



Financial Statements
June 30, 2020

Evergreen School District

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Independent Auditor's Report

To the Governing Board
Evergreen School District
San Jose, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net pension liability, and the schedule of the District contributions for pension, 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 and individual nonmajor 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 and individual nonmajor 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 and individual nonmajor 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 5, 2021 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".

Menlo Park, California
February 5, 2021

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, 2020, with comparative information for the year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

DISTRICT PROFILE

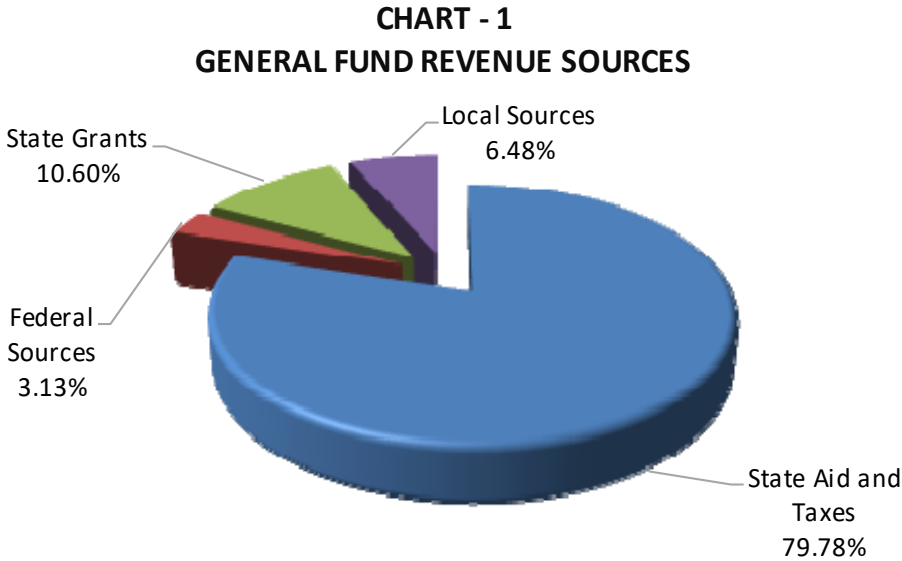
Evergreen School District (the District) was formed in 1860 and is one of the oldest school districts in Santa Clara County. The District is located along the Mount Hamilton mountain range in the southeastern part of San Jose and extends West Highway 101 and North Tully Road. It encompasses an area of 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 in 2019-2020 was 10,098, a decrease of 404 ADA from 2018-2019.

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

Local control funding formula 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 \$9,437 which is an increase of \$253 per ADA or an increase of 3% from the 2018-2019 funding level.

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



2020 RESULTS OF OPERATIONS

Major Governmental Fund Statements

General Fund

The District's General Fund revenues, excluding Special Reserves Fund for Retiree Benefits, was higher than expenditures by \$3,830,723. The unrestricted General Fund ending fund balance was \$28,425,759. All of this amount is unassigned but reserved for economic uncertainties. By way of comparison, the unrestricted ending fund balance at June 30, 2019 was \$26,956,205, thus the District has increased its available reserves by \$1,469,554. These reserves are inclusive of the Special Reserve Fund for Postemployment Benefits.

Building Fund

The District's Building Fund balance has increased by \$7,607,238 to \$35,773,935. The net increase resulted from County Treasury earned interest, Proceeds from the Sale of Bonds, Net Increase in Fair Value of Investments 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 decreased by \$789,949 to \$13,370,073. 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.

Cafeteria Fund

The District's Cafeteria Fund balance has decreased by \$269,754 to \$101,600. The decrease was net of applicable expenditures from COVID-19 resources made due to the March 20, 2020, Board determined pandemic quarantine sites shutdown and a net increase in fair value of investments.

Deferred Maintenance Fund

The District's Deferred Maintenance Fund balance has increased by \$115 to \$3,714. The increase represents the interest revenue received and net increase in fair value of investment.

Capital Facilities Fund

The District's Capital Facilities Fund balance has increased by \$601,548 to \$2,308,179. The increase was due to the interest earned, developer fee collections and net increase in fair value of investments exceeding construction expenditures.

Mello Roos Debt Service Fund

The District's Mello Roos Debt Service Fund balance has decreased by \$644,701 to \$786,407. 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 three 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.
- *Fiduciary Funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was a deficit \$45.69 million at June 30, 2020, an increase of \$2.06 million from 2018-2019. However, without the effect of these long-term items, our unrestricted net position includes \$28.43 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 5 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 \$139.24 million. However, the amount that our taxpayers ultimately financed for those activities through local taxes and other general revenues was only \$120.23 million because of certain grants and contributions along with charges for services that financed a portion of those expenses.

	Governmental Activities	
	2020	2019
Current and other assets	\$ 93.70	\$ 83.73
Capital assets	195.91	197.02
Total Assets	<u>289.61</u>	<u>280.75</u>
Deferred amount on refunding	0.66	0.84
OPEB	2.38	0.76
Pension activities	26.43	30.55
Total Deferred Outflows of Resources	<u>29.48</u>	<u>32.15</u>
Current liabilities	8.99	19.84
Long-term liabilities	336.95	318.47
Total Liabilities	<u>345.94</u>	<u>345.74</u>
OPEB	2.68	3.04
Pension activities	16.16	15.18
Total Deferred Inflows of Resources	<u>18.85</u>	<u>18.22</u>
Net Position		
Net investment in capital assets	53.23	54.08
Restricted	20.18	17.85
Unrestricted		
Board committed	-	0.62
Reserved for uncertainty	28.43	26.96
Unassigned	(147.54)	(143.14)
Total Net Position	<u>\$ (45.69)</u>	<u>\$ (43.63)</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 \$925 thousand; 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 \$147.42 million. However, the amount that our taxpayers ultimately financed for those activities through local taxes and other general revenues was only \$127.83 million.

For the prior year, major funding sources for governmental activities included charges for services to those who benefited from certain programs of \$1.71 million; operating grants and contributions from federal and state agencies; and other local organizations of \$17.89 million; Federal and State Aid, including LCFF funding of \$43.77 million.

	2020	2019	Changes
Program Revenues:			
Charges for services	\$ 0.93	\$ 1.71	\$ (0.00)
Operating granting and contributios	18.09	17.89	0.34
General Revenues:			
Federal and state sources	44.93	43.77	1.57
Property taxes	71.32	72.91	1.83
Other general revenues	1.91	9.73	(2.49)
Total Revenues	\$ 137.17	\$ 146.01	\$ 1.24
Functional Expenses:			
Instruction and instruction-related activities	\$ 98.90	\$ 103.07	\$ 0.85
Home-to-school transportation	1.35	1.45	(0.09)
Food services	3.16	3.71	(0.45)
All other pupil services	3.25	3.59	(0.05)
Administration	4.89	5.05	0.41
Plant services	7.46	8.45	(1.01)
Ancillary services	0.06		
Interest on long-term obligations	6.95	7.85	(1.35)
Other outgo	3.59	4.79	0.94
Depreciation	9.63	9.46	(0.14)
Total Expenses	\$ 139.24	\$ 147.42	\$ (0.88)
Changes in Net Position	\$ (2.07)	\$ (1.41)	\$ 2.12

Note: Totals may not add due to rounding.

