



Financial Statements  
June 30, 2022

# Oak Grove School District

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Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	5
Government Wide Financial Statements	
Statement of Net Position .....	17
Statement of Activities.....	18
Government Fund Financial Statements	
Balance Sheet – Governmental Funds .....	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	24
Proprietary Fund Financial Statements	
Statement of Net Position – Proprietary Funds.....	26
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	27
Statement of Cash Flows – Proprietary Funds.....	28
Notes to Financial Statements .....	29
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund .....	68
Budgetary Comparison Schedule – Cafeteria Fund .....	69
Schedule of Changes in the District’s Total OPEB Liability and Related Ratios .....	70
Schedule of the District’s Proportionate Share of the Net Pension Liability .....	71
Schedule of the District Contributions.....	72
Notes to Required Supplementary Information .....	73
Supplementary Information	
Schedule of Expenditures of Federal Awards .....	74
Local Education Agency Organization Structure.....	75
Schedule of Average Daily Attendance.....	76
Schedule of Instructional Time .....	77
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements .....	78
Schedule of Financial Trends and Analysis .....	79
Combining Balance Sheet – Non-Major Governmental Funds .....	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds.....	81
Notes to Supplementary Information.....	82
Independent Auditor’s Reports	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	84

Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance .....	86
Independent Auditor’s Report on State Compliance.....	89
Schedule of Findings and Questioned Costs	
Summary of Auditor’s Results.....	94
Financial Statement Findings .....	95
Federal Awards Findings and Questioned Costs.....	96
State Compliance Findings and Questioned Costs.....	97
Summary Schedule of Prior Audit Findings.....	98



## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Oak Grove School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Oak Grove School District, as of June 30, 2022, 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.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Oak Grove School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Adoption of New Accounting Standard*

As discussed in Note 1 to the financial statements, the Oak Grove School District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position and general fund net position as of July 1, 2021. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Oak Grove School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Oak Grove School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Oak Grove School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16, budgetary comparison information on page 68 through 69, schedule of changes in the District's total OPEB liability and related ratios on page 70, schedule of the District's proportionate share of the net pension liability on page 71, and the schedule of the District contributions on page 72, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oak Grove School District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards, combining non-major governmental fund financial statements, and 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 our report dated December 6, 2022 on our consideration of Oak Grove School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is 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 Oak Grove School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oak Grove School District's internal control over financial reporting and compliance.

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

Menlo Park, California  
December 6, 2022



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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, 2022, with comparative information for the year ended June 30, 2021. 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 8,800 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 generally accepted accounting principles.

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 two categories of activities: governmental and proprietary.

- 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.

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 eight 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. The 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 the governmental fund financial statements.

**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 Activities. 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

### 2021-2022 Operations

- Local Control Funding Formula (LCFF) entitlement of \$92.08 million based on student average daily attendance (ADA) of 9,448.39, accounted for 68.3% of the District's General Fund revenues. LCFF entitlement was fully funded at a rate of \$9,745 per average daily attendance.
- Supplemental Grant was per Unduplicated Count of 42.97% of total district enrollment, average rate for fiscal years 2019-20 through 2021-22. The District was required to provide supplemental services at a rate of \$738 per ADA, leaving \$9,007 per ADA available for general purpose instruction and operations.
- The District's net position at June 30, 2022 was a deficit of \$50.92 million, compared to a deficit of \$74.94 million, as restated at July 1, 2021, an increase of \$24.03 million.
- Total enrollment continued to decrease to 8,824 in 2022 from 9,353 in 2021, a reduction of 529 students. However, LCFF funding calculation for 2021-22 was based on the higher enrollment and attendance of 2019-20.
- The District recognized \$7.82 million in one-time revenue under the AB86 funding, 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 \$16.82 million in the General fund included \$309 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. Other state revenues also included new programs such as, Expanded Learning Opportunities Grant (\$2.24 million), one-time Educator Effectiveness (\$1.97 million), and special education related one-time funds (\$860 thousand).
- In compliance with GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, the District also recognized \$5.57 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 \$450 thousand.
- The District continued to be awarded \$56 thousand from the Sobrato Family Foundation Grant, similar to prior year for the teacher mentoring and family engagement program. Additionally, the District received \$109 thousand, in continued partnership with County of Santa Clara, to provide students and families with school based coordinated services to improve health and wellbeing of families through a community participatory approach.
- The District received \$1.66 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 and continued receipt of one-time Funds in response to the COVID-19 pandemic, as well as the new funds referenced above in other state revenues. 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 2021-2022.

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 \$5.30 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 \$257.01 million.

**GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS**

**Net Position**

The District's governmental activities and Business-Type Activities combined net position were deficit \$50.92 million for the fiscal year ended June 30, 2022. Of this amount, deficit \$121.16 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	
	2022	2021 as restated *	2022	2021	2022	2021 as restated *
<b>Assets</b>						
Current and other assets	\$ 148,500,510	\$ 130,693,656	\$ 718,855	\$ 993,085	\$ 149,219,365	\$ 131,686,741
Capital assets	219,772,603	225,906,937	-	-	219,772,603	225,906,937
<b>Total assets</b>	<b>368,273,113</b>	<b>356,600,593</b>	<b>718,855</b>	<b>993,085</b>	<b>368,991,968</b>	<b>357,593,678</b>
Deferred outflows of resources	34,646,505	42,419,286	634,099	429,788	35,280,604	42,849,074
<b>Liabilities</b>						
Current liabilities	12,014,457	8,294,672	8,361	10,165	12,022,818	8,304,837
Long-term liabilities	356,249,010	423,681,980	3,261,932	2,343,856	359,510,942	426,025,836
<b>Total liabilities</b>	<b>368,263,467</b>	<b>431,976,652</b>	<b>3,270,293</b>	<b>2,354,021</b>	<b>371,533,760</b>	<b>434,330,673</b>
Deferred inflows of resources	83,435,734	40,839,861	218,233	213,168	83,653,967	41,053,029
<b>Net Position</b>						
Net investment in capital assets	52,234,667	12,383,301	-	-	52,234,667	12,383,301
Restricted	18,013,132	21,848,211	-	-	18,013,132	21,848,211
Unrestricted	(119,027,382)	(108,028,146)	(2,135,572)	(1,144,316)	(121,162,954)	(109,172,462)
<b>Total net position</b>	<b>\$ (48,779,583)</b>	<b>\$ (73,796,634)</b>	<b>\$ (2,135,572)</b>	<b>\$ (1,144,316)</b>	<b>\$ (50,915,155)</b>	<b>\$ (74,940,950)</b>

\* \$28,291,735 of leases receivable and deferred inflow of resources-leases, and \$15,243 of right-of-use assets and leases payable was added to 2021 Governmental Activities due to implementation of GASB 87.

Long term liabilities have decreased by \$66.51 million and the related deferred inflows of resources increased by \$42.60 million. CalPERS and CalSTRS pension plans' fiduciary net position received significant unrealized investment gains during the measurement year 2020-21 which resulted in the liability reduction.

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.

**Table 2 – Comparison of Governmental Activities**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021*	2022	2021	2022	2021*
<b>Revenues</b>						
Program revenues						
Charges for services and sales	\$ 7,201	\$ 2,165	\$ 2,340,023	\$ 1,009,559	\$ 2,347,224	\$ 1,011,724
Operating grants and contributions	33,307,365	26,430,634	-	-	33,307,365	26,430,634
General revenues						
Federal and State aid not restricted	66,730,525	61,463,083	-	-	66,730,525	61,463,083
Property taxes	51,965,736	53,298,764	-	-	51,965,736	53,298,764
Other general revenues	14,150,316	7,257,267	(4,026)	11,368	14,146,290	7,268,635
<b>Total revenues</b>	<b>166,161,143</b>	<b>148,451,913</b>	<b>2,335,997</b>	<b>1,020,927</b>	<b>168,497,140</b>	<b>149,472,840</b>
<b>Expenses</b>						
Instruction-related	84,135,218	98,681,279	-	-	84,135,218	98,681,279
Pupil services	14,044,814	13,093,839	-	-	14,044,814	13,093,839
Administration	9,956,068	10,257,669	-	-	9,956,068	10,257,669
Plant services	16,184,612	10,204,129	-	-	16,184,612	10,204,129
All other services	16,823,380	16,118,599	3,327,253	1,090,358	20,150,633	17,208,957
<b>Total expenses</b>	<b>141,144,092</b>	<b>148,355,515</b>	<b>3,327,253</b>	<b>1,090,358</b>	<b>144,471,345</b>	<b>149,445,873</b>
<b>Change in net position</b>	<b>\$ 25,017,051</b>	<b>\$ 96,398</b>	<b>\$ (991,256)</b>	<b>\$ (69,431)</b>	<b>\$ 24,025,795</b>	<b>\$ 26,967</b>

\* The revenues and expenses for fiscal year 2021 were not restated to show the effects of GASB 87 for comparative purposes because the adoption of GASB 87 does not affect the statement of activities.

The major differences between 2020-2021 and 2021-2022 are in the Instructions related expenses. These expenses decreased \$14.55 million due mainly to a decrease in workforce, as a combination of effects of declining enrollment and distance learning.

### Governmental Activities

As reported in the Statement of Activities on page 18, the cost of all of our governmental activities this year was \$141.14 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$51.97 million because the cost was primarily paid for by organizations who subsidized certain programs with grants and contributions (\$33.31 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 – Statement of Activities**

	Total Cost of Services		Net Cost of Services	
	2022	2021*	2022	2021*
Instruction-related	\$ 84,135,218	\$ 98,681,279	\$ (65,455,531)	\$ (82,778,806)
Pupil services	14,044,814	13,093,839	(5,660,059)	(6,937,638)
Administration	9,956,068	10,257,669	(6,411,251)	(9,239,896)
Plant services	16,184,612	10,204,129	(14,222,117)	(7,866,751)
All other services	16,823,380	16,118,599	(16,080,568)	(15,099,625)
<b>Total</b>	<b>\$ 141,144,092</b>	<b>\$ 148,355,515</b>	<b>\$ (107,829,526)</b>	<b>\$ (121,922,716)</b>

\* The total and net cost of services for fiscal year 2021 were not restated to show the effects of GASB 87 for comparative purposes because the adoption of GASB 87 does not affect the statement of activities.

