>38,492,745</u>	<u>37,569,721</u>	<u>38,129,051</u>
Total OPEB Liability - Ending	<u>\$ 36,625,377</u>	<u>\$ 42,488,565</u>	<u>\$ 38,492,745</u>	<u>\$ 37,569,721</u>
Covered-employee Payroll	<u>66,356,869</u>	<u>67,817,403</u>	<u>67,529,396</u>	<u>58,649,118</u>
Total OPEB Liability as a Percentage of Covered-Employee Payroll	<u>55.19%</u>	<u>62.65%</u>	<u>57.00%</u>	<u>64.06%</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.

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

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Proportion of the net pension liability	0.0962%	0.1009%	0.1024%	0.1071%	0.1132%	0.1205%	0.1199%
Proportionate share of the net pension liability	\$ 93,200,226	\$ 91,155,467	\$ 94,106,071	\$ 99,016,964	\$ 91,580,535	\$ 81,132,322	\$ 70,072,007
State's proportionate share of the net pension liability	48,044,727	49,731,393	53,880,127	58,577,599	52,135,165	42,910,055	42,312,503
Total	<u>\$ 141,244,953</u>	<u>\$ 140,886,860</u>	<u>\$ 147,986,198</u>	<u>\$ 157,594,563</u>	<u>\$ 143,715,700</u>	<u>\$ 124,042,377</u>	<u>\$ 112,384,510</u>
Covered-employee payroll	<u>\$ 52,085,509</u>	<u>\$ 54,052,039</u>	<u>\$ 54,852,162</u>	<u>\$ 56,388,696</u>	<u>\$ 56,700,233</u>	<u>\$ 50,656,791</u>	<u>\$ 54,001,099</u>
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>178.94%</u>	<u>168.64%</u>	<u>171.56%</u>	<u>176%</u>	<u>162%</u>	<u>160%</u>	<u>130%</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>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS							
Proportion of the net pension liability	0.0810%	0.0818%	0.0889%	0.0921%	0.0931%	0.0945%	0.0922%
Proportionate share of the net pension liability	\$ 24,847,967	\$ 23,826,741	\$ 23,706,893	\$ 21,986,534	\$ 21,986,534	\$ 18,387,896	\$ 13,925,990
Covered-employee payroll	<u>\$ 14,063,967</u>	<u>\$ 14,025,357</u>	<u>\$ 14,967,394</u>	<u>\$ 16,738,090</u>	<u>\$ 18,478,037</u>	<u>\$ 13,716,566</u>	<u>\$ 10,472,116</u>
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>176.68%</u>	<u>169.88%</u>	<u>158.39%</u>	<u>131%</u>	<u>119%</u>	<u>134%</u>	<u>133%</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>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

See Notes to Required Supplementary Information

Evergreen School District
Schedule of the District Contributions for Pension
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS							
Contractually required contribution	\$ 8,647,637	\$ 8,906,622	\$ 8,799,672	\$ 7,915,167	\$ 7,093,698	\$ 6,083,935	\$ 4,498,323
Less contributions in relation to the contractually required contribution	<u>8,647,637</u>	<u>8,906,622</u>	<u>8,799,672</u>	<u>7,915,167</u>	<u>7,093,698</u>	<u>6,083,935</u>	<u>4,498,323</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 53,577,871</u>	<u>\$ 52,085,509</u>	<u>\$ 54,052,039</u>	<u>\$ 54,852,162</u>	<u>\$ 56,388,696</u>	<u>\$ 56,700,233</u>	<u>\$ 50,656,791</u>
Contributions as a percentage of covered-employee payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS							
Contractually required contribution	\$ 2,898,469	\$ 2,773,555	\$ 2,533,260	\$ 2,324,586	\$ 2,324,586	\$ 2,189,093	\$ 1,614,577
Less contributions in relation to the contractually required contribution	<u>2,898,469</u>	<u>2,773,555</u>	<u>2,533,260</u>	<u>2,324,586</u>	<u>2,324,586</u>	<u>2,189,093</u>	<u>1,614,577</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 11,984,121</u>	<u>\$ 14,063,967</u>	<u>\$ 14,025,357</u>	<u>\$ 14,967,394</u>	<u>\$ 16,738,090</u>	<u>\$ 18,478,037</u>	<u>\$ 13,716,566</u>
Contributions as a percentage of covered-employee payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</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 has been changed from 3.50% in 2019 to 2.21% in 2020.