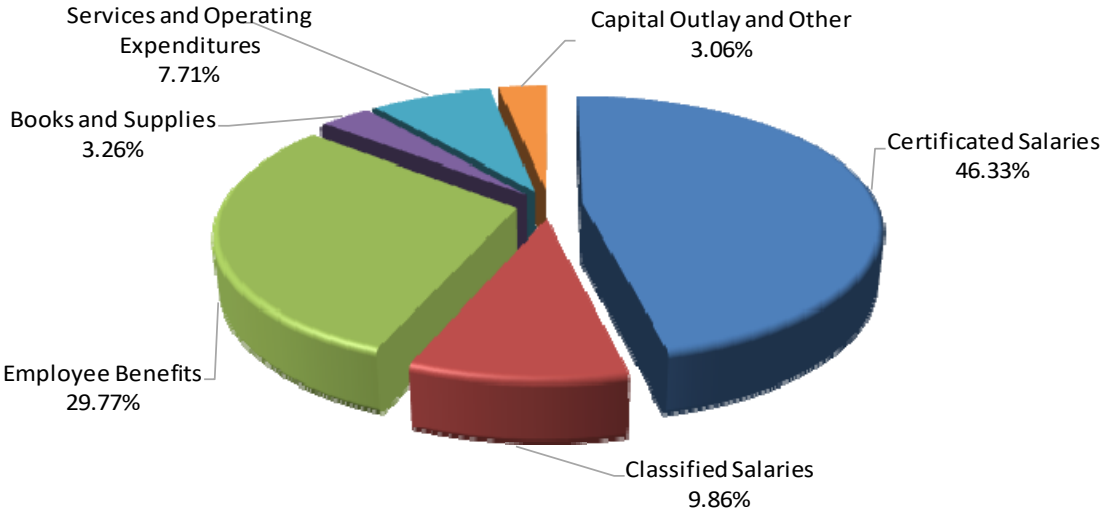
Table 3 presents the net cost of each of the District's largest functions. As discussed above, net cost shows the financial burden that was required to support primarily by state LCFE revenue sources and local property taxes.

Table 3			
Evergreen School District			
Net Cost of Governmental Activities			
(in millions of dollars)			
	<u>2020</u>	<u>2019</u>	<u>Changes</u>
Instruction and instruction-related activities	\$ 98.90	\$ 88.69	\$ 10.21
Home-to-school transportation	1.35	1.41	(0.06)
Food services	3.16	0.08	3.08
All other pupil services	3.25	2.58	0.67
Administration	4.89	4.73	0.16
Plant services	7.46	8.23	(0.77)
Ancillary services	0.06	0.03	0.03
Interest on long-term obligations	6.95	7.85	(0.90)
Other outgo	3.59	4.77	(1.18)
Depreciation	9.63	9.46	0.17
Total Net Cost of Governmental Activities	<u><u>\$ 139.24</u></u>	<u><u>\$ 127.83</u></u>	<u><u>\$ 11.41</u></u>
<i>Note: Totals may not add due to rounding.</i>			

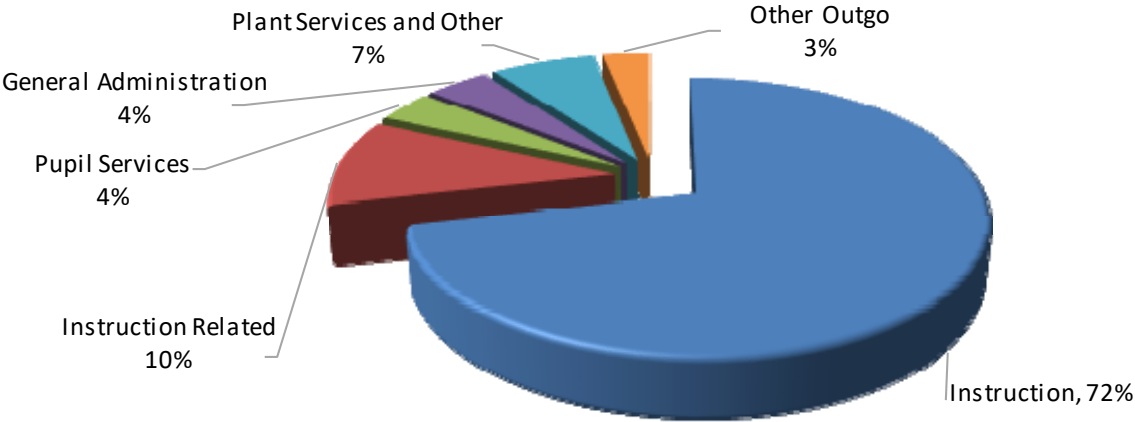
Charts 2 and 3 provide a breakdown of the General Fund expenditures, excluding Special Reserve Fund for Postemployment Benefits. As it is common with virtually all school districts, the majority of expenditures in the General Fund are for salaries and benefits of approximately 86% (certificated, classified, 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 71% of the District's salaries on classroom instruction activity.

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



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



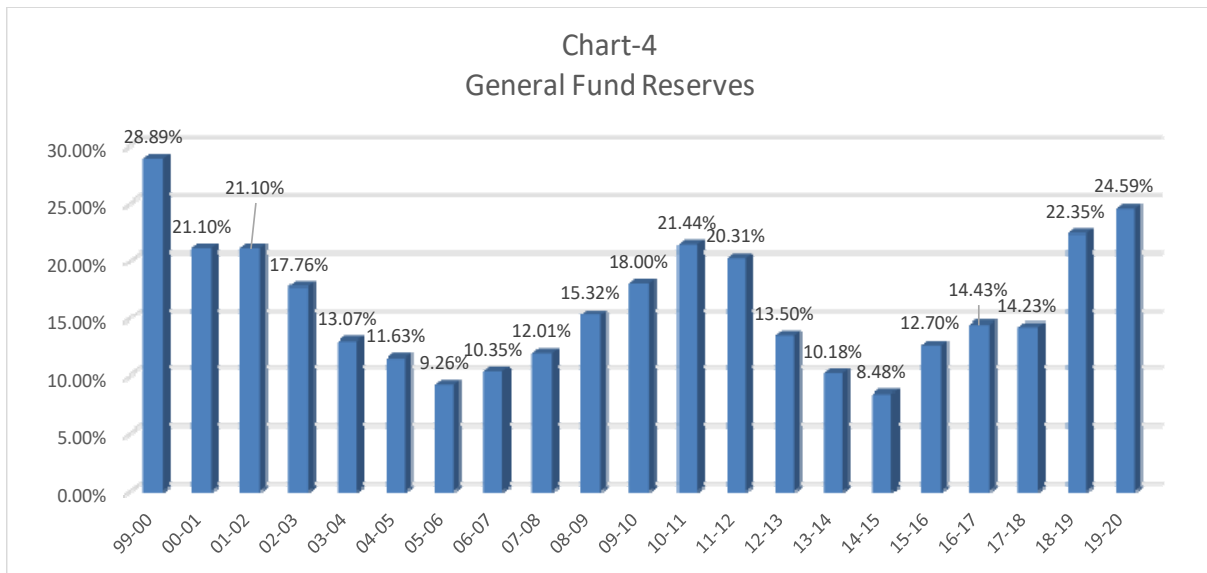
Available Reserves

The General Fund has the total available reserve balance of \$28.43 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 1999-2000 through 2019-2020. 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, 2020.

