



Financial Statements  
June 30, 2021

# Oak Grove School District

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## Independent Auditor's Report

To the Board of Trustees  
Oak Grove School District  
San Jose, California

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### **Opinions**

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

### **Emphasis of Matter – Change in Accounting Principle**

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, budgetary comparison information on pages 66 and 67, schedule of changes in the District's total OPEB liability and related ratios on page 68, schedule of the District's proportionate share of the net pension liability on page 69, and the schedule of District contributions on page 70, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 non-major 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 non-major 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 November 17, 2021 on our consideration of the 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 the 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 the District's internal control over financial reporting and compliance.

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

Menlo Park, California  
November 17, 2021



6578 Santa Teresa Boulevard, San Jose, CA 95119, Phone: (408) 227-8300, Fax: (408) 629-7183

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

## **DISTRICT PROFILE**

The District is located in the southern part of San Jose, California. The District serves over 9,300 students at its fourteen elementary (TK-6), one K-8, and three intermediate (7-8) schools.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### **The Financial Statements**

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets) and deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.
- The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Oak Grove School District.

## REPORTING THE DISTRICT AS A WHOLE

### The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets, deferred outflows, liabilities, and deferred inflows of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

**Governmental Activities** - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

**Business-Type Activities** - The District charges fees to help it cover the costs of certain services it provides. This childcare program is included here.

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.



**Governmental Funds** - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

**Proprietary Funds** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

## FINANCIAL HIGHLIGHTS

### 2020-2021 Operations

- Local Control Funding Formula (LCFF) entitlement of \$88.49 million based on student average daily attendance (ADA) of 9,481.01, accounted for 69.6% of the District's General Fund revenues. LCFF entitlement was fully funded at a rate of \$9,337 per average daily attendance.
- Supplemental Grant was per Unduplicated Count of 45.66% of total district enrollment, average rate for fiscal years 2018-19 through 2020-21. The District was required to provide supplemental services at a rate of \$752 per ADA, leaving \$8,585 per ADA available for general purpose instruction and operations.
- The District's net position at June 30, 2021 was a deficit of \$74.94 million, compared to a deficit of \$74.97 million, as restated at July 1, 2020, an increase of \$27 thousand.
- Total enrollment continued to decrease to 9,353 in 2021 from 9,749 in 2020, a reduction of 396 students. However, LCFF funding calculation for 2020-21 was based on the higher enrollment and attendance of 2019-20.
- The District recognized \$10.89 million in one-time revenue under the CARES Act, CRRSA Act, and ARP Act, including the Elementary and Secondary School Emergency Relief (ESSER) I, II, III, and Governor's Emergency Education Relief (GEER) funds.

- Other state revenues of \$14.29 million in the General fund included \$303 thousand in one-time Mandated Cost Reimbursement funds as State is the process of paying off related liability and transferring the program from actual cost to a blanket rate-based disbursement process.
- In compliance with GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, the District also recognized \$5.15 million as State revenues and expenditures (STRS On-Behalf), with net zero effect on fund balance.
- The total cost of health benefits paid for eligible retirees was \$0.51 million.
- The District continued to be awarded \$118 thousand from the Sobrato Family Foundation Grant, similar to prior year for the teacher mentoring and family engagement program. Additionally, the District received \$950 thousand, in partnership with County of Santa Clara, to develop an all-inclusive playground at Edenvale and Stipe Elementary School.
- The District received \$1.47 million in restricted RDA funds from Santa Clara County as redevelopment agency statutory "pass-through" payments, which has been reserved to satisfy its Routine, Restricted Maintenance (RRM) obligations.
- The combined general fund operations had a positive variance as a result of unexpended program funds from budgeted services not performed, overhead cost savings from Distance Learning, and receipt of one-time Funds in response to the COVID-19 pandemic. As such, the only transfers in from Special Reserve Fund was the interest earned; zero transfers in from the Special Reserve Fund to help the General Fund meet financial obligations, as projected at Estimated Actuals.

### **Available Reserves**

Available reserves are a measure of the district's unrestricted net current assets, exclusive of capital assets and long-term debt. The State requires a 3.0% reserve level for a district our size. The District reserves are at the required 3.0% for 2020-2021.

The Oak Grove School District is continuing to be proactive in its financial planning. Examples of this include the ongoing leasing of closed facilities, which increases operating revenues; reducing expenditure budgets whenever possible; and judiciously using one-time funding to support operational improvements as applicable. Continued solvency is crucial to the District's mission which is to provide a high-quality education for the students of Oak Grove School District.

### **Construction Projects**

The District expended approximately \$7.88 million on facilities modernization and construction projects during the year. Funding for this activity comes from local general obligation bond (GO) proceeds. The GO Bond debt service amount is funded entirely from special property taxes authorized by the General Obligation Bond Issue. The District's outstanding debt on the GO Bonds is approximately \$262.79 million.

**GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS**

**Net Position**

The District's governmental activities and Business-Type Activities combined net position were (\$74.94) million for the fiscal year ended June 30, 2021. Of this amount, (\$109.09) million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use the net position for day-to-day operations. The analysis below focuses on the District's net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1 – Comparison of Net Position – Governmental Activities**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets</b>						
Current and other assets	\$ 102,401,921	\$ 92,691,299	\$ 993,085	\$ 1,697,355	\$ 103,395,006	\$ 94,388,654
Capital assets	225,891,694	224,469,904	-	-	225,891,694	224,469,904
<b>Total assets</b>	<b>328,293,615</b>	<b>317,161,203</b>	<b>993,085</b>	<b>1,697,355</b>	<b>329,286,700</b>	<b>318,858,558</b>
Deferred outflows of resources	42,419,286	38,398,083	429,788	398,560	42,849,074	38,796,643
<b>Liabilities</b>						
Current liabilities	8,279,429	11,240,993	10,165	69,499	8,289,594	11,310,492
Long-term liabilities	423,681,980	406,648,835	2,343,856	2,834,443	426,025,836	409,483,278
<b>Total liabilities</b>	<b>431,961,409</b>	<b>417,889,828</b>	<b>2,354,021</b>	<b>2,903,942</b>	<b>434,315,430</b>	<b>420,793,770</b>
Deferred inflows of resources	12,548,126	11,639,962	213,168	266,858	12,761,294	11,906,820
<b>Net Position</b>						
Net investment in capital assets	12,383,301	12,613,916	-	-	12,383,301	12,613,916
Restricted	21,848,211	17,167,460	-	-	21,848,211	17,167,460
Unrestricted	(108,028,146)	(103,751,880)	(1,144,316)	(1,074,885)	(109,172,462)	(104,826,765)
<b>Total net position</b>	<b>\$ (73,796,634)</b>	<b>\$ (73,970,504)</b>	<b>\$ (1,144,316)</b>	<b>\$ (1,074,885)</b>	<b>\$ (74,940,950)</b>	<b>\$ (75,045,389)</b>

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. The statement includes all District funds. In Table 2 we take the information from that Statement, round off the numbers, and rearrange them slightly to show total revenues for the year. A comparative analysis of government-wide data is presented in Table 2.

The major differences between 2019-2020 and 2020-2021 are in the administration related expenses. These expenses decreased \$2.56 million due mainly to a decrease in workforce, as a combination of effects of declining enrollment and distance learning.

**Table 2 – Comparison of Governmental Activities**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 2,165	\$ 768,195	\$ 1,009,559	\$ 2,326,150	\$ 1,011,724	\$ 3,094,345
Operating grants and contributions	26,430,634	16,004,373	-	-	26,430,634	16,004,373
General revenues						
Federal and State aid not restricted	61,463,083	59,402,427	-	-	61,463,083	59,402,427
Property taxes	53,298,764	57,332,598	-	-	53,298,764	57,332,598
Other general revenues	7,257,267	7,142,874	11,368	29,362	7,268,635	7,172,236
<b>Total revenues</b>	<b>148,451,913</b>	<b>140,650,467</b>	<b>1,020,927</b>	<b>2,355,512</b>	<b>149,472,840</b>	<b>143,005,979</b>
<b>Expenses</b>						
Instruction-related	98,681,279	100,041,629	-	-	98,681,279	100,041,629
Pupil services	13,093,839	14,222,792	-	-	13,093,839	14,222,792
Administration	10,257,669	9,597,093	-	-	10,257,669	9,597,093
Plant services	10,204,129	10,601,310	-	-	10,204,129	10,601,310
All other services	16,118,599	16,447,910	1,090,358	2,754,532	17,208,957	19,202,442
<b>Total expenses</b>	<b>148,355,515</b>	<b>150,910,734</b>	<b>1,090,358</b>	<b>2,754,532</b>	<b>149,445,873</b>	<b>153,665,266</b>
Change in net position	\$ 96,398	\$ (10,260,267)	\$ (69,431)	\$ (399,020)	\$ 26,967	\$ (10,659,287)

**Governmental Activities**

As reported in the Statement of Activities on page 17, the cost of all of our governmental activities this year was \$148.36 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$53.30 million because the cost was primarily paid for by organizations who subsidized certain programs with grants and contributions (\$26.43 million) and federal and state funding. We paid for the remaining “public benefit” portion of our governmental activities with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District’s largest functions: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3 – Comparison of Total Cost of Services – General Fund**

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Instruction-related	\$ 98,681,279	\$ 100,041,629	\$ (82,778,806)	\$ (88,890,136)
Pupil services	13,093,839	14,222,792	(6,937,638)	(9,262,888)
Administration	10,257,669	9,597,093	(9,239,896)	(9,042,583)
Plant services	10,204,129	10,601,310	(7,866,751)	(10,588,295)
All other services	16,118,599	16,447,910	(15,099,625)	(16,354,264)
<b>Total</b>	<b>\$ 148,355,515</b>	<b>\$ 150,910,734</b>	<b>\$ (121,922,716)</b>	<b>\$ (134,138,166)</b>

In Table 4, we categorize the expenditures by object codes. Because the District is a service-oriented entity, most of the expenditures (82.26%) are for employee salaries and benefits.