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 the District Contributions for Pension

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.

Evergreen 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	\$ 1,504,779
Local Assistance, Private School	84.027	10115	1,685
Mental Health Services	84.027	14468	104,270
Preschool Grants	84.173	13430	66,160
Special Education Preschool Grants			
Preschool Staff Development	84.173	13431	587
Alternate dispute Resolution	84.173	13007	7,169
Total Special Education Cluster			<u>1,684,650</u>
COVID-19, Elementary and Secondary School Emergency Relief (ESSER) Fund			
ESSER	84.425D	15536	1,140,350
ESSER II	84.425D	15547	4,272,520
COVID-19, Governor's Emergency Education Relief Fund	84.425C	15517	394,230
Subtotal			<u>5,807,100</u>
Title I Grants to Local Educational Agencies			
Migrant Education State Grant Program	84.010	14329	900,922
Supporting Effective Instruction State Grants	84.011	14838	15,987
English Language Acquisition State Grants - LEP	84.367	14341	329,217
English Language Acquisition State Grants - LEP	84.365	14346	91,581
Total U.S. Department of Education			<u>8,829,457</u>
U.S. Department of Treasury			
Passed Through CDE			
COVID-19, Coronavirus Relief Fund			
Learning Loss Mitigation	21.019	25516	4,048,170
Total U.S. Department of Treasury			<u>4,048,170</u>
U.S. Department of Agriculture			
Passed Through CDE			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	801,657
National School Lunch Program - Meal Supplements	10.556	13396	130,701
School Breakfast Program - Especially Needy Breakfast	10.553	13526	278,518
Total Child Nutrition Cluster			<u>1,210,876</u>
Total U.S. Department of Agriculture			<u>1,210,876</u>
Total Federal Financial Assistance			<u>\$ 14,088,503</u>

ORGANIZATION

The District was organized in 1860 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 fifteen elementary, and three middle schools. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Christopher Corpus	President	2022
Lila Welch	President Pro Tem	2024
Marisa Hanson	Clerk	2022
Jim Zito	Trustee	2022
Pattie Andrade	Trustee	2024

ADMINISTRATION

Dr. Emy Flores	Superintendent
Victoria knutson	Chief Business Officer
Mary McElhinney Stark, LLC	Interim Chief Business Officer (CBO) services (June 2020)

Evergreen School District
 Schedule of Instructional Minutes
 Year Ended June 30, 2021

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	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

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

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Debt Service Fund for Blended Component Units
Fund Balance	
Balance, June 30, 2021, Unaudited Actuals	\$ 1,444,782
Decrease in Investment	(659,674)
Balance, June 30, 2021, Audited Financial Statements	\$ 785,108

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

	(Budget) 2022 ¹	2021	2020	2019
General Fund ³				
Revenues	\$ 130,837,411	\$ 123,653,748	\$ 119,450,430	\$ 123,243,093
Other sources	-	-	-	724,242
Total Revenues and Other Sources	130,837,411	123,653,748	119,450,430	123,967,335
Expenditures	128,428,800	120,581,674	115,619,224	120,635,275
Other uses and transfers out	853,842	276,824	-	-
Total Expenditures and Other Uses	129,282,642	120,858,498	115,619,224	120,635,275
Increase/(Decrease) in Fund Balance	1,554,769	2,795,250	3,831,206	3,332,060
Ending Fund Balance	\$ 39,691,850	\$ 38,137,081	\$ 35,341,831	\$ 31,510,625
Available Reserves ²	\$ 31,171,992	\$ 20,292,177	\$ 28,425,759	\$ 26,956,205
Available Reserves as a Percentage of Total Outgo	24.11%	16.79%	24.59%	22.35%
Long-Term Liabilities	\$ 345,831,176	\$ 358,067,245	\$ 336,948,196	\$ 328,504,462
K-12 Average Daily Attendance at P-2	10,092	10,098	10,098	10,502

The General Fund balance has increased by \$6,626,456 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$1,554,769 (4.08%). For a district this size, the State recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years and anticipates incurring an operating surplus during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$29,562,783 over the past two years.