	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues	\$ 117,012,789	\$ 119,450,430	\$ 2,437,641
Total Expenditures	\$ 118,702,971	\$ 115,619,218	\$ 3,083,753

The favorable variances of \$3,083,753 in total expenditures and transfers out, and \$2,437,641 in total revenues were primarily due to the net of reduced expenditures from school site closures for the COVID-19 pandemic on March 20, 2020, and contributions to Fund 130 Cafeteria Fund from CARES Act funds; increased restricted and local funds, net increase of fair value of investments and adjusted accounts payable for LCFF deferral..

Actual revenues in Table 4 do not include Special Reserve Fund for Postemployment Benefits that is combined into the General Fund in the basic financial statements for presentation purpose.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019-2020 the District had invested \$343.95 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 \$8.56 million from last year. (More detailed information about capital assets can be found in Note 5 to the financial statements).

Table 5			
Evergreen School District			
Capital Assets at Year-end			
(in millions of dollars)			
	2020	2019	Changes
Land	\$ 26.87	\$ 26.87	\$ -
Construction in progress	16.91	14.00	2.91
Buildings and improvements	294.96	289.40	5.56
Equipment and vehicles	5.21	5.12	0.09
Total	\$ 343.95	\$ 335.39	\$ 8.56

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.

Long-Term Debt

At year-end the District had \$179.11 million in general obligation bonds, an increase of \$7.16 million from prior year and \$0.37 million in other long-term debt outstanding, 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 10 to the financial statements.)

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 12 and 14).

Table 6			
Evergreen School District			
Outstanding Long-Term Debt			
(in millions of dollars)			
	2020	2019	Changes
General obligation bonds	\$ 179.11	\$ 171.95	\$ 7.16
Compensated absence	0.37	0.24	0.13
Total	\$ 179.48	\$ 172.19	\$ 7.29

At year-end, the District has a net pension liability of \$114,982,208 versus \$117,812,964 last year, a decrease of \$2,830,756, or 2.4% and an OPEB liability of \$42,488,565 versus \$38,492,745 last year, an increase of \$3,995,820, or 10.38%.

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 \$157.5 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

On March 20, 2020, the Governing Board gave direction for all District school sites to close due to Federal and State emergency declarations for the COVID-19 pandemic. Other impacts to the FY 2019-20 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. The unrestricted General Fund ending balance increase includes net of a fair value of investments and a deferred LCFF funds adjustment. 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 2020-21. 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 two school sites. 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.

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, 2020

	Governmental Activities
Assets	
Deposits and investments	\$ 85,085,962
Receivables	8,233,758
Prepaid items	269,338
Stores inventories	113,910
Capital assets not depreciated	43,783,397
Capital assets, net of accumulated depreciation	152,122,077
Total assets	289,608,442
Deferred Outflows of Resources	
Deferred charge on refunding	663,692
Deferred outflows of resources related to OPEB	2,384,378
Deferred outflows of resources related to pensions	26,429,302
Total deferred outflows of resources	29,477,372
Liabilities	
Accounts payable	6,016,899
Interest payable	2,969,910
Long-term liabilities	
Long-term liabilities other than OPEB and pensions	
Due within one year	10,029,611
Due in more than one year	169,447,812
Total other postemployment benefits liabilities (OPEB)	42,488,565
Aggregate net pension liabilities	114,982,208
Total liabilities	345,935,005
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	2,683,194
Deferred inflows of resources related to pensions	16,162,253
Total deferred inflows of resources	18,845,447
Net Position	
Net investment in capital assets	53,233,185
Restricted for	
Debt service	11,186,570
Capital projects	2,308,179
Educational programs	6,585,828
Food Services	101,600
Self Insurance	324
Unrestricted	(119,110,324)
Total net position	\$ (45,694,638)

Evergreen School District
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 93,639,653	\$ -	\$ 11,537,790	\$ (82,101,863)
Instruction-related activities				
Supervision of instruction	4,077,140	-	962,198	(3,114,942)
Instructional library, media, and technology	1,148,487	-	-	(1,148,487)
School site administration	7,959,787	-	5,506	(7,954,281)
Pupil services				
Home-to-school transportation	1,463,818	-	-	(1,463,818)
Food services	3,414,066	885,201	1,567,582	(961,283)
All other pupil services	3,498,643	-	660,152	(2,838,491)
Administration				
Data processing	815,165	-	-	(815,165)
All other administration	4,438,075	31,325	137,750	(4,269,000)
Plant services	8,185,515	8,624	16,847	(8,160,044)
Ancillary services	57,411	-	-	(57,411)
Interest on long-term liabilities	6,954,823	-	-	(6,954,823)
Other outgo	3,589,261	-	3,198,440	(390,821)
Total governmental activities	<u>\$ 139,241,844</u>	<u>\$ 925,150</u>	<u>\$ 18,086,265</u>	<u>(120,230,429)</u>
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				509,217
Subtotal, general revenues				<u>118,163,193</u>
Change in Net Position				(2,067,236)
Net Position - Beginning				<u>(43,627,402)</u>
Net Position - Ending				<u>\$ (45,694,638)</u>

See Notes to Financial Statements

Evergreen School District
Balance Sheet – Governmental Funds
June 30, 2020

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 31,315,025	\$ 37,283,225	\$ 13,337,189	\$ 3,150,200	\$ 85,085,639
Receivables	7,958,656	157,891	32,884	84,326	8,233,757
Due from other funds	43,908	-	-	65,460	109,368
Prepaid expenditures	269,338	-	-	-	269,338
Stores inventories	45,912	-	-	67,998	113,910
Total assets	\$ 39,632,839	\$ 37,441,116	\$ 13,370,073	\$ 3,367,984	\$ 93,812,012
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 4,225,542	\$ 1,639,822	\$ -	\$ 151,535	\$ 6,016,899
Due to other funds	65,460	27,359	-	16,549	109,368
Total liabilities	4,291,002	1,667,181	-	168,084	6,126,267
Fund Balances					
Nonspendable	330,250	-	-	68,298	398,548
Restricted	6,585,828	35,773,935	13,370,073	3,127,888	58,857,724
Assigned	-	-	-	3,714	3,714
Unassigned	28,425,759	-	-	-	28,425,759
Total fund balances	35,341,837	35,773,935	13,370,073	3,199,900	87,685,745
Total liabilities and fund balances	\$ 39,632,839	\$ 37,441,116	\$ 13,370,073	\$ 3,367,984	\$ 93,812,012

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

Total Fund Balance - Governmental Funds		\$ 87,685,745
<p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
The cost of capital assets is	\$ 343,957,477	
Accumulated depreciation is	<u>(148,052,003)</u>	
Net capital assets		195,905,474
<p>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.</p>		
		(2,969,910)
<p>An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.</p>		
		324
<p>Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to</p>		
Debt refundings	663,692	
Other postemployment benefits	2,384,378	
Net pension obligation	<u>26,429,302</u>	
Total deferred outflows of resources		29,477,372
<p>Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to</p>		
Other postemployment benefits	(2,683,194)	
Net pension obligation	<u>(16,162,253)</u>	
Total deferred inflows of resources		(18,845,447)
<p>Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(114,982,208)