**Table 4 – Comparison of Expenditures by Object Code – General Fund**

	Expenditures by Object Code		Change Amount	Percentage of Change
	2020-21	2019-20		
Certificated salaries	\$ 50,252,217	\$ 51,014,323	\$ (762,106)	-1%
Classified salaries	16,679,833	15,912,323	767,510	5%
Employee benefits	32,426,239	33,567,819	(1,141,580)	-3%
Books and supplies	3,290,501	2,477,375	813,126	33%
Services and operating expenses	11,581,235	14,099,335	(2,518,100)	-18%
Other	5,838,057	5,481,851	356,206	6%
<b>Total</b>	<b>\$ 120,068,082</b>	<b>\$ 122,553,026</b>	<b>\$ (2,484,944)</b>	<b>-2%</b>

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

At the end of the District's fiscal year, the general fund balance was \$18.78 million. Of the \$18.78 million, \$0.50 million was non-spendable and \$9.18 million was restricted. The fund balance increased by \$6.66 million from the prior year amount of \$12.12 million. The increase was due mainly to receiving one-time revenue under the CARES Act, CRRSA Act, and ARP Act, including the Elementary and Secondary School Emergency Relief (ESSER) I, II, III, and Governor's Emergency Education Relief (GEER) funds. Additionally, positive variance as a result of unexpended program funds and from budgeted services not performed by year end and overhead cost savings due to distance learning attributed to the favorable ending fund balance.

**General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget as it addresses changes in revenues and expenditures. Generally, these changes are due to the timing of the adoption of the State's budget which is sometimes several months after the District is required to adopt their budget. Listed below are some of the changes:

**Revenue**

- LCFF Entitlement per average daily attendance is \$9,337. Supplemental services must be provided at a rate of \$752 per ADA, and net unrestricted LCFF funding is \$8,585 per ADA.
- Total enrollment continued to decrease from 9,749 in 2020 to 9,353 in 2021, a reduction of 396 students. However, LCFF funding calculation for 2020-2021 is based on the higher of enrollment and attendance of 2019-2020.
- The District recognized \$10.89 million in one-time revenue under the CARES Act, CRRSA Act, and ARP Act, including the Elementary and Secondary School Emergency Relief (ESSER) I, II, III, and Governor's Emergency Education Relief (GEER) funds.

**Expenditures**

- 2020-2021 collective bargaining with all units was settled, with a one-time 4.0% off schedule salary increase for 2020-2021.
- CalSTRS rate decreased from 17.10% to 16.15%, and CalPERS rate increased from 19.721% to 20.70%.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2021, the District had \$225.89 million in a broad range of capital assets, including land, buildings, furniture, and equipment. The \$1.42 million increase in capital assets is due to combination of \$7.90 million additions of building improvements funded from proceed of general obligation bonds, and \$6.48 million of depreciation.

**Table 5 – Capital Assets (net of depreciation)**

	Government Activities	
	2021	2020
Land and construction in progress	\$ 3,521,000	\$ 7,142,916
Buildings and improvements	220,981,148	215,841,808
Equipment	1,389,546	1,485,180
Total	\$ 225,891,694	\$ 224,469,904

## Capital Projects

In November 2008, the voters of the Oak Grove School District approved Measure S authorizing the issuance of \$125.0 million in general obligation bonds for the modernization of District school facilities. The District was able to issue \$6.65 million of general obligation bond under Measure S in 2016, followed by an issuance of \$32.66 million in December 2019, in two series, \$29.00 million of Series E to pay off the outstanding solar lease debt and to fund long-term school facility improvements and \$3.58 million in Series D to fund the District's technology needs, as authorized by Measure S. During June 2020, the District issued approximately \$25.00 million in two series, \$1.08 million in series F-1 and \$23.92 in series F-2, to fund long-term school facility improvements. In June 2021, the District was able to issue another \$425 thousand in Series G-1 and \$10.56 million in Series G-2 under the General Obligations Bonds Election of 2008.

Bond projects in 2020-2021 cost \$7.86 million, including administrative expenses and legal fees, were for Roofing/HVAC replacements and Streetscape modernization at Santa Teresa, which started in 2019-2020 and completed in August 2020.

Measure S Bonds Series D with net issuance of \$3.35 million were issued to fund technology projects. During the 2020-2021 school year, the District expended approximately \$608 thousand to continue the cabling infrastructure project, which started at the end of 2018-2019 school year. Currently, the District completed upgrading cabling infrastructure at all school sites. Final project close out for the cabling project is estimated to be around \$1.70 million at the close of 2021-2022 year.

## Long-Term Liabilities

The District has long-term liabilities other than pensions and OPEB totaling \$268.77 million as of June 30, 2021. The major portion of the debt is for the General Obligation (GO) Bonds. The GO bonds are funded primarily from property tax overrides through General Obligation bond issues. Table 6 provides the breakdown of the long-term liabilities.

**Table 6 – Long Term Liabilities**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Long-Term Liabilities						
General obligation bonds	\$ 262,791,528	\$ 252,333,242	\$ -	\$ -	\$ 262,791,528	\$ 252,333,242
Unamortized premiums/(discounts)	4,586,855	9,943,685	-	-	4,586,855	9,943,685
Capital leases	-	43,769	-	-	-	43,769
Compensated absences	1,284,281	1,084,381	-	-	1,284,281	1,084,381
Claims liability	103,570	84,138	-	-	103,570	84,138
Total OPEB liability	29,907,562	25,530,054	406,204	490,098	30,313,766	26,020,152
Aggregate net pension liability	125,008,184	117,713,704	1,937,652	2,344,345	126,945,836	120,058,049
<b>Total</b>	<b>\$ 423,681,980</b>	<b>\$ 406,732,973</b>	<b>\$ 2,343,856</b>	<b>\$ 2,834,443</b>	<b>\$ 426,025,836</b>	<b>\$ 409,567,416</b>

At year-end, the District has a net pension liability of \$126.95 million versus \$120.06 last year, an increase of \$6.89 million (or 5.74%).

Other liabilities include compensated absences payable, net other postemployment benefits (OPEB) liability (not including health benefits) and other long-term liabilities. We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In considering the District Budget for the 2021-2022 year, the governing board and management used the following criteria:

The Oak Grove School District's (OGSD) 2021-2022 Budget was first prepared based on the Governor's May Revision, and in accordance with guidelines and recommendations by Santa Clara County Office of Education, School Services of California, and the state Fiscal Crisis Management Assistance Team (FCMAT). Revenues were subsequently revised to reflect approval of the State Budget.

1. Local Control Funding Formula with Mega COLA of 5.07%, which includes the 2019-2020 suspended COLA.
2. Supplemental Grant is per Unduplicated Count of 45.58% of total district enrollment, three-year average from 2019-2020 through projected 2021-2022.
3. Elimination of expired one-time revenue and recognition of unspent one-time revenue under the CARES Act, CRRSA Act, and ARP Act, including the Elementary and Secondary School Emergency Relief (ESSER) I, II, III, and Governor's Emergency Education Relief (GEER) funds.
4. Total combined general fund expenditures and other uses exceed revenues by \$6.84 million, resulting in transfers in from the Special Reserve Fund of \$1.76 million to balance the 2021-2022 budget.

Expenditures are based on the following assumptions:

1. Classroom staffing allocations for 2021-2022 are in accordance to the following class sizes across the district:

Grade TK-3	24:1 (lowered from 27:1 in 2015-16)
Grade 4-8	32:1
Special Day Class (SDC)	11:1 (average across the district)
2. New STRS and PERS rates;
3. Declining enrollment based on demographer's report;
4. Estimated step increases as per District's position control system;
5. Savings from scheduled employee retirements;
6. Provisions have not been made for collective bargaining settlements or natural attritions; and
7. Operating expenditures and contracted services are based on projected Consumer Price Index (CPI), and additions or deletions of one-time only expenditures.



Although the District acted proactively to generate new revenues and reduce expenditures, the combination of year-over-year enrollment loss, increased special education services, and rising employee pension costs, causes the District to continue to operate at a deficit. Additional revenue generation and cost saving measures are necessary to bring the budget into balance.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Laura Phan, the Interim Assistant Superintendent, Business Services, at Oak Grove School District, 6578 Santa Teresa Boulevard, San Jose, California, 95119, or e-mail at [lphan@ogsd.net](mailto:lphan@ogsd.net).

Oak Grove School District  
Statement of Net Position  
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Deposits and investments	\$ 81,922,220	\$ 1,203,089	\$ 83,125,309
Receivables	19,789,277	996	19,790,273
Internal balances	211,000	(211,000)	-
Prepaid expenses	459,476	-	459,476
Stores inventories	19,948	-	19,948
Capital assets not depreciated	3,521,000	-	3,521,000
Capital assets, net of accumulated depreciation	222,370,694	-	222,370,694
Total assets	<u>328,293,615</u>	<u>993,085</u>	<u>329,286,700</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	10,027,228	-	10,027,228
Deferred outflows of resources related to OPEB	7,326,443	99,508	7,425,951
Deferred outflows of resources related to pensions	25,065,615	330,280	25,395,895
Total deferred outflows of resources	<u>42,419,286</u>	<u>429,788</u>	<u>42,849,074</u>
<b>Liabilities</b>			
Accounts payable	3,087,253	10,165	3,097,418
Interest payable	2,756,555	-	2,756,555
Due to other governments	776,968	-	776,968
Unearned revenue	1,658,653	-	1,658,653
<b>Long-term liabilities</b>			
Long-term liabilities other than OPEB and pensions			
Due within one year	10,620,628	-	10,620,628
Due in more than one year	258,145,606	-	258,145,606
Total other postemployment benefits liability (OPEB)	29,907,562	406,204	30,313,766
Aggregate net pension liabilities	125,008,184	1,937,652	126,945,836
Total liabilities	<u>431,961,409</u>	<u>2,354,021</u>	<u>434,315,430</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources related to OPEB	5,753,489	78,144	5,831,633
Deferred inflows of resources related to pensions	6,794,637	135,024	6,929,661
Total deferred inflows of resources	<u>12,548,126</u>	<u>213,168</u>	<u>12,761,294</u>
<b>Net Position (Deficit)</b>			
Net investment in capital assets	12,383,301	-	12,383,301
Restricted for			
Debt service	11,651,192	-	11,651,192
Capital projects	225,058	-	225,058
Educational programs	9,269,151	-	9,269,151
Food programs	702,810	-	702,810
Unrestricted	(108,028,146)	(1,144,316)	(109,172,462)
Total net position (Deficit)	<u>\$ (73,796,634)</u>	<u>\$ (1,144,316)</u>	<u>\$ (74,940,950)</u>