Average daily attendance has decreased by 404 over the past two years. Additional decline of 6 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 unassigned fund balances including all amounts reserved for economic Uncertainties contained with the General Fund.

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

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

	Student Activity Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds
Assets						
Deposits and investments	\$ 67,689	\$ 474,442	\$ 10	\$ 3,025,841	\$ 783,702	\$ 4,351,684
Receivables	-	87,386	-	11,475	1,406	100,267
Due from other funds	46,976	-	-	-	-	46,976
Stores inventories	-	104,178	-	-	-	104,178
Total assets	\$ 114,665	\$ 666,006	\$ 10	\$ 3,037,316	\$ 785,108	\$ 4,603,105
Liabilities and Fund Balances						
Liabilities						
Accounts payable	-	\$ 202,058	\$ -	\$ 1,626	\$ -	\$ 203,684
Due to other funds	-	463,948	-	-	-	463,948
Total liabilities	-	666,006	-	1,626	-	667,632
Fund Balances						
Restricted	114,665	-	-	3,035,690	785,108	3,935,463
Assigned	-	-	10	-	-	10
Total fund balances	114,665	-	10	3,035,690	785,108	3,935,473
Total liabilities and fund balances	\$ 114,665	\$ 666,006	\$ 10	\$ 3,037,316	\$ 785,108	\$ 4,603,105

Evergreen School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2021

	Student Activity Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds
Revenues						
Federal sources	\$ -	\$ 1,210,876	\$ -	\$ -	\$ -	\$ 1,210,876
Other State sources	-	190,223	-	-	-	190,223
Other local sources	58,361	24,652	(21)	727,511	(1,299)	809,204
Total revenues	58,361	1,425,751	(21)	727,511	(1,299)	2,210,303
Expenditures						
Current						
Pupil services						
Food services	-	1,728,698	-	-	-	1,728,698
Administration						
All other administration	-	63,701	-	-	-	63,701
Plant services	-	11,776	-	-	-	11,776
Ancillary services	90,077	-	-	-	-	90,077
Capital outlay	-	-	3,683	-	-	3,683
Total expenditures	90,077	1,804,175	3,683	-	-	1,897,935
Excess (Deficiency) of Revenues Over Expenditures	(31,716)	(378,424)	(3,704)	727,511	(1,299)	312,368
Other Financing Sources (Uses)						
Transfers in	-	276,824	-	-	-	276,824
Net Change in Fund Balances	(31,716)	(101,600)	(3,704)	727,511	(1,299)	620,908
Fund Balance - Beginning, as restated	146,381	101,600	3,714	2,308,179	786,407	3,346,281
Fund Balance - Ending	\$ 114,665	\$ -	\$ 10	\$ 3,035,690	\$ 785,108	\$ 3,967,189

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 Evergreen 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or fund balance of the District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

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* Sections 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 - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

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

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 Evergreen 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".

Menlo Park, California
February 2, 2022



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

Governing Board
Evergreen School District
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited Evergreen 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 Evergreen School District’s major federal programs for the year ended June 30, 2021. Evergreen 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 Evergreen 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 Evergreen 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 Evergreen School District’s compliance.

Opinion on Each Major Federal Program

In our opinion, Evergreen 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 Evergreen 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 Evergreen 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 Evergreen 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.



Menlo Park, California
February 2, 2022

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	Yes
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

Early Retirement Incentive

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

Apprenticeship: Related and Supplemental Instruction

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

District of Choice

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

Independent Study - Course Based

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.

Charter Schools

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

Unmodified Opinion

In our opinion, Evergreen 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.

Menlo Park, California
February 2, 2022

Financial statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with Generally Accepted Accounting Principals.	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) Fund	84.425D
COVID-19, Governor's Emergency Education Relief Fund	84.425C
COVID-19, Coronavirus Relief Fund	21.019
Child Nutrition Cluster	10.555, 10.556, 10.553
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

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.