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

The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(42,488,565)
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	(179,109,916)	
Compensated absences (vacations)	<u>(367,507)</u>	
Total long-term liabilities		<u>(179,477,423)</u>
Total net position - governmental activities		<u><u>\$ (45,694,638)</u></u>

Evergreen School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local control funding formula	\$ 95,294,439	\$ -	\$ -	\$ -	\$ 95,294,439
Federal sources	3,744,476	-	-	1,397,024	5,141,500
Other state sources	12,667,421	-	73,145	97,903	12,838,469
Other local sources	7,744,094	1,058,039	13,387,373	1,710,370	23,899,876
Total revenues	<u>119,450,430</u>	<u>1,058,039</u>	<u>13,460,518</u>	<u>3,205,297</u>	<u>137,174,284</u>
Expenditures					
Current					
Instruction	82,621,147	-	-	-	82,621,147
Instruction-related activities					
Supervision of instruction	3,742,554	-	-	-	3,742,554
Instructional library, media, and technology	1,026,378	-	-	-	1,026,378
School site administration	7,153,481	-	-	-	7,153,481
Pupil services					
Home-to-school transportation	1,305,348	-	-	-	1,305,348
Food services	345,542	-	-	2,711,376	3,056,918
All other pupil services	2,969,336	-	-	-	2,969,336
Administration					
Data processing	728,607	-	-	-	728,607
All other administration	4,136,959	-	-	95,948	4,232,907
Plant services	7,947,262	1,175	-	25,310	7,973,747
Ancillary services	53,343	-	-	-	53,343
Other outgo	3,589,261	-	-	-	3,589,261
Capital outlay	-	8,284,626	-	16,550	8,301,176
Debt service					
Principal	-	-	9,840,000	-	9,840,000
Interest and other	-	414,931	4,892,799	-	5,307,730
Total expenditures	<u>115,619,218</u>	<u>8,700,732</u>	<u>14,732,799</u>	<u>2,849,184</u>	<u>141,901,933</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,831,212</u>	<u>(7,642,693)</u>	<u>(1,272,281)</u>	<u>356,113</u>	<u>(4,727,649)</u>
Other Financing Sources (Uses)					
Proceeds from sales of bonds	-	22,922,900	482,332	-	23,405,232
Payments to escrow agent	-	(7,672,969)	-	-	(7,672,969)
Net Financing Sources (Uses)	<u>-</u>	<u>15,249,931</u>	<u>482,332</u>	<u>-</u>	<u>15,732,263</u>
Net Change in Fund Balances	3,831,212	7,607,238	(789,949)	356,113	11,004,614
Fund Balance - Beginning	31,510,625	28,166,697	14,160,022	2,843,787	76,681,131
Fund Balance - Ending	<u>\$ 35,341,837</u>	<u>\$ 35,773,935</u>	<u>\$ 13,370,073</u>	<u>\$ 3,199,900</u>	<u>\$ 87,685,745</u>

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, 2020

Total Net Change in Fund Balances - Governmental Funds		\$ 11,004,614
<p>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because</p> <p>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.</p> <p>This is the amount by which depreciation exceeds capital outlays in the period.</p>		
Depreciation expense	\$ (9,631,861)	
Capital outlays	<u>8,513,546</u>	
Net expense adjustment		(1,118,315)
<p>The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was</p>		
		(2,332,672)
<p>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.</p>		
		(123,197)
<p>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.</p>		
		(2,271,428)
<p>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.</p>		
		(2,019,878)
<p>Proceeds received from Sale of Bonds 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.</p>		
		(22,525,000)

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, 2020

Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium on issuance recognized	(880,232)
Premium amortization	1,239,431
Deferred amount 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	17,340,000
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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.

(205,292)

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.

324

Change in net position of governmental activities

\$ (2,067,236)

Evergreen School District
Statement of Net Position – Proprietary Funds
June 30, 2020

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Current assets	
Deposits and investments	\$ 323
Receivables	<u>1</u>
Total assets	<u>324</u>
Net Position	
Restricted for insurance programs	<u>324</u>
Total net position	<u><u>\$ 324</u></u>

Evergreen School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2020

	<u>Governmental Activities - Internal Service Fund</u>
Nonoperating Revenues (Expenses)	
Interest income	<u>\$ 324</u>
Change in Net Position	324
Total Net Position - Beginning	<u>-</u>
Total Net Position - Ending	<u><u>\$ 324</u></u>

Evergreen School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2020

	Governmental Activities - Internal Service Fund
Operating Activities	
Other operating cash payments	\$ (24,109)
Investing Activities	
Interest on investments	324
Net Change in Cash and Cash Equivalents	(23,785)
Cash and Cash Equivalents, Beginning	24,108
Cash and Cash Equivalents, Ending	<u>\$ 323</u>
Reconciliation of Operating Income to Net Cash Used for Operating Activities	
Operating income	\$ -
Adjustments to reconcile operating income to net cash used for operating activities	
Receivables	133
Due to other fund	(24,242)
Net Cash From Operating Activities	<u>\$ (24,109)</u>

Evergreen School District
Statement of Net Position – Fiduciary Funds
June 30, 2020

	<u>Agency Funds</u>
Assets	
Deposits and investments	<u>\$ 146,381</u>
Total assets	<u><u>\$ 146,381</u></u>
Liabilities	
Due to student groups	<u>\$ 146,381</u>
Total liabilities	<u><u>\$ 146,381</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 \$489.

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.

- **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. The District operates a [name of program(s)] that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District has only one fiduciary fund, which is an Associated Student Body Fund.

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each 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.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time 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.

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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about additions to/deductions from the District Plan have been determined on the same basis as they are reported by the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2020, 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

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

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

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

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

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

The provisions of this Statement have been implemented as of June 30, 2020.

New Accounting Pronouncements

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

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

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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.

As a result of the implementation of GASB Statement No. 95, 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.

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

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

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

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.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

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

As a result of the implementation of GASB Statement No. 95, 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.

As a result of the implementation of GASB Statement No. 95, 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. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. 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.

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

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.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. 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 June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. 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, 2020, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 85,085,639
Proprietary funds	323
Fiduciary funds	<u>146,381</u>
Total deposits and investments	<u><u>\$ 85,232,343</u></u>

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

Cash on hand and in banks	\$ 137,799
Cash with fiscal agent	15,300
Investments with county treasury	<u>85,079,244</u>
Total deposits and investments	<u><u>\$ 85,232,343</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 - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District’s investment in the pool is reported in the accounting financial statements at amounts based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, 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, 2020 was \$85,079,244 and the weighted average maturity of the pool was 517 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, 2020.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District has no significant custodial credit risk.

Note 3 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Santa Clara County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share. The County Treasury Investment Pool has a daily redemption frequency period and a one-day redemption notice period. As of June 30, 2020, all of the District's investment are in the Santa Clara County Treasury.