Oak Grove School District  
Statement of Activities  
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
Instruction	\$ 86,238,253	\$ 1,245	\$ 13,639,607	\$ (72,597,401)	\$ -	\$ (72,597,401)
Instruction-related activities						
Supervision of instruction	4,640,103	391	1,556,415	(3,083,297)	-	(3,083,297)
Instructional library, media, and technology	358,325	-	167,559	(190,766)	-	(190,766)
School site administration	7,444,598	64	537,192	(6,907,342)	-	(6,907,342)
Pupil services						
Home-to-school transportation	2,931,633	-	1,003,514	(1,928,119)	-	(1,928,119)
Food services	3,027,691	-	3,473,309	445,618	-	445,618
All other pupil services	7,134,515	379	1,678,999	(5,455,137)	-	(5,455,137)
Administration						
Data processing	1,968,139	3	32,711	(1,935,425)	-	(1,935,425)
All other administration	8,289,530	9	985,050	(7,304,471)	-	(7,304,471)
Plant services	10,204,129	20	2,337,358	(7,866,751)	-	(7,866,751)
Ancillary services	161,306	22	108,939	(52,345)	-	(52,345)
Community services	8,881	32	1,724	(7,125)	-	(7,125)
Enterprise services	1,312,957	-	547,183	(765,774)	-	(765,774)
Interest on long-term liabilities	8,691,597	-	-	(8,691,597)	-	(8,691,597)
Other outgo	5,943,858	-	361,074	(5,582,784)	-	(5,582,784)
<b>Total governmental activities</b>	<b>148,355,515</b>	<b>2,165</b>	<b>26,430,634</b>	<b>(121,922,716)</b>	<b>-</b>	<b>(121,922,716)</b>
<b>Business-Type Activities</b>						
Enterprise services	1,090,358	1,009,559	-	-	(80,799)	(80,799)
<b>Total business-type activities</b>	<b>1,090,358</b>	<b>1,009,559</b>	<b>-</b>	<b>-</b>	<b>(80,799)</b>	<b>(80,799)</b>
<b>Total primary government</b>	<b>\$149,445,873</b>	<b>\$ 1,011,724</b>	<b>\$ 26,430,634</b>	<b>(121,922,716)</b>	<b>(80,799)</b>	<b>(122,003,515)</b>
<b>General Revenues and Subventions</b>						
Property taxes, levied for general purposes				34,076,476	-	34,076,476
Property taxes, levied for debt service				15,975,582	-	15,975,582
Taxes levied for other specific purposes				3,246,706	-	3,246,706
Federal and State aid not restricted to specific purposes				61,463,083	-	61,463,083
Interest and investment earnings				362,116	11,368	373,484
Interagency revenues				17,747	-	17,747
Miscellaneous				6,877,404	-	6,877,404
<b>Subtotal, general revenues</b>				<b>122,019,114</b>	<b>11,368</b>	<b>122,030,482</b>
<b>Change in Net Position</b>				<b>96,398</b>	<b>(69,431)</b>	<b>26,967</b>
<b>Net Position (Deficit) - Beginning, as restated</b>				<b>(73,893,032)</b>	<b>(1,074,885)</b>	<b>(74,967,917)</b>
<b>Net Position (Deficit) - Ending</b>				<b>\$ (73,796,634)</b>	<b>\$ (1,144,316)</b>	<b>\$ (74,940,950)</b>

Oak Grove School District  
Balance Sheet – Governmental Funds  
June 30, 2021

	General Fund	Cafeteria Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Deposits and investments	\$ 4,403,038	\$ 544,068	\$ 43,879,735	\$ 15,567,684	\$ 14,393,040	\$ 613,708	\$ 79,401,273
Receivables	18,561,217	1,044,419	59,787	27,651	14,707	1,756	19,709,537
Due from other funds	474,466	-	-	342,579	-	-	817,045
Prepaid expenditures	459,476	-	-	-	-	-	459,476
Stores inventories	19,948	-	-	-	-	-	19,948
<b>Total assets</b>	<b><u>\$ 23,918,145</u></b>	<b><u>\$ 1,588,487</u></b>	<b><u>\$ 43,939,522</u></b>	<b><u>\$ 15,937,914</u></b>	<b><u>\$ 14,407,747</u></b>	<b><u>\$ 615,464</u></b>	<b><u>\$ 100,407,279</u></b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 2,427,768	\$ 172,547	\$ 96,760	\$ -	\$ -	\$ 306,040	\$ 3,003,115
Due to other funds	385,015	606,045	-	-	-	-	991,060
Due to other governments	776,968	-	-	-	-	-	776,968
Unearned revenue	1,545,782	107,085	-	-	-	-	1,652,867
<b>Total liabilities</b>	<b><u>5,135,533</u></b>	<b><u>885,677</u></b>	<b><u>96,760</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>306,040</u></b>	<b><u>6,424,010</u></b>
<b>Fund Balances</b>							
Nonspendable	499,424	-	-	-	-	-	499,424
Restricted	9,184,785	702,810	43,402,381	-	14,407,747	309,424	68,007,147
Assigned	2,357,274	-	440,381	15,937,914	-	-	18,735,569
Unassigned	6,741,129	-	-	-	-	-	6,741,129
<b>Total fund balances</b>	<b><u>18,782,612</u></b>	<b><u>702,810</u></b>	<b><u>43,842,762</u></b>	<b><u>15,937,914</u></b>	<b><u>14,407,747</u></b>	<b><u>309,424</u></b>	<b><u>93,983,269</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 23,918,145</u></b>	<b><u>\$ 1,588,487</u></b>	<b><u>\$ 43,939,522</u></b>	<b><u>\$ 15,937,914</u></b>	<b><u>\$ 14,407,747</u></b>	<b><u>\$ 615,464</u></b>	<b><u>\$ 100,407,279</u></b>

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

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Total Fund Balance - Governmental Funds		\$ 93,983,269
<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	\$ 306,987,682	
Accumulated depreciation is	<u>(81,095,988)</u>	
Net capital assets		225,891,694
<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>		
		(2,756,555)
<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>		
		2,792,208
<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 (deferred changes on refunding)	10,027,228	
Other postemployment benefits (OPEB)	7,326,443	
Net pension liability	<u>25,065,615</u>	
Total deferred outflows of resources		42,419,286
<p>Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to</p>		
Other postemployment benefits (OPEB)	(5,753,489)	
Net pension liability	<u>(6,794,637)</u>	
Total deferred inflows of resources		(12,548,126)
<p>Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(125,008,184)

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

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The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.	\$ (29,907,562)
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	\$ (267,378,383)
Compensated absences (vacations)	<u>(1,284,281)</u>
Total long-term liabilities	<u>(268,662,664)</u>
Total net position - governmental activities	<u><u>\$ (73,796,634)</u></u>

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

	General Fund	Cafeteria Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
<b>Revenues</b>				
Local control funding formula	\$ 93,333,723	\$ -	\$ -	\$ -
Federal sources	9,581,769	2,791,493	-	-
Other State sources	14,285,928	144,543	-	-
Other local sources	10,017,824	2,403	359,528	512,550
Total revenues	<u>127,219,244</u>	<u>2,938,439</u>	<u>359,528</u>	<u>512,550</u>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	76,368,010	-	-	-
Instruction-related activities				
Supervision of instruction	4,177,244	-	-	-
Instructional library, media, and technology	329,346	-	-	-
School site administration	6,574,262	-	-	-
Pupil services				
Home-to-school transportation	2,650,023	-	-	-
Food services	680,984	2,129,825	-	-
All other pupil services	6,356,037	-	-	-
Administration				
Data processing	1,817,793	-	-	-
All other administration	5,995,080	105,802	-	-
Plant services	8,495,329	2	-	-
Ancillary services	129,457	-	-	-
Community services	8,427	-	-	-
County operated programs	5,943,858	-	-	-
Enterprise services	547,183	-	-	-
Capital outlay	616,871	-	7,949,930	-
Debt service				
Principal	43,769	-	-	-
Interest and other	3,551	-	37,455,212	-
Total expenditures	<u>120,737,224</u>	<u>2,235,629</u>	<u>45,405,142</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,482,020</u>	<u>702,810</u>	<u>(45,045,614)</u>	<u>512,550</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	181,022	-	-	-
Other sources	-	-	48,315,819	-
Transfers out	-	-	-	(181,022)
Net Financing Sources (Uses)	<u>181,022</u>	<u>-</u>	<u>48,315,819</u>	<u>(181,022)</u>
Net Change in Fund Balances	6,663,042	702,810	3,270,205	331,528
Fund Balance - Beginning, as restated	12,119,570	-	40,572,557	15,606,386
Fund Balance - Ending	<u>\$ 18,782,612</u>	<u>\$ 702,810</u>	<u>\$ 43,842,762</u>	<u>\$ 15,937,914</u>