Note 4 - Receivables

Receivables at June 30, 2020, 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	\$ 2,786,598	\$ -	\$ -	\$ 66,297	\$ 2,852,895	\$ -
State Government						
LCFF apportionment	3,826,524	-	-	-	3,826,524	-
Categorical aid	330,562	-	-	4,658	335,220	-
Lottery	547,453	-	-	-	547,453	-
Local Government						
Interest	172,347	157,891	32,884	12,283	375,405	-
Other local sources	295,172	-	-	1,088	296,260	1
Total	\$ 7,958,656	\$ 157,891	\$ 32,884	\$ 84,326	\$ 8,233,757	\$ 1

Note 5 - Capital Assets

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 26,873,690	\$ -	\$ -	\$ 26,873,690
Construction in progress	14,048,648	6,065,429	(3,204,370)	16,909,707
Total capital assets not being depreciated	40,922,338	6,065,429	(3,204,370)	43,783,397
Capital assets being depreciated				
Buildings and improvements	289,403,371	5,557,532	-	294,960,903
Furniture and equipment	5,118,222	94,955	-	5,213,177
Total capital assets being depreciated	294,521,593	5,652,487	-	300,174,080
Total capital assets	335,443,931	11,717,916	(3,204,370)	343,957,477
Accumulated depreciation				
Buildings and improvements	(134,328,745)	(9,438,062)	-	(143,766,807)
Furniture and equipment	(4,091,397)	(193,799)	-	(4,285,196)
Total accumulated depreciation	(138,420,142)	(9,631,861)	-	(148,052,003)
Governmental activities capital assets, net	\$ 197,023,789	\$ 2,086,055	\$ (3,204,370)	\$ 195,905,474

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

Governmental Activities	
Instruction	\$ 6,928,167
Supervision of instruction	313,831
Instructional library, media, and technology	86,067
School site administration	599,853
Home-to-school transportation	109,460
Food services	256,337
All other pupil services	248,993
Data processing	4,473
All other administration	354,949
Plant services	61,097
Facility acquisition and construction	668,634
Total depreciation expenses governmental activities	\$ 9,631,861

Note 6 - 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. As of June 30, 2020, the General Fund has interfund receivables of \$43,908, which consists of the following: from the Building Fund in the amount of \$27,359, and from the Capital Facilities Fund in the amount of \$16,549, and interfund payable of \$65,460 to the Cafeteria Fund. These balances resulted from the time lag between the date that transactions are recorded in the accounting system and payments between funds are made.

Note 7 - 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 \$53,233,185 includes the effect of deferring the recognition of loss from advance refunding. The \$663,692 balance of the deferred outflow of resources at June 30, 2020, 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 8 - Accounts Payable

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

	General Fund	Building Funds	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,295,508	\$ 1,639,822	\$ 151,535	\$ 3,086,865
State LCFF apportionment	1,587,334	-	-	1,587,334
Salaries and benefits	1,249,481	-	-	1,249,481
Other	93,219	-	-	93,219
Total	\$ 4,225,542	\$ 1,639,822	\$ 151,535	\$ 6,016,899

Note 9 - 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, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds					
Current Interest	\$ 116,375,000	\$ 22,525,000	\$ (16,140,000)	\$ 122,760,000	\$ 8,465,000
Capital appreciation	42,830,018	2,332,672	(1,200,000)	43,962,690	464,100
Unamortized debt premiums	12,746,425	880,232	(1,239,431)	12,387,226	1,100,511
Sub total	171,951,443	25,737,904	(18,579,431)	179,109,916	10,029,611
Compensated absences	244,310	367,507	(244,310)	367,507	-
Total	<u>\$ 172,195,753</u>	<u>\$ 26,105,411</u>	<u>\$ (18,823,741)</u>	<u>\$ 179,477,423</u>	<u>\$ 10,029,611</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.

Bonded Debt

Defeased Bonded Debt

In December 2019, the District issued \$7,525,000 in General Obligation Bonds (the "2020 Refunding Bonds") with interest rates ranging from 2.13 to 5.0 percent to advance refund a total of \$7,500,000 of outstanding 2009 General Obligation Series B Bonds (the "2009 GO Series B Bonds") with interest rates of 5.125 percent. The net proceeds of \$7,672,969 (after payment of \$170,283 in issuance costs and \$79,648 in initial purchaser's discount) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2009 GO Series B Bonds. As a result, the \$7.5 million of outstanding 2009 GO Series B Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The District completed the refunding to reduce its total debt services payments over the next 15 years by \$2,852,003 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,203,177.

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Bonds Issued	Interest Accreted	Redeemed/Refunded	Bonds Outstanding June 30, 2020
2009	8/1/33	5.125%	\$ 7,500,000	\$ 7,500,000	\$ -	\$ -	\$ (7,500,000)	\$ -
2009	8/1/31	3.26-6.53%	22,498,712	42,830,018	-	2,332,672	(1,200,000)	43,962,690
2012	9/1/21	2.0-4.0%	7,700,000	3,610,000	-	-	(1,215,000)	2,395,000
2015	9/1/24	2.0-5.0%	33,990,000	22,590,000	-	-	(3,165,000)	19,425,000
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	35,000,000	-	-	(2,760,000)	32,240,000
2018	8/1/31	3.5-5.0%	11,140,000	9,075,000	-	-	(1,500,000)	7,575,000
2020	8/1/33	2.13-5.0%	7,525,000	-	7,525,000	-	-	7,525,000
2020	8/1/30	0.05-3.0%	15,000,000	-	15,000,000	-	-	15,000,000
				<u>\$ 159,205,018</u>	<u>\$ 22,525,000</u>	<u>\$ 2,332,672</u>	<u>\$ (17,340,000)</u>	<u>\$ 166,722,690</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
2021	\$ 464,100	\$ 1,269,857	\$ 1,733,957	\$ 16,043	\$ 1,750,000
2022	625,480	1,711,374	2,336,854	313,147	2,650,001
2023	1,733,347	1,667,512	3,400,859	449,141	3,850,000
2024	1,916,088	1,733,471	3,649,559	700,441	4,350,000
2025	2,579,624	2,421,006	5,000,630	1,349,370	6,350,000
2026-2030	13,058,437	13,015,045	26,073,482	13,276,519	39,350,001
2031-2032	857,536	909,813	1,767,349	1,707,649	3,474,998
Total	<u>\$ 21,234,612</u>	<u>\$ 22,728,078</u>	<u>\$ 43,962,690</u>	<u>\$ 17,812,310</u>	<u>\$ 61,775,000</u>

The current interest bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2021	\$ 8,465,000	\$ 4,155,056	\$ 12,620,056
2022	7,070,000	3,939,322	11,009,322
2023	6,885,000	3,802,550	10,687,550
2024	6,710,000	3,637,589	10,347,589
2025	5,045,000	3,490,365	8,535,365
2026-2030	16,965,000	16,115,461	33,080,461
2031-2035	21,475,000	14,650,306	36,125,306
2036-2040	16,465,000	6,236,413	22,701,413
2041-2045	23,455,000	4,952,276	28,407,276
2046-2050	10,225,000	462,075	10,687,075
Total	<u>\$ 122,760,000</u>	<u>\$ 61,441,413</u>	<u>\$ 184,201,413</u>

Note 10 - Total Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

<u>Total OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
<u>\$ 42,488,565</u>	<u>\$ 2,384,378</u>	<u>\$ 2,683,194</u>	<u>\$ 2,917,769</u>

District Plan

Plan Administration

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

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, 2020, the District paid \$897,891 in benefits.