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

	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Local control funding formula	\$ -	\$ -	\$ 93,333,723
Federal sources	81,952	-	12,455,214
Other State sources	77,341	-	14,507,812
Other local sources	15,949,129	68,515	26,909,949
Total revenues	<u>16,108,422</u>	<u>68,515</u>	<u>147,206,698</u>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	-	-	76,368,010
Instruction-related activities			
Supervision of instruction	-	-	4,177,244
Instructional library, media, and technology	-	-	329,346
School site administration	-	-	6,574,262
Pupil services			
Home-to-school transportation	-	-	2,650,023
Food services	-	-	2,810,809
All other pupil services	-	-	6,356,037
Administration			
Data processing	-	-	1,817,793
All other administration	-	54,507	6,155,389
Plant services	-	293,760	8,789,091
Ancillary services	-	21,896	151,353
Community services	-	-	8,427
County operated programs	-	-	5,943,858
Enterprise services	-	-	547,183
Capital outlay	-	-	8,566,801
Debt service			
Principal	10,285,000	-	10,328,769
Interest and other	5,057,819	-	42,516,582
Total expenditures	<u>15,342,819</u>	<u>370,163</u>	<u>184,090,977</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>765,603</u>	<u>(301,648)</u>	<u>(36,884,279)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	181,022
Other sources	83,138	-	48,398,957
Transfers out	-	-	(181,022)
Net Financing Sources (Uses)	<u>83,138</u>	<u>-</u>	<u>48,398,957</u>
Net Change in Fund Balances	848,741	(301,648)	11,514,678
Fund Balance - Beginning, as restated	<u>13,559,006</u>	<u>611,072</u>	<u>82,468,591</u>
Fund Balance - Ending	<u>\$ 14,407,747</u>	<u>\$ 309,424</u>	<u>\$ 93,983,269</u>



Oak Grove School District

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

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Total Net Change in Fund Balances - Governmental Funds \$ 11,514,678

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

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

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

Depreciation expense	\$	(6,480,521)
Capital outlays		<u>7,902,311</u>

Net expense adjustment		1,421,790
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The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (4,875,050)

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. (199,900)

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. (7,042,063)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year. (1,651,963)

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. (48,623,236)

Oak Grove School District

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

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

Premium on issuance recognized	\$ (83,139)
Discount on issuance recognized	307,417
Premium amortization	5,132,552
Deferred charge on refunding amortization	<u>135,077</u>

Total amortization		\$ 5,491,907
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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	43,040,000
Capital leases	<u>43,769</u>

Total debt payments		43,083,769
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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.

677,406

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.

299,060

Change in net position of governmental activities		<u>\$ 96,398</u>
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Oak Grove School District  
Statement of Net Position – Proprietary Funds  
June 30, 2021

	Business-Type Activities - Enterprise Funds	Governmental Activities - Self-Insurance Internal Service Fund
	Child Care Enterprise	
<b>Assets</b>		
Current assets		
Deposits and investments	\$ 1,203,089	\$ 2,520,947
Receivables	996	79,740
Due from other funds	-	385,015
Total current assets	<u>1,204,085</u>	<u>2,985,702</u>
Deferred Outflows of Resources		
Deferred outflows of resources related to OPEB	99,508	-
Deferred outflows of resources related to pensions	330,280	-
Total deferred outflows of resources	<u>429,788</u>	<u>-</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	10,165	84,138
Due to other funds	211,000	-
Unearned revenue	-	5,786
Current portion of claims liabilities	-	103,570
Total current liabilities	<u>221,165</u>	<u>193,494</u>
Noncurrent liabilities		
Other postemployment benefits liability	406,204	
Aggregate net pension liabilities	1,937,652	-
Total noncurrent liabilities	<u>2,343,856</u>	<u>-</u>
Total liabilities	<u>2,565,021</u>	<u>193,494</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to OPEB	135,024	-
Deferred inflows of resources related to pensions	78,144	-
Total deferred outflows of resources	<u>213,168</u>	<u>-</u>
<b>Net Position</b>		
Unrestricted	<u>(1,144,316)</u>	<u>2,792,208</u>
Total net position	<u>\$ (1,144,316)</u>	<u>\$ 2,792,208</u>

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

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	Business-Type Activities - Enterprise Funds	Governmental Activities - Self-Insurance
	Child Care Enterprise	Internal Service Fund
Operating Revenues		
Charges for services	\$ 1,009,559	\$ 2,100,165
Operating Expenses		
Payroll costs	808,677	-
Supplies and materials	39,812	-
Facility rental	59,525	-
Other operating cost	182,344	1,822,443
Total operating expenses	1,090,358	1,822,443
Operating Income (Loss)	(80,799)	277,722
Nonoperating Revenues (Expenses)		
Interest income	11,368	21,338
Change in Net Position	(69,431)	299,060
Total Net Position - Beginning	(1,074,885)	2,493,148
Total Net Position - Ending	\$ (1,144,316)	\$ 2,792,208

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

	Business-Type Activities - Enterprise Funds	Governmental Activities - Self-Insurance Internal Service Fund
	Child Care Enterprise	Internal Service Fund
<b>Operating Activities</b>		
Cash receipts from customers	\$ 964,668	\$ 2,100,231
Cash payments to other suppliers of goods or services	(278,612)	-
Cash payments to employees for services	(1,384,182)	(277,038)
Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and equivalent to, services provided	-	(385,015)
Cash payments for insurance claims	-	(1,718,873)
<b>Net Cash From Operating Activities</b>	<b>(698,126)</b>	<b>(280,695)</b>
<b>Investing Activities</b>		
Interest on investments	11,368	21,338
<b>Net Cash From Investing Activities</b>	<b>11,368</b>	<b>21,338</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(686,758)</b>	<b>(259,357)</b>
Cash and Cash Equivalents, Beginning	1,889,847	2,780,304
Cash and Cash Equivalents, Ending	<u>\$ 1,203,089</u>	<u>\$ 2,520,947</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities</b>		
Operating income (loss)	\$ (80,799)	\$ 277,722
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities		
Pension expense	(448,418)	-
OPEB expense	(127,087)	-
Changes in assets and liabilities		
Receivables	9,640	(172)
Due from other fund	-	(385,015)
Accrued liabilities	(14,443)	103,570
Due to other fund	7,872	(277,038)
Unearned revenue	(44,891)	238
<b>Net Cash From Operating Activities</b>	<b>\$ (698,126)</b>	<b>\$ (280,695)</b>

## **Note 1 - Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

The District was established in 1862 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 Federal agencies. The District operates sixteen elementary schools, 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 Oak Grove School District, this includes general operations, all special purpose funds, 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.

**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). Major sources of revenues are meal reimbursements from state and federal sources. The District elected to present the fund as a major fund.

**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.

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

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

#### **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. The District has two Special Revenue Funds, Cafeteria Fund, that is presented as Major Governmental Funds and Student Activity Fund.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

**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. The District has only one Debt Service Fund, Bond Interest and Redemption Fund, that is presented as Major governmental funds.

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

- **Child Care Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The enterprise fund of the District accounts for the financial transactions related to the child care services of the District.

- **Self-Insurance Internal Service Fund** Internal Service funds may be used to account for goods or services provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a dental program and a vision program that is accounted for in an internal service fund.

#### **Basis of Accounting - Measurement Focus**

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for the business type activities and each governmental function and exclude fiduciary funds. 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 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 use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**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 enterprise and internal service funds are presented in a single column on the face of the proprietary fund statement.

- **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 balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.



- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available and when the exchange takes place. 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 levied. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

#### **Cash and Cash Equivalents**

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

### **Investments**

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

### **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 \$15,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 50 years; furniture and equipment, 5 to 30 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 type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### **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.

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.

During the year, the District had additions to the liability of \$338,800 and deletion of \$138,900. Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$1,284,281.

### **Accrued Liabilities and Long-Term Liabilities**

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

### **Debt Issuance Costs, Premiums and Discounts**

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. 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 and business-type 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, 2021, fund balances of the governmental funds are classified as follows:

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

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

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

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

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 3.0% of General Fund expenditures and other financing uses.

### **Net Position**

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

### **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 in-district premium or user fees for childcare. 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.

### **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 January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The provisions of this Statement have been implemented as of June 30, 2021. The implementation resulted restatement of beginning fund balance in Student Activity Fund in the amount of \$77,472 and the elimination of Fiduciary Fund.

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. The provisions of this Statement have been implemented as of June 30, 2021. Implementation of the statement does not have material impact on the District’s financial statement.

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). The provisions of this Statement have been implemented as of June 30, 2021. Implementation of the statement does not have material impact on the District’s financial statement.

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*.

### **New Accounting Pronouncements**

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 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.

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.

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



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

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

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

The requirements of this Statement are effective as follows:

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

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

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

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.

**Note 2 - Deposits and Investments**

**Summary of Deposits and Investments**

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

Governmental funds	\$ 79,401,273
Proprietary funds	<u>3,724,036</u>
Total deposits and investments	<u><u>\$ 83,125,309</u></u>

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

Cash on hand and in banks	\$ 1,101,385
Cash with fiscal agent	461,646
Cash in revolving	20,000
Investments	<u>81,542,278</u>
Total deposits and investments	<u><u>\$ 83,125,309</u></u>

**Policies and Practices**

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

Investments 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 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 amortized cost that approximate fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The pool is not registered with the Securities and Exchange Commission.

**General Authorizations**

Limitations as they relate to interest rate 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
Supranational Obligations	5 years	30%	10%

**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 cost and fair value of the deposits with County Treasurer at June 30, 2021 approximate cost, and the weighted average maturity of the pool was 615 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County Pool is not rated as of June 30, 2021.

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. As of June 30, 2021, the District's bank balance was not exposed to custodial credit risk.