Actuarial Assumptions

The total OPEB liability as of June 30, 2019 measurement date was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total OPEB liability to June 30, 2019. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00 percent, average, including inflation
Investment rate of return	3.50 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	5.00 percent for 2019

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

Mortality rates were based on the 2014 CalPERS experience study.

The actuarial assumptions used in the June 30, 2018 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, 2018	\$ 38,492,745
Service cost	1,752,557
Interest	1,477,722
Changes of assumptions or other inputs	1,382,985
Benefit payments	(617,444)
Net change in total OPEB liability	3,995,820
Balance at June 30, 2019	\$ 42,488,565

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 (2.5%)	\$ 46,485,888
Current discount rate (3.5%)	42,488,565
1% increase (4.5%)	38,863,757

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%)	\$ 36,967,155
Current discount rate (5.0%)	42,488,565
1% increase (6.0%)	49,001,091

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$2,917,769. At June 30, 2020, 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	\$ 897,891	\$ -
Differences between expected and actual experience	244,623	-
Changes of assumptions	1,241,864	2,683,194
Total	\$ 2,384,378	\$ 2,683,194

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
2021	\$ (180,972)
2022	(180,972)
2023	(180,972)
2024	(180,972)
2025	(180,972)
Thereafter	(291,847)
Total	\$ (1,196,707)

Note 11 - 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	\$ -	\$ -	\$ 300	\$ 15,300
Stores inventories	45,912	-	-	67,998	113,910
Prepaid expenditures	269,338	-	-	-	269,338
Total nonspendable	<u>330,250</u>	<u>-</u>	<u>-</u>	<u>68,298</u>	<u>398,548</u>
Restricted					
Educational programs	6,585,828	-	-	-	6,585,828
Food service	-	-	-	33,302	33,302
Capital projects	-	35,773,935	-	2,308,179	38,082,114
Debt services	-	-	13,370,073	786,407	14,156,480
Total restricted	<u>6,585,828</u>	<u>35,773,935</u>	<u>13,370,073</u>	<u>3,127,888</u>	<u>58,857,724</u>
Assigned					
Deferred maintenance	-	-	-	3,714	3,714
Total assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,714</u>	<u>3,714</u>
Unassigned					
Reserve for economic uncertainties	28,425,759	-	-	-	28,425,759
Total unassigned	<u>28,425,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,425,759</u>
Total	<u><u>\$35,341,837</u></u>	<u><u>\$35,773,935</u></u>	<u><u>\$13,370,073</u></u>	<u><u>\$ 3,199,900</u></u>	<u><u>\$87,685,745</u></u>

Note 12 - 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 13 - 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, 2020, 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	\$ 91,155,467	\$ 20,790,743	\$ 14,777,561	\$ 8,657,160
CalPERS	23,826,741	5,638,559	1,384,692	4,055,640
Total	<u>\$ 114,982,208</u>	<u>\$ 26,429,302</u>	<u>\$ 16,162,253</u>	<u>\$ 12,712,800</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, 2018, 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, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were \$8,906,622.

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

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

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 91,155,467
State's proportionate share of the net pension liability	<u>49,731,393</u>
Total	<u><u>\$ 140,886,860</u></u>

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.1009 percent and 0.1024 percent, resulting in a net decrease in the proportionate share of 0.0015 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$8,657,160. In addition, the District recognized pension expense and revenue of \$7,406,077 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	\$ 8,906,622	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	124,828	8,697,570
Differences between projected and actual earnings on pension plan investments	-	3,511,336
Differences between expected and actual experience in the measurement of the total pension liability	230,119	2,568,655
Changes of assumptions	<u>11,529,174</u>	<u>-</u>
Total	<u><u>\$ 20,790,743</u></u>	<u><u>\$ 14,777,561</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
2021	\$ (354,179)
2022	(2,787,588)
2023	(578,746)
2024	209,177
Total	\$ (3,511,336)

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
2021	\$ 211,667
2022	211,667
2023	339,504
2024	1,282,540
2025	(984,723)
Thereafter	(442,759)
Total	\$ 617,896

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
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-2016) 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 February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	-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%)	\$ 135,738,035
Current discount rate (7.10%)	91,155,467
1% increase (8.10%)	54,188,027

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, 2018 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, 2020, 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	19.721%	19.721%

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, 2020, are presented above and the total District contributions were \$2,773,555.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$23,826,741. The net pension liability was measured as of June 30, 2019. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined.

The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.0818 percent and 0.0889 percent, resulting in a net decrease in the proportionate share of 0.0071 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$4,055,640. 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	\$ 2,773,555	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	-	1,163,695
Differences between projected and actual earnings on pension plan investments	-	220,997
Differences between expected and actual experience in the measurement of the total pension liability	1,730,777	-
Changes of assumptions	1,134,227	-
	<u>\$ 5,638,559</u>	<u>\$ 1,384,692</u>
Total	<u>\$ 5,638,559</u>	<u>\$ 1,384,692</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
2021	\$ 218,149
2022	(435,746)
2023	(66,032)
2024	62,632
	<u>62,632</u>
Total	<u>\$ (220,997)</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
2021	\$ 1,352,767
2022	333,976
2023	13,244
2024	1,322
Total	\$ 1,701,309

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 34,344,680
Current discount rate (7.15%)	23,826,741
1% increase (8.15%)	15,101,384

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 \$6,937,033 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of these contributions have been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the General Fund – Budgetary Comparison Schedule and Major Special Revenue Fund – Budgetary Comparison Schedule.

Note 14 - 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, 2020.

Litigation

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

COVID-19 Contingencies

Subsequent to year-end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District’s financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Modernization at various sites		
Cadwallader Roofing Project	\$ 110,249	To be determined
Carolyn Clark Kinder CR Expansion	1,059,754	To be determined
Carolyn Clark STEM Project	46,023	To be determined
Central Kitchen Expansion & Renovation	442,424	October 2020
Chaboya Carport Solar Project	65,242	To be determined
Holly Oak STEM CR Project	55,468	To be determined
J. F. Smith Kinder CR Expansion	533,708	December 2020
J. F. Smith STEM Classroom	768,691	September 2020
K. R. Smith STEM CR & Window Replacement	259,422	August 2020
O. B. Whaley STEM CR & Window & Sitework	121,737	August 2020
Millbrook Kinder CR Expansion & STEM	230,911	September 2020
Norwood Creek Kinder CR Expansion & STEM	150,748	September 2020
Silver Oak Roofing & Solar Project	73,259	To be determined
Tom Matsumoto Kinder CR Expansion	1,164,342	December 2020
Tom Matsumoto STEM Classroom	44,080	May 2021
	<u>44,080</u>	
Total	<u>\$ 5,126,058</u>	

Note 15 - 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 CSAC Excess Insurance Authority (CSACEIA), 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, CSACEIA and Director of Operations Support Services, Rick Navarro to the EVT.

During the year ended June 30, 2020, the District made payments of \$638,992, \$737,114, and \$851,523 to SBASIA, CSACEIA, and EVT, respectively for services rendered.