### Note 3 - Receivables

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

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Building Funds</u>	<u>Special Reserve Capital Outlay Fund</u>
Federal Government				
Categorical aid	\$ 2,442,976	\$ 985,385	\$ -	\$ -
State Government				
Categorical aid	487,925	57,968	-	-
Lottery	651,099	-	-	-
Local Government				
Interest	31,241	1,066	59,787	27,651
Other local sources	14,947,976	-	-	-
	<u>\$ 18,561,217</u>	<u>\$ 1,044,419</u>	<u>\$ 59,787</u>	<u>\$ 27,651</u>
	<u>Bond Interest and Redemption Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>	<u>Proprietary Funds</u>
Federal Government				
Categorical aid	\$ -	\$ -	\$ 3,428,361	\$ -
State Government				
Categorical aid	-	-	545,893	-
Lottery	-	-	651,099	-
Local Government				
Interest	14,707	-	119,745	-
Other local sources	-	1,756	14,949,732	80,736
	<u>\$ 14,707</u>	<u>\$ 1,756</u>	<u>\$ 19,694,830</u>	<u>\$ 80,736</u>
Total				

**Note 4 - Capital Assets**

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

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 3,521,000	\$ -	\$ -	\$ 3,521,000
Construction in progress	3,621,916	7,240,647	(10,862,563)	-
Total capital assets not being depreciated	<u>7,142,916</u>	<u>7,240,647</u>	<u>(10,862,563)</u>	<u>3,521,000</u>
Capital assets being depreciated				
Buildings and improvements	279,541,353	10,862,563	-	290,403,916
Furniture and equipment	12,401,102	661,664	-	13,062,766
Total capital assets being depreciated	<u>291,942,455</u>	<u>11,524,227</u>	<u>-</u>	<u>303,466,682</u>
Total capital assets	<u>299,085,371</u>	<u>18,764,874</u>	<u>(10,862,563)</u>	<u>306,987,682</u>
Accumulated depreciation				
Buildings and improvements	(63,699,545)	(5,723,223)	-	(69,422,768)
Furniture and equipment	(10,915,922)	(757,298)	-	(11,673,220)
Total accumulated depreciation	<u>(74,615,467)</u>	<u>(6,480,521)</u>	<u>-</u>	<u>(81,095,988)</u>
Governmental activities capital assets, net	<u>\$ 224,469,904</u>	<u>\$ 12,284,353</u>	<u>\$ (10,862,563)</u>	<u>\$ 225,891,694</u>

Depreciation expense was charged as a direct expense to the governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 4,259,524
Supervision of instruction	232,991
Instructional library, media and technology	18,370
School site administration	366,688
Pupil transportation	147,808
Food services	156,776
Other pupil services	354,516
Ancillary services	8,442
Community services	470
Other general administration	343,325
Data processing services	101,390
Plant maintenance and operations	490,221
Total depreciation expenses governmental activities	<u>\$ 6,480,521</u>

**Note 5 - Interfund Transaction**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances at June 30, 2021, between major and non-major governmental funds, enterprise fund, and Internal service fund are as follows:

Due To	Due From			Total
	General Fund	Special Reserve Capital Outlay	Proprietary Funds	
General Fund	\$ -	\$ -	\$ 385,015	\$ 385,015
Cafeteria	474,466	131,579	-	606,045
Proprietary Funds	-	211,000	-	211,000
Total	<u>\$ 474,466</u>	<u>\$ 342,579</u>	<u>\$ 385,015</u>	<u>\$ 1,202,060</u>

All balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Operating Transfers**

Interfund transfers for the year ended June 30, 2021, consisted of the Special Reserve – Capital Outlay fund transferred to General fund for operation in the amount of \$181,022.

**Note 6 - Deferred Charge on Refunding**

Deferred outflows of resources are 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 \$12,383,301 includes the effect of deferring the recognition of loss from advance refunding. The \$10,027,228 balance of the deferred outflows of resources at June 30, 2021, will be recognized as an expense and as a decrease in net position over the remaining life of related bonds. During the year, the District had net additions to the deferred charge of \$931,318 due to the current year refunding bond and \$796,241 was recognized as expense.

**Note 7 - Accounts Payable**

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

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Funds
Vendor payables	\$ 2,194,917	\$ 160,471	\$ 96,760	\$ 306,040	\$ 2,758,188	\$ 94,303
Salaries and benefits	232,851	12,076	-	-	244,927	-
<b>Total</b>	<b>\$ 2,427,768</b>	<b>\$ 172,547</b>	<b>\$ 96,760</b>	<b>\$ 306,040</b>	<b>\$ 3,003,115</b>	<b>\$ 94,303</b>

**Note 8 - Unearned Revenue**

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

	General Fund	Cafeteria Fund	Total	Proprietary Funds
Federal financial assistance	\$ 429,844	\$ 107,085	\$ 429,844	\$ -
State categorical aid	217,641	-	217,641	-
Other local	898,297	-	1,005,382	5,786
<b>Total</b>	<b>\$ 1,545,782</b>	<b>\$ 107,085</b>	<b>\$ 1,652,867</b>	<b>\$ 5,786</b>

**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, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
General obligation bonds	\$ 252,333,242	\$ 53,498,286	\$ (43,040,000)	\$ 262,791,528	\$ 9,916,698
Unamortized debt premiums	9,943,685	83,139	(5,132,552)	4,894,272	421,126
Unamortized debt discounts	-	(307,417)	-	(307,417)	(13,366)
Capital leases	43,769	-	(43,769)	-	-
Compensated absences	1,084,381	338,800	(138,900)	1,284,281	192,600
Claim liability	84,138	1,841,875	(1,822,443)	103,570	103,570
<b>Total</b>	<b>\$ 263,489,215</b>	<b>\$ 55,454,683</b>	<b>\$ (50,177,664)</b>	<b>\$ 268,766,234</b>	<b>\$ 10,620,628</b>



Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund. This fund receives property tax revenues which are used solely to repay the principal and interest due on these obligations. General revenues are not required to fund the debt service on these obligations. Payments on the capital leases are made by the General Fund and Building Fund. The compensated absences will be paid by the fund for which the employee worked.

### General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Issued	Interest Accreted	Redeemed	Refunded	Bonds Outstanding June 30, 2021
2009	08/01/33	4.45-6.83%	\$ 19,999,923	\$ 33,586,663	\$ -	\$ 2,081,358	\$ (1,000,000)	\$ -	\$ 34,668,021
2011	08/01/35	2.72%-6.97%	18,249,429	12,030,815	-	716,891	(1,100,000)	-	11,647,706
2011	08/01/24	5.361%	1,750,000	1,750,000	-	-	-	-	1,750,000
2012	08/01/25	1.25-4.00%	17,305,000	3,020,000	-	-	(2,205,000)	-	815,000
2014	08/01/24	2.00-5.00%	8,400,000	5,280,000	-	-	(800,000)	(1,605,000)	2,875,000
2015	08/01/44	4.00-5.00%	57,575,000	33,410,000	-	-	(245,000)	(31,150,000)	2,015,000
2016	08/01/24	2.00-5.00%	15,415,000	10,755,000	-	-	(1,070,000)	-	9,685,000
2016	08/01/23	2.00-4.00%	6,650,000	2,155,000	-	-	(1,015,000)	-	1,140,000
2016	08/01/45	2.00-4.00%	26,200,000	25,480,000	-	-	(65,000)	-	25,415,000
2016	08/01/33	2.00-5.00%	12,000,000	11,415,000	-	-	(845,000)	-	10,570,000
2017	08/01/41	1.50-4.00%	19,150,000	17,870,000	-	-	(370,000)	-	17,500,000
2019	08/01/24	4.00%	3,365,000	3,365,000	-	-	(670,000)	-	2,695,000
2019	08/01/42	3.85-5.00%	29,004,234	30,996,782	-	1,373,655	-	-	32,370,437
2019	10/18/19	1.78%	4,620,000	4,620,000	-	-	(330,000)	-	4,290,000
2020	08/01/24	2.00%	1,080,000	1,080,000	-	-	-	-	1,080,000
2020	06/01/45	1.53%-3.18%	23,916,211	23,928,982	-	702,391	-	-	24,631,373
2020	08/01/37	0.63%-1.71%	31,590,000	31,590,000	-	-	(570,000)	-	31,020,000
2021	08/01/26	2.00%	425,000	-	425,000	-	-	-	425,000
2021	06/01/46	1.18%-2.50%	10,558,236	-	10,558,236	755	-	-	10,558,991
2021	08/01/44	0.179%-2.815%	37,640,000	-	37,640,000	-	-	-	37,640,000
				<u>\$ 252,333,242</u>	<u>\$ 48,623,236</u>	<u>\$ 4,875,050</u>	<u>\$ (10,285,000)</u>	<u>\$ (32,755,000)</u>	<u>\$ 262,791,528</u>

### Defeased Bonded Debt

In June 2021, the District issued \$37,640,000 in General Obligation Bonds (the "2021 Refunding Bonds") with interest rate ranging from 0.179 to 3.85% to advance refund a total of \$32,755,000 consisting \$1,605,000 of outstanding 2013 General Obligation Bonds (the "2013 Bonds") with interest rates ranging from 2.0 to 5.0% and \$31,150,000 of outstanding 2015 General Obligation Bonds (the "2015 Bonds") with interest rates ranging from 4.0 to 5.0%. The net proceeds of \$36,960,199 (after payment of \$372,384 in issuance costs) 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 payment on the 2008A Bonds, 2009 Bonds, 2011 Bonds, and 2014A Bonds. As a result, the \$32,755,000 of the outstanding previous mentioned bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$931,318. This difference is reported in the accompanying financial statements as a deferred outflow of resources and will be charged to operations through the year 2045 using the straight-line method. The District completed the advance refunding to reduce its total debt services payments over the next 24 years by \$40,523,878 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$25,905,872.

**Debt Service Requirements to Maturity**

The bonds mature through 2046 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2022	\$ 9,916,698	\$ 5,529,072	\$ 15,445,770
2023	10,066,753	6,020,903	16,087,656
2024	9,450,991	6,100,872	15,551,863
2025	10,202,594	5,825,436	16,028,030
2026	4,813,736	7,011,398	11,825,134
2027-2031	22,702,150	39,699,350	62,401,500
2032-2036	42,591,918	34,187,569	76,779,487
2037-2041	44,589,206	18,888,687	63,477,893
2042-2046	80,742,585	50,696,165	131,438,750
Subtotal	235,076,631	\$ 173,959,451	\$ 409,036,082
Accretion to date	27,714,897		
Total bonds outstanding	\$ 262,791,528		

**Capital Leases**

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

	Copier
Balance, July 1, 2020	\$ 43,769
Payments	(43,769)
Balance, June 30, 2021	\$ -

Leased equipment under capital leases in capital assets at June 30, 2021, include the following:

Copiers	\$ 221,622
Less accumulated depreciation	(220,907)
Total	\$ 715

Amortization of leased copies is included with depreciation expense.

**Note 10 - Fund Balances**

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund	Special Reserve Capital Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>							
Revolving cash	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000
Stores inventories	19,948	-	-	-	-	-	19,948
Prepaid expenditures	459,476	-	-	-	-	-	459,476
Total nonspendable	<u>499,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>499,424</u>
<b>Restricted</b>							
Education programs	9,184,785	-	-	-	-	84,366	9,269,151
Food service	-	702,810	-	-	-	-	702,810
Capital projects	-	-	43,402,381	-	-	225,058	43,627,439
Debt services	-	-	-	-	14,407,747	-	14,407,747
Total restricted	<u>9,184,785</u>	<u>702,810</u>	<u>43,402,381</u>	<u>-</u>	<u>14,407,747</u>	<u>309,424</u>	<u>68,007,147</u>
<b>Assigned</b>							
Collective bargaining	700,155	-	-	-	-	-	700,155
LCAP Supplemental Services	1,191,362	-	-	-	-	-	1,191,362
Early retirement	465,757	-	-	-	-	-	465,757
Capital projects	-	-	440,381	15,937,914	-	-	16,378,295
Total assigned	<u>2,357,274</u>	<u>-</u>	<u>440,381</u>	<u>15,937,914</u>	<u>-</u>	<u>-</u>	<u>18,735,569</u>
<b>Unassigned</b>							
Reserve for economic uncertainties	3,622,118	-	-	-	-	-	3,622,118
Remaining unassigned	3,119,011	-	-	-	-	-	3,119,011
Total unassigned	<u>6,741,129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,741,129</u>
Total	<u>\$ 18,782,612</u>	<u>\$ 702,810</u>	<u>\$ 43,842,762</u>	<u>\$ 15,937,914</u>	<u>\$ 14,407,747</u>	<u>\$ 309,424</u>	<u>\$ 93,983,269</u>

**Note 11 - Lease Revenues**

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessor but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Payment
2022	\$ 2,688,361
2023	2,848,827
2024	2,968,946
2025	3,096,131
2026	3,184,242
2027-2031	14,307,142
2032-2036	5,269,885
Total	\$ 34,363,534

**Note 12 - Total Post Employment Benefit (OPEB) Liability**

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

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 30,313,766	\$ 7,425,951	\$ 5,831,633	\$ 2,389,931

**District Plan**

**Plan Administration**

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

**Plan Membership**

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

Inactive employees or beneficiaries currently receiving benefits payments	64
Active employees	912
Total	976

**Benefits Provided**

The Plan provides medical, dental, vision and life 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 Plan offers employees health benefits from within different bargaining units who retire after age 50 to 60 with at least 10 years of service. The Plan makes payments for five years or until age 65, whichever comes first. 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, and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2020-2021, the District contributed \$511,992 to the Plan, all of which was used for current premiums.

**Actuarial Assumptions**

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

Inflation	2.75 percent	
Salary increases	3.00 percent, average, including inflation	
Discount rate	2.21 percent	
Investment rate of return	2.21 percent, net of OPEB plan investment expense, including inflation	
Healthcare cost trend rates	6.00 percent for 2019	

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actual experience study for the period July 1, 2019 to June 30, 2020.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance, June 30, 2020	\$ 26,020,152
Service cost	1,844,738
Interest	890,406
Changes of benefit terms	(27,847)
Differences between expected and actual experience	(3,816,001)
Changes of assumptions or other inputs	6,562,269
Benefit payments	(1,159,951)
Net change in total OPEB liability	4,293,614
Balance, June 30, 2021	\$ 30,313,766

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% in 2020 to 2.21% in 2021.

**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 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

Discount Rate	Total OPEB Liability
1% decrease (1.21%)	\$ 34,293,399
Current discount rate (2.21%)	30,313,766
1% increase (3.21%)	26,877,857

**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 1-percentage-point lower (5.0%) or 1-percentage-point higher (7.0%) than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (5.0%)	\$ 26,412,061
Current healthcare cost trend rate (6.0%)	30,313,766
1% increase (7.0%)	34,970,096

**Total OPEB Liability and OPEB Expenses**

For the year ended June 30, 2021, the District recognized OPEB expense of \$2,389,931. At June 30, 2021, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$511,992. 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	\$ 511,992	\$ -
Differences between expected and actual experience	-	3,805,317
Changes of assumptions	6,913,959	2,026,316
Total	\$ 7,425,951	\$ 5,831,633

The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year. The deferred inflows of resources related to changes in assumptions will be amortized over a closed 12.8 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 67,694
2023	67,694
2024	67,694
2025	67,694
2026	67,694
Thereafter	743,856
Total	\$ 1,082,326

**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, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 88,192,801	\$ 18,790,301	\$ 4,229,178	\$ 11,280,745
CalPERS	38,753,035	6,605,594	2,700,483	6,740,976
Total	<u>\$ 126,945,836</u>	<u>\$ 25,395,895</u>	<u>\$ 6,929,661</u>	<u>\$ 18,021,721</u>

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

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

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



**Benefits Provided**

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

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

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

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	16.15%	16.15%
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% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were \$8,600,047.

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

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

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 88,192,801
State's proportionate share of the net pension liability	<u>45,463,400</u>
Total	<u><u>\$ 133,656,201</u></u>

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.0910% and 0.0909%, resulting in a net increase in the proportionate share of 0.0001%.

For the year ended June 30, 2021, the District recognized pension expense of \$11,280,745. In addition, the District recognized pension expense and revenue of \$6,368,976 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,693,337	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	246,344	1,741,990
Differences between projected and actual earnings on pension plan investments	2,094,953	-
Differences between expected and actual experience in the measurement of the total pension liability	155,620	2,487,188
Changes of assumptions	<u>8,600,047</u>	<u>-</u>
Total	<u><u>\$ 18,790,301</u></u>	<u><u>\$ 4,229,178</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 are amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (1,278,328)
2023	713,789
2024	1,424,090
2025	1,235,402
Total	\$ 2,094,953

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 1,692,092
2023	1,835,656
2024	1,991,494
2025	(330,186)
2026	(371,576)
Thereafter	(44,647)
Total	\$ 4,772,833

### Actuarial Methods and Assumptions

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10%. 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%) 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 133,247,038
Current discount rate (7.10%)	88,192,801
1% increase (8.10%)	50,994,185

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

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

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

<https://www.calpers.ca.gov/page/forms-publications>.

**Benefits Provided**

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

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

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

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total District contributions were \$3,734,739.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$38,753,035. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.1263% and 0.1303%, resulting in a net decrease in the proportionate share of 0.0040%.

For the year ended June 30, 2021, the District recognized pension expense of \$6,740,976. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,734,739	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	-	2,700,483
Differences between projected and actual earnings on pension plan investments	806,715	-
Differences between expected and actual experience in the measurement of the total pension liability	1,922,031	-
Changes of assumptions	142,109	-
	<u>\$ 6,605,594</u>	<u>\$ 2,700,483</u>
Total	<u>\$ 6,605,594</u>	<u>\$ 2,700,483</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 are amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (301,889)
2023	269,275
2024	468,043
2025	371,286
Total	<u>\$ 806,715</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 154,495
2023	(361,618)
2024	(389,915)
2025	(39,305)
Total	\$ (636,343)

#### Actuarial Methods and Assumptions

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

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

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

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



The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

### Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 55,714,555
Current discount rate (7.15%)	38,753,035
1% increase (8.15%)	24,675,825

### 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 \$6,368,976 (10.328% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves and are included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

**Note 14 - Risk Management**

**Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, the District contracted with the Santa Clara County Schools Insurance Group for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in the past three years. There has not been a significant reduction in coverage from the prior year.

Insurance Program Company Name	Type of Coverage	Limits	
Workers' Compensation Program Santa Clara County School's Insurance Group	Workers' Compensation	\$	1,000,000
Property and Liability Program School Excess Liability Fund ( SELF )	Excess General Liability	\$	25,000,000
Santa Clara County School's Insurance Group	General Liability	\$	5,000,000
Santa Clara County School's Insurance Group	Auto Liability	\$	5,000,000
Santa Clara County School's Insurance Group	Property	\$	500,000,000
Santa Clara County School's Insurance Group	Property	\$	100,000

**Workers' Compensation**

For fiscal year 2021, the District participated in the Santa Clara County Schools Insurance Group (JPA), an insurance purchasing pool. The intent of the 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 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 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 JPA. Participation in the JPA is limited to districts that can meet the JPA's selection criteria.

**Employee Medical Benefits**

The District has contracted with the California Schools Vision Coalition and California Schools Dental Coalition to administer the employee vision and dental benefits insurance program. The rates are set through an annual calculation process. The District is self-insured for these types of benefits.

### Unpaid Claims Liabilities

The District accounts for the self-insured activities of dental and vision, and other insurance premiums in the Internal Service Fund. The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities of dental and vision for the District from July 1, 2019 to June 30, 2021:

	Dental and Vision
Liability Balance, July 1, 2019	\$ 112,918
Claims and changes in estimates	1,566,016
Claims payments	(1,594,796)
Liability Balance, June 30, 2020	84,138
Claims and changes in estimates	1,841,875
Claims payments	(1,822,443)
Liability Balance, June 30, 2021	\$ 103,570
Assets available to pay claims at June 30, 2021	\$ 2,895,778

These amounts are reported as claim liabilities in the self-insurance fund since it is expected that these amounts will be paid shortly after year end.