Required Supplementary Information
June 30, 2020

Evergreen School District

Evergreen School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 95,357,234	\$ 95,378,454	\$ 95,294,439	\$ (84,015)
Federal sources	4,269,518	4,726,748	3,744,476	(982,272)
Other State sources	8,633,118	10,352,431	12,667,421	2,314,990
Other local sources	5,785,106	6,555,156	7,744,094	1,188,938
Total revenues	<u>114,044,976</u>	<u>117,012,789</u>	<u>119,450,430</u>	<u>2,437,641</u>
Expenditures				
Current				
Certificated salaries	55,554,562	54,724,601	53,565,267	1,159,334
Classified salaries	11,554,982	10,951,772	11,400,743	(448,971)
Employee benefits	34,856,930	33,668,974	34,424,763	(755,789)
Books and supplies	4,711,772	5,511,866	3,772,141	1,739,725
Services and operating expenditures	9,559,475	10,520,864	8,914,012	1,606,852
Other outgo	2,946,708	3,092,708	3,493,313	(400,605)
Capital outlay	4,000	4,000	48,979	(44,979)
Total expenditures	<u>119,188,429</u>	<u>118,474,785</u>	<u>115,619,218</u>	<u>2,855,567</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,143,453)	(1,461,996)	3,831,212	5,293,208
Other Financing Sources (Uses)				
Transfers out	(478,186)	(228,186)	-	228,186
Net Change in Fund Balances	(5,621,639)	(1,690,182)	3,831,212	5,521,394
Fund Balance - Beginning	<u>31,510,625</u>	<u>31,510,625</u>	<u>31,510,625</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 25,888,986</u>	<u>\$ 29,820,443</u>	<u>\$ 35,341,837</u>	<u>\$ 5,521,394</u>

Evergreen School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 1,752,557	\$ 1,900,883	\$ 2,110,864
Interest	1,477,722	1,317,288	1,070,163
Difference between expected and actual experience	-	307,347	-
Changes of assumptions	1,382,985	(1,054,569)	(2,581,380)
Benefit payments	<u>(617,444)</u>	<u>(1,547,925)</u>	<u>(1,158,977)</u>
Net change in total OPEB liability	3,995,820	923,024	(559,330)
Total OPEB Liability - Beginning	<u>38,492,745</u>	<u>37,569,721</u>	<u>38,129,051</u>
Total OPEB Liability - Ending	<u><u>\$ 42,488,565</u></u>	<u><u>\$ 38,492,745</u></u>	<u><u>\$ 37,569,721</u></u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Evergreen School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability (asset)	0.1009%	0.1024%	0.1071%	0.1132%	0.1205%	0.1199%
Proportionate share of the net pension liability (asset)	\$ 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 (asset)	49,731,393	53,880,127	58,577,599	52,135,165	42,910,055	42,312,503
Total	<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 payroll	\$ 54,052,039	\$ 54,852,162	\$ 56,388,696	\$ 56,700,233	\$ 50,656,791	\$ 54,001,099
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	168.64%	171.56%	176%	162%	160%	130%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	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 (asset)	0.0818%	0.0889%	0.0921%	0.0931%	0.0945%	0.0922%
Proportionate share of the net pension liability (asset)	\$ 23,826,741	\$ 23,706,893	\$ 21,986,534	\$ 21,986,534	\$ 18,387,896	\$ 13,925,990
Covered payroll	\$ 14,025,357	\$ 14,967,394	\$ 16,738,090	\$ 18,478,037	\$ 13,716,566	\$ 10,472,116
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	169.88%	158.39%	131%	119%	134%	133%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	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.

Evergreen School District
Schedule of the District Contributions for Pension
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	\$ 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>8,906,622</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>
Covered 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>
Contributions as a percentage of covered payroll	<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	\$ 2,773,555	\$ 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>2,773,555</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>
Covered 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>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.0620%</u>	<u>15.5310%</u>	<u>13.8880%</u>	<u>11.8470%</u>	<u>11.7710%</u>

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule(s)

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/These schedule(s) 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* – There were no changes in assumption since the previous valuation.

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

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

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

Schedule of 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.



Supplementary Information
June 30, 2020

Evergreen School District

Evergreen School District
Schedule of Expenditures of Federal Awards
June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	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	\$ 1,984,504
Special Education Grants to States			
- Local Assistance, Private School	84.027	10115	6,402
Special Education Grants to States - Mental Health	84.027	14468	108,280
Special Education Preschool Grants	84.173	13430	77,753
Special Education Preschool Grants			
- Preschool Staff Development	84.173	13431	638
Total Special Education Cluster			<u>2,177,577</u>
Title I Grants to Local Educational Agencies	84.010	14329	1,152,119
Title I, Part C, Migrant Education - Regular Program	84.011	14327	12,548
Supporting Effective Instruction State Grants			
- Teacher Quality	84.367	14341	154,135
English Language Acquisition State Grants - LEP	84.365	14346	248,097
Total U.S. Department of Education			<u>3,744,476</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	1,238,821
School Breakfast Program - National School Breakfast	10.553	13525	42,000
School Breakfast Program - Especially Needy Breakfast	10.553	13526	116,203
National School Lunch Program			
- Commodity Supplemental Food	10.555	13391	273,631
Total Child Nutrition Cluster			<u>1,670,655</u>
Total U.S. Department of Agriculture			<u>1,670,655</u>
Total Expenditures of Federal Awards			<u>\$ 5,415,131</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>
Leila Welch	President	2020
Jim Zito	President Pro Tem	2022
Christopher Corpus	Clerk	2022
Marisa Hanson	Trustee	2022
Bonnie Mace	Trustee	2020

ADMINISTRATION

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

Evergreen School District
Schedule of Average Daily Attendance
Year Ended June 30, 2020

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	4,025.72	4,025.72
Fourth through sixth	3,450.94	3,450.94
Seventh and eighth	2,609.29	2,609.29
Total Regular ADA	10,085.95	10,085.95
Extended Year Special Education		
Transitional kindergarten through third	4.06	4.06
Fourth through sixth	0.88	0.88
Seventh and eighth	0.96	0.96
Total Extended Year Special Education	5.90	5.90
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	3.19	3.19
Seventh and eighth	1.92	1.92
Total Special Education, Nonpublic, Nonsectarian Schools	5.11	5.11
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.45	0.45
Seventh and eighth	0.30	0.30
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.75	0.75
Total ADA	10,097.71	10,097.71

Evergreen School District
 Schedule of Instructional Minutes
 Year Ended June 30, 2020

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	43,920	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,400	180	N/A	Complied
Grade 2		50,400	180	N/A	Complied
Grade 3		50,400	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		54,000	180	N/A	Complied
Grade 5		54,000	180	N/A	Complied
Grade 6		54,000	180	N/A	Complied
Grade 7		58,068	180	N/A	Complied
Grade 8		58,068	180	N/A	Complied

Evergreen School District
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
 Year Ended June 30, 2020

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
Fund Balance				
Balance, June 30, 2020, Unaudited Actuals	\$ 36,339,937	\$ 35,334,502	\$ 13,212,876	\$ 3,822,603
Increase in				
Cash in county treasury	368,071	439,433	157,197	36,971
Investment	-	-	-	(659,674)
Accounts payable	(1,366,171)	-	-	-
Balance, June 30, 2020, Audited Financial Statements	\$ 35,341,837	\$ 35,773,935	\$ 13,370,073	\$ 3,199,900

Evergreen School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2020

	(Budget) 2021 ¹	2020	2019	2018
General Fund ³				
Revenues	\$ 109,723,219	\$ 119,449,941	\$ 123,232,446	\$ 117,143,203
Other sources	-	-	2,490,354	-
Total Revenues and Other Sources	<u>109,723,219</u>	<u>119,449,941</u>	<u>125,722,800</u>	<u>117,143,203</u>
Expenditures	116,067,902	112,029,957	120,635,275	115,235,117
Other uses and transfers out	690,612	3,589,261	-	-
Total Expenditures and Other Uses	<u>116,758,514</u>	<u>115,619,218</u>	<u>120,635,275</u>	<u>115,235,117</u>
Increase/(Decrease) in Fund Balance	<u>(7,035,295)</u>	<u>3,830,723</u>	<u>5,087,525</u>	<u>1,908,086</u>
Ending Fund Balance	<u>\$ 28,306,053</u>	<u>\$ 35,341,348</u>	<u>\$ 31,510,625</u>	<u>\$ 26,423,100</u>
Available Reserves ²	<u>\$ 24,742,349</u>	<u>\$ 28,425,759</u>	<u>\$ 26,956,205</u>	<u>\$ 16,398,907</u>
Available Reserves as a Percentage of Total Outgo	<u>21.19%</u>	<u>24.59%</u>	<u>22.35%</u>	<u>14.23%</u>
Long-Term Liabilities	<u>\$ 326,918,585</u>	<u>\$ 336,948,196</u>	<u>\$ 328,501,462</u>	<u>\$ 337,621,038</u>
K-12 Average Daily Attendance at P-2	<u>9,747</u>	<u>10,098</u>	<u>10,502</u>	<u>11,025</u>

The General Fund balance has increased by \$8,918,248 over the past two years. The fiscal year 2020-2021 budget projects a decrease of \$7,035,295 (19.91 percent). For a district this size, the State recommends available reserves of at least 3 percent 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 deficit during the 2020-2021 fiscal year. Total long-term liabilities have decreased by \$672,842 over the past two years.

Average daily attendance has decreased by 927 over the past two years. Additional decline of 351 ADA is anticipated during fiscal year 2020-2021.

¹ Budget 2021 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, 2020

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds
Assets					
Deposits and investments	\$ 47,634	\$ 3,699	\$ 2,315,634	\$ 783,233	\$ 3,150,200
Receivables	72,043	15	9,094	3,174	84,326
Due from other funds	65,460	-	-	-	65,460
Stores inventories	67,998	-	-	-	67,998
Total assets	\$ 253,135	\$ 3,714	\$ 2,324,728	\$ 786,407	\$ 3,367,984
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 151,535	\$ -	\$ -	\$ -	\$ 151,535
Due to other funds	-	-	16,549	-	16,549
Total liabilities	151,535	-	16,549	-	168,084
Fund Balances					
Nonspendable	68,298	-	-	-	68,298
Restricted	33,302	-	2,308,179	786,407	3,127,888
Assigned	-	3,714	-	-	3,714
Total fund balances	101,600	3,714	2,308,179	786,407	3,199,900
Total liabilities and fund balances	\$ 253,135	\$ 3,714	\$ 2,324,728	\$ 786,407	\$ 3,367,984

Evergreen School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2020

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds
Revenues					
Federal sources	\$ 1,397,024	\$ -	\$ -	\$ -	\$ 1,397,024
Other State sources	97,903	-	-	-	97,903
Other local sources	1,067,953	115	618,098	24,204	1,710,370
Total revenues	<u>2,562,880</u>	<u>115</u>	<u>618,098</u>	<u>24,204</u>	<u>3,205,297</u>
Expenditures					
Current					
Pupil services					
Food services	2,711,376	-	-	-	2,711,376
Administration					
All other administration	95,948	-	-	-	95,948
Plant services	25,310	-	-	-	25,310
Facility acquisition and construction	-	-	16,550	-	16,550
Total expenditures	<u>2,832,634</u>	<u>-</u>	<u>16,550</u>	<u>-</u>	<u>2,849,184</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(269,754)</u>	<u>115</u>	<u>601,548</u>	<u>24,204</u>	<u>356,113</u>
Net Change in Fund Balances	(269,754)	115	601,548	24,204	356,113
Fund Balance - Beginning	<u>371,354</u>	<u>3,599</u>	<u>1,706,631</u>	<u>762,203</u>	<u>2,843,787</u>
Fund Balance - Ending	<u>\$ 101,600</u>	<u>\$ 3,714</u>	<u>\$ 2,308,179</u>	<u>\$ 786,407</u>	<u>\$ 3,199,900</u>

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance. No Federal financial assistance has been provided to a subrecipient.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

	CFDA Number	Amount
Description		
Total federal expenditures reported on the financial statements		\$ 5,141,500
Commodities are not recorded on the financial statements.	10.555	273,631
Total Schedule of Expenditures of Federal Awards		\$ 5,415,131

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 Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 57 days due to the pandemic. As a result, the District received credit for these 57 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

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.



Independent Auditor's Reports
June 30, 2020

Evergreen School District



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

Governing Board
Evergreen School District
San Jose, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Evergreen School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Evergreen School District’s basic financial statements and have issued our report thereon dated February 5, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 Sully LLP".

Menlo Park, California
February 5, 2021



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, 2020. 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, 2020.

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 5, 2021



Independent Auditor's Report on State Compliance

Governing Board
Evergreen School District
San Jose, California

Report on State Compliance

We have audited Evergreen School District's (the District) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Compliance Requirements Tested

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, See Below
Continuation Education	No, See Below
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
Juvenile Court Schools	No, See Below
Middle or Early College High Schools	No, See Below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	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
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, See Below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	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 for Charter Schools	No, See Below
Determination of Funding for Nonclassroom-Based Instruction	No, See Below
Annual Instruction Minutes Classroom-Based	No, See Below
Charter School Facility Grant Program	No, See Below

The District does not offer Independent Study Programs, Continuing Education Program, Early Retirement Incentive Program, Juvenile Court School Program, Middle or Early College High School Program, Apprenticeship: Related and Supplemental Instruction Program, District of Choice Program, Before School Education and Safety Program, and Independent Study-Course Based Program; therefore, we did not perform procedures related to these Programs.

The District does not have any dependent Charter School; therefore, we did not perform any procedures required by Charter School Programs.

Unmodified Opinion on Each of the Other Programs

In our opinion, Evergreen School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Menlo Park, California
February 5, 2021

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:	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Special Education Cluster Title I - Basic grants low-income and neglected	84.027, 84.027A, 84.173, 84.173A 84.010
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.

Federal Awards Findings

2019-001 Time and effort documentation for Special Education Cluster

Code

50000 Federal Compliance

Federal Program Affected

U.S. Department of Education passed through California Department of Education: Special Education IDEA cluster (84.027, 84.027A, 84.173, 84.173A)

Finding

The District did not have a process that facilitates the time and effort documents and did not appoint an individual to oversees this responsibility.

Recommendation

The District office should centrally collect federal time accounting documents and appoint one person to be tasked with this responsibility and held accountable for compliance.

Current status

Resolved