### Note 15 - Commitments and Contingencies

#### Grants

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

#### Litigation

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

**Note 16 - Participation in Public Entity Risk Pools, Joint Power Authorities and Other Related Party Transactions**

The District is a member of the Santa Clara County Schools Insurance Group (SCCSIG) joint powers authority. The District pays an annual premium to the applicable entity for its workers compensation, property and liability, and employee benefit insurance coverage. Payments for services provided are paid to the JPA. The relationship between the District and the JPA is 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 one member to the governing board of Santa Clara County Schools Insurance Group.

During the year ended June 30, 2021, the District made payments of \$1,385,028 to SCCSIG for services rendered.

**Note 17 - Restatement of Prior Year Net Position and Fund Balance**

As of June 30, 2021, the Oak Grove School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – General Fund. The following table describes the effects of the implementation on beginning fund balance/net position.

Government-Wide Financial Statements	
Net Position - Beginning	\$ (75,045,389)
Reclassified student body funds from fiduciary to a special revenue fund	77,472
Net Position - Beginning as Restated	\$ (74,967,917)
Student Activity Fund	
Fund Balance - Beginning	\$ -
Reclassified student body funds from fiduciary to a government fund	77,472
Fund Balance - Beginning as Restated	\$ 77,472



Required Supplementary Information  
June 30, 2021

**Oak Grove School District**

Oak Grove School District  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local control funding formula	\$ 93,716,874	\$ 93,366,142	\$ 93,333,723	\$ (32,419)
Federal sources	4,124,476	15,502,779	9,581,769	(5,921,010)
Other State sources	8,624,947	16,142,497	14,285,928	(1,856,569)
Other local sources	8,619,809	9,543,951	10,017,824	473,873
Total revenues	<u>115,086,106</u>	<u>134,555,369</u>	<u>127,219,244</u>	<u>(7,336,125)</u>
<b>Expenditures</b>				
<b>Current</b>				
Certificated salaries	49,577,374	50,398,235	50,252,217	146,018
Classified salaries	16,866,077	17,851,528	16,679,833	1,171,695
Employee benefits	31,740,841	32,236,675	32,426,239	(189,564)
Books and supplies	3,008,765	9,287,736	3,290,501	5,997,235
Services and operating expenditures	13,365,809	14,839,244	11,581,235	3,258,009
Other outgo	5,910,549	5,864,929	5,838,057	26,872
Capital outlay	87,000	1,037,000	621,822	415,178
<b>Debt service</b>				
Debt service - principal	-	42,938	43,769	(831)
Debt service - interest and other	-	4,404	3,551	853
Total expenditures	<u>120,556,415</u>	<u>131,562,689</u>	<u>120,737,224</u>	<u>10,825,465</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,470,309)	2,992,680	6,482,020	3,489,340
<b>Other Financing Sources (Uses)</b>				
Transfers in	5,353,185	400,000	181,022	(218,978)
Net Change in Fund Balances	(117,124)	3,392,680	6,663,042	3,270,362
Fund Balance - Beginning	<u>12,119,570</u>	<u>12,119,570</u>	<u>12,119,570</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 12,002,446</u>	<u>\$ 15,512,250</u>	<u>\$ 18,782,612</u>	<u>\$ 3,270,362</u>

Oak Grove School District  
 Budgetary Comparison Schedule – Cafeteria Fund  
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Federal sources	\$ 2,301,397	\$ 2,091,808	\$ 2,791,493	\$ 699,685
Other State sources	144,432	105,823	144,543	38,720
Other local sources	792,715	29,877	2,403	(27,474)
Total revenues	<u>3,238,544</u>	<u>2,227,508</u>	<u>2,938,439</u>	<u>710,931</u>
<b>Expenditures</b>				
<b>Current</b>				
Classified salaries	1,345,343	811,561	624,477	(187,084)
Employee benefits	445,046	267,296	220,323	(46,973)
Books and supplies	57,142	26,500	18,252	(8,248)
Services and operating expenditures	1,362,985	1,056,598	1,266,773	210,175
Capital Outlay	162,908	103,463	105,802	2,339
Total expenditures	<u>3,373,424</u>	<u>2,265,418</u>	<u>2,235,627</u>	<u>(29,791)</u>
Excess (Deficiency) of Revenues Over Expenditures	(134,880)	(37,910)	702,812	740,722
<b>Other Financing Sources (Uses)</b>				
Transfers in	134,880	175,712	-	(175,712)
Net Change in Fund Balances	-	137,802	702,812	565,010
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 137,802</u>	<u>\$ 702,812</u>	<u>\$ 565,010</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 1,844,738	\$ 1,665,642	\$ 1,660,368	\$ 1,863,094
Interest	890,406	885,451	805,269	649,971
Changes of benefit terms	(27,847)	-	-	-
Difference between expected and actual experience	(3,816,001)	-	(401,393)	-
Changes of assumptions	6,562,269	1,064,944	(770,962)	(2,047,137)
Benefit payments	(1,159,951)	(951,515)	(862,373)	(694,417)
Net change in total OPEB liability	4,293,614	2,664,522	430,909	(228,489)
Total OPEB Liability - Beginning	<u>26,020,152</u>	<u>23,355,630</u>	<u>22,924,721</u>	<u>23,153,210</u>
Total OPEB Liability - Ending	<u>\$ 30,313,766</u>	<u>\$ 26,020,152</u>	<u>\$ 23,355,630</u>	<u>\$ 22,924,721</u>
Covered Payroll	<u>70,103,828</u>	<u>70,175,259</u>	<u>70,675,313</u>	<u>69,322,219</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>43.24%</u>	<u>37.08%</u>	<u>33.05%</u>	<u>33.07%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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



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

	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>							
Proportion of the net pension liability	0.0910%	0.0909%	0.0917%	0.0922%	0.0942%	0.0942%	0.0942%
Proportionate share of the net pension liability	\$ 88,192,801	\$ 82,079,461	\$ 84,272,481	\$ 84,356,637	\$ 76,216,164	\$ 63,436,646	\$ 54,897,947
State's proportionate share of the net pension liability	45,463,400	44,779,826	48,249,936	49,904,674	43,388,503	33,550,993	33,149,751
Total	<u>\$ 133,656,201</u>	<u>\$ 126,859,287</u>	<u>\$ 132,522,417</u>	<u>\$ 134,261,311</u>	<u>\$ 119,604,667</u>	<u>\$ 96,987,639</u>	<u>\$ 88,047,698</u>
Covered payroll	<u>\$ 44,990,275</u>	<u>\$ 49,219,435</u>	<u>\$ 49,217,630</u>	<u>\$ 48,283,219</u>	<u>\$ 46,946,486</u>	<u>\$ 44,880,721</u>	<u>41,368,667</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>196.03%</u>	<u>166.76%</u>	<u>171.22%</u>	<u>174.71%</u>	<u>162.35%</u>	<u>141.34%</u>	<u>133%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>							
Proportion of the net pension liability	0.1263%	0.1303%	0.1378%	0.1423%	0.1423%	0.1455%	0.1412%
Proportionate share of the net pension liability	\$ 38,753,035	\$ 37,978,588	\$ 36,731,886	\$ 33,958,279	\$ 28,109,165	\$ 21,445,165	\$ 16,027,823
Covered payroll	<u>\$ 18,937,878</u>	<u>\$ 18,070,812</u>	<u>\$ 18,191,115</u>	<u>\$ 18,173,157</u>	<u>\$ 16,912,358</u>	<u>\$ 15,640,192</u>	<u>14,796,667</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>204.63%</u>	<u>210.17%</u>	<u>201.92%</u>	<u>186.86%</u>	<u>166.20%</u>	<u>137.12%</u>	<u>108%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Oak Grove School District  
Schedule of the District Contributions  
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>							
Contractually required contribution	\$ 7,693,337	\$ 7,693,337	\$ 8,012,924	\$ 7,102,104	\$ 6,074,029	\$ 5,037,358	\$ 3,985,408
Less contributions in relation to the contractually required contribution	<u>7,693,337</u>	<u>7,693,337</u>	<u>8,012,924</u>	<u>7,102,104</u>	<u>6,074,029</u>	<u>5,037,358</u>	<u>3,985,408</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 47,636,762</u>	<u>\$ 44,990,275</u>	<u>\$ 49,219,435</u>	<u>\$ 49,217,630</u>	<u>\$ 48,283,219</u>	<u>\$ 46,946,486</u>	<u>\$ 44,880,721</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>							
Contractually required contribution	\$ 3,734,739	\$ 3,734,739	\$ 3,263,950	\$ 2,825,262	\$ 2,523,888	\$ 2,003,607	\$ 1,841,007
Less contributions in relation to the contractually required contribution	<u>3,734,739</u>	<u>3,734,739</u>	<u>3,263,950</u>	<u>2,825,262</u>	<u>2,523,888</u>	<u>2,003,607</u>	<u>1,841,007</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 18,042,217</u>	<u>\$ 18,937,878</u>	<u>\$ 18,070,812</u>	<u>\$ 18,191,115</u>	<u>\$ 18,173,157</u>	<u>\$ 16,912,358</u>	<u>\$ 15,640,192</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<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 Schedules**

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.

These schedules present 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, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Change in Benefit Terms* – No Change in the current year.
- *Change in Assumptions* – Discount rate change from 3.50% at June 30, 2020 to 2.21% at June 30, 2021.

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

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

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

### **Schedule of District Pension Contributions**

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



Supplementary Information  
June 30, 2021

# Oak Grove School District

Oak Grove School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER)			
ESSER I	84.425	15536	\$ 717,560
COVID-19 Governor's Emergency Education Relief Fund (GEER)			
Learning Loss Mitigation	84.425C	15517	<u>535,453</u>
Subtotal			<u>1,253,013</u>
Special Education Cluster			
Special Education Grants to States			
- Basic Local Assistance	84.027	13379	\$ 1,805,075
- Local Assistance, Private School ISPs	84.027	10115	16,849
- Preschool Grants	84.173	13430	68,495
- Mental Health Services	84.027A	15197	115,443
Special Education Preschool Grants			
- Preschool Staff Development	84.173A	13431	<u>516</u>
Total Special Education Cluster			<u>2,006,378</u>
Title I Grants to Local Educational Agencies	84.010	14329	1,069,954
Supporting Effective Instruction State Grants	84.367	14341	187,433
English Language Acquisition State Grants - LEP	84.365	14346	160,118
Student Support and Academic Enrichment Program	84.424	15396	<u>49,454</u>
Total U.S. Department of Education			<u>4,726,350</u>
U.S. Department of Agriculture			
Passed Through California Department of Education (CDE)			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	1,107,522
Special Milk Program for Children	10.556	13528	175,659
School Breakfast Program - National School Breakfast	10.553	13525	22,406
School Breakfast Program - Especially Needy Breakfast	10.553	13526	638,846
National School Lunch Program			
- Commodity Supplemental Food	10.555	13391	<u>90,242</u>
Total Child Nutrition Cluster			<u>2,034,675</u>
Child and Adult Care Food Program	10.558	13393	768,255
Child Nutrition Discretionary Grants Limited Availability	10.579	14906	<u>13,757</u>
Total U.S. Department of Agriculture			<u>2,816,687</u>
U.S. Department of Treasury			
Passed Through California Department of Education (CDE)			
COVID-19 Coronavirus Relief Fund: Learning Loss Mitigation	21.019	25516	<u>4,631,576</u>
Total U.S. Department of Treasury			<u>4,631,576</u>
Total Federal Financial Assistance			<u>\$ 12,174,613</u>

**Organization**

The Oak Grove School District as established in 1862 and consists of an area comprising approximately 20.7 square miles, bounded by Capitol Expressway to the north, Canoas Creek to the west, Bernal Road to the south and the foothills to the east. The District operates sixteen elementary schools and three middle schools. There were no boundary changes during the year.

**Governing Board**

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Jorge Pacheco Jr.	President	2022
Carla Hernandez	Vice President	2024
Beija Gonzalez	Member	2024
Tami Moore	Member	2022
Nancy Yue	Member	2022

**Administration**

<u>Name</u>	<u>Title</u>
Jose Manzo	Superintendent
Laura Phan	Interim Assistant Superintendent, Business Services
Ivan Chaidez	Assistant Superintendent, Human Resources
Amy Boles	Assistant Superintendent, Educational Services
Melina Nguyen	Director of Fiscal Services

Oak Grove School District  
 Schedule of Instructional Time  
 Year Ended June 30, 2021

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Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	-	-	180	Complied
Grades 1 - 3					
Grade 1	180	-	-	180	Complied
Grade 2	180	-	-	180	Complied
Grade 3	180	-	-	180	Complied
Grades 4 - 8					
Grade 4	180	-	-	180	Complied
Grade 5	180	-	-	180	Complied
Grade 6	180	-	-	180	Complied
Grade 7	180	-	-	180	Complied
Grade 8	180	-	-	180	Complied

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

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

	<u>Child Care and Development Enterprise Fund</u>
Fund Balance	
Balance, June 30, 2021, Unaudited Actuals	\$ 982,920
Decrease in	
Pension liabilities and related deferrals	(1,742,396)
OPEB liabilities and related deferrals	<u>(384,840)</u>
Balance, June 30, 2021, Audited Financial Statements	<u>\$ (1,144,316)</u>



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

	(Budget) 2022 <sup>1</sup>	2021	2020	2019
General Fund				
Revenues	\$ 118,140,369	\$ 127,219,244	\$ 120,177,587	\$ 123,281,387
Other sources	1,765,499	181,022	3,557,182	4,630,849
Total Revenues and Other Sources	<u>119,905,868</u>	<u>127,400,266</u>	<u>123,734,769</u>	<u>127,912,236</u>
Expenditures	124,963,553	120,737,224	122,745,073	125,334,622
Other uses and transfers out	19,441	-	134,880	111,688
Total Expenditures and Other Uses	<u>124,982,994</u>	<u>120,737,224</u>	<u>122,879,953</u>	<u>125,446,310</u>
Increase/(Decrease) in Fund Balance	<u>(5,077,126)</u>	<u>6,663,042</u>	<u>854,816</u>	<u>2,465,926</u>
Ending Fund Balance	<u>\$ 13,705,486</u>	<u>\$ 18,782,612</u>	<u>\$ 12,119,570</u>	<u>\$ 11,264,754</u>
Available Reserves <sup>2</sup>	<u>\$ 3,222,646</u>	<u>\$ 6,741,129</u>	<u>\$ 3,686,401</u>	<u>\$ 3,763,389</u>
Available Reserves as a Percentage of Total Outgo	<u>2.58%</u>	<u>5.58%</u>	<u>3.00%</u>	<u>3.00%</u>
Long-Term Liabilities <sup>3</sup>	<u>\$ 413,061,352</u>	<u>\$ 423,681,980</u>	<u>\$ 406,648,835</u>	<u>\$ 381,542,324</u>
K-12 Average Daily Attendance at P-2	<u>8,919</u>	<u>9,415</u>	<u>9,415</u>	<u>9,522</u>

The General Fund balance has increased by \$7,517,858 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$5,077,126. For a District this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses.

The District has incurred operating surpluses in all of the past three years but anticipates an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$42,139,656 over the past two years.

Average daily attendance has decreased by 107 ADA over the past two years. Additional decline of 496 ADA is anticipated during fiscal year 2021-2022.

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

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

<sup>3</sup> Long-term liabilities exclude business-type activities.

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

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	Student Activity Fund	Capital Facilities Fund	Total Non-Major Governmental Funds
<b>Assets</b>			
Deposits and investments	\$ 83,560	\$ 530,148	\$ 613,708
Receivables	806	950	1,756
Total assets	\$ 84,366	\$ 531,098	\$ 615,464
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 306,040	\$ 306,040
<b>Fund Balances</b>			
Restricted	84,366	225,058	309,424
Total liabilities and fund balances	\$ 84,366	\$ 531,098	\$ 615,464

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

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	Student Activity Fund	Capital Facilities Fund	Total Non-Major Governmental Funds
Revenues			
Other local sources	\$ 28,790	\$ 39,725	\$ 68,515
Expenditures			
Current			
Administration			
All other administration	-	54,507	54,507
Plant services	-	293,760	293,760
Ancillary services	21,896	-	21,896
Total expenditures	21,896	348,267	370,163
Net Change in Fund Balances	6,894	(308,542)	(301,648)
Fund Balance - Beginning, as restated	77,472	533,600	611,072
Fund Balance - Ending	\$ 84,366	\$ 225,058	\$ 309,424

**Note 1 - Purpose of Schedules**

**Schedule of Expenditures of Federal Awards (SEFA)**

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Oak Grove School District (the District) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Oak Grove School District, it is not intended to and does not present the financial position, changes in net assets (or net position or fund balance), or cash flows of Oak Grove School District.

Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Because the schedule presents only a selected portion of the operations of the Oak Grove School District, it is not intended to and does not present the financial position, changes in net assets (or net position or fund balance), or cash flow of Oak Grove School District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

The District does not draw for indirect administrative expenses and has not elected to use the ten percent de minimus cost rate.

SEFA Reconciliation

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

	Federal Financial Assistance Listing/Federal CFDA Number	Amount
Description		
Total Federal Revenues reported on the financial statements		\$ 12,455,214
Commodities not recorded on the financial statements	10.555	90,242
Medi-Cal grants exempt from SEFA reporting	93.778	(205,855)
Child and adult care food program unspent funds	10.558	(164,988)
Total schedule of expenditures of federal awards		\$ 12,174,613

### **Local Education Agency Organization Structure**

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

### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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.

### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

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

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



Independent Auditor's Reports  
June 30, 2021

# Oak Grove School District



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

To the Board of Trustees  
Oak Grove 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, the business-type activities, each major fund, and the aggregate remaining fund information of Oak Grove School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Oak Grove School District’s basic financial statements and have issued our report thereon dated November 17, 2021.

**Emphasis of Matter – Change in Accounting Principle**

As discussed in Notes 1 and 17 to the financial statements, Oak Grove School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Oak Grove 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 Oak Grove School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Oak Grove 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 Oak Grove School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

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

Menlo Park, California  
November 17, 2021





## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Trustees  
Oak Grove School District  
San Jose, California

### **Report on Compliance for Each Major Federal Program**

We have audited Oak Grove 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 Oak Grove School District's major federal programs for the year ended June 30, 2021. Oak Grove 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 Oak Grove 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 Oak Grove 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 Oak Grove School District's compliance.

### **Opinion on Each Major Federal Program**

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

### **Report on Internal Control over Compliance**

Management of Oak Grove 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 Oak Grove 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 Oak Grove 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  
November 17, 2021



## Independent Auditor's Report on State Compliance

To the Board of Trustees  
Oak Grove School District  
San Jose, California

### **Report on State Compliance**

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

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

**Compliance Requirements Tested**

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

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

**Early Retirement Incentive**

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

**Apprenticeship: Related and Supplemental Instruction**

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

**District of Choice**

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

Independent Study - Course Based

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

Charter Schools

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

***Unmodified Opinion***

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

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

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

Menlo Park, California  
November 17, 2021

**Financial Statements**

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

**Federal Awards**

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

**Identification of major programs**

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
Elementary and Secondary School Emergency Relief Fund (ESSER) ESSER I	84.425D
Governor's Emergency Education Relief Fund (GEER) Learning Loss Mitigation	84.425C
Coronavirus Relief Fund: Learning Loss Mitigation	21.019
Child and Adult Care Food Program	10.558
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**State Compliance**

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

None reported.



None reported.

There were no audit findings reported in the prior year's schedule of financial statement findings.