The District experienced a reduction in the instruction-related expenditures compared to the prior year due to the expenditures incurred in the prior year for the COVID-19 related instructional materials and supplies to accommodate the distance learning mode.

In Table 4, we categorize the expenditures by object codes. Because the District is a service-oriented entity, most of the expenditures (75.77%) 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
	2021-22	2020-21		
Certificated salaries	\$ 50,991,486	\$ 50,252,217	\$ 739,269	1%
Classified salaries	16,623,459	16,679,833	(56,374)	0%
Employee benefits	33,770,693	32,426,239	1,344,454	4%
Books and supplies	3,346,263	3,290,501	55,762	2%
Services and operating expenses	17,427,670	11,581,235	5,846,435	50%
Other	6,754,044	6,507,199	246,845	4%
<b>Total</b>	<b>\$ 128,913,615</b>	<b>\$ 120,737,224</b>	<b>\$ 8,176,391</b>	<b>7%</b>

The services and operating expenses have increased by \$5.85 million or 50% compared to the prior year mainly due to resuming the modernization projects to the school sites that were stopped during the COVID year.

#### **FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

At the end of the District's fiscal year, the general fund balance was \$24.80 million. Of the \$24.80 million, \$0.93 million was non-spendable and \$14.30 million was restricted. The fund balance increased by \$6.01 million from the prior year amount of \$18.78 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.

**The District's Funds**

As the District completed the year, our governmental funds reported a combined fund balance of \$110,867,807 (see Table 5). The District is required to maintain available reserves of 3% of total general fund expenditures for economic uncertainties. This 3% reserve amounts to \$3,867,408.

**Table 5 – Governmental Fund Balances**

Governmental Fund	Balances and Activity			June 30, 2022
	June 30, 2021 as restated	Revenues and Other Sources	Expenditures and Other Uses	
<b>Major Funds</b>				
General	\$ 18,782,612	\$ 134,926,813	\$ 128,913,615	\$ 24,795,810
Cafeteria	702,810	5,507,349	3,822,589	2,387,570
Building	43,842,762	14,077,345	5,828,108	52,091,999
Special Reserve Fund for Capital Outlay Projects	15,937,914	888,063	133,744	16,692,233
Bond Interest and Redemption	14,407,747	15,629,356	15,461,943	14,575,160
<b>Non-Major funds</b>				
Student Activity Fund	84,366	174,951	156,053	103,264
Capital Facilities	225,058	32,980	36,267	221,771
<b>Total</b>	<u>\$ 93,983,269</u>	<u>\$ 171,236,857</u>	<u>\$ 154,352,319</u>	<u>\$ 110,867,807</u>

**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 \$9,745. Supplemental services must be provided at a rate of \$738 per ADA, and net unrestricted LCFF funding is \$9,007 per ADA.
- Total enrollment continued to decrease from 9,353 in 2021 to 8,824 in 2022, a reduction of 529 students. However, LCFF funding calculation for 2021-2022 is based on the higher of enrollment and attendance of 2019-20 under the hold harmless provision.

- The District recognized \$7.82 million in one-time revenue under the AB86 funding, 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**

- 2021-2022 collective bargaining with all units was settled, with a 5.5% on schedule salary increase for 2021-2022.
- CalSTRS rate increased from 16.15% to 16.92%, and CalPERS rate increased from 20.70% to 22.91%.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2022, the District had \$219.76 million in a broad range of capital assets, including land, buildings, furniture, and equipment. The \$6.13 million decrease in capital assets is due to combination of \$5.74 million additions of building improvements funded from proceed of general obligation bonds, buildings and land disposal of \$8.23 million and \$6.50 million of depreciation. Additional information regarding the District’s capital assets can be found in Note 5 to the basic financial statements.

**Table 6 – Capital Assets (net of depreciation)**

	Government Activities	
	2022	2021
Land and construction in progress	\$ 8,721,445	\$ 3,521,000
Buildings and improvements	209,921,086	220,981,148
Equipment	1,118,797	1,389,546
Right-to-use leased assets	11,275	15,243
Total	\$ 219,761,328	\$ 225,891,694

This year’s additions of \$482,116 included a couple of vehicles and playground equipment at Edenvale and Stipe. No debt was issued for these additions.

**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 2021-2022 cost \$5.26 million, including administrative expenses and legal fees, were for Roofing/HVAC replacements and various modernization/upgrades to streetscape, seismic, painting, shade structure, and fire alarm system at Bernal, Frost, and Stipe. Additional costs also include portable relocation and refurbishment at Frost and hazardous material abatement at Frost- exterior siding. Costs for inspectors and special inspection is included in the total costs. All projects were outstanding as of June 30, 2022.

Measure S Bonds Series D with net issuance of \$3.35 million were issued to fund technology projects. During the 2021-2022 school year, the District expended approximately \$347 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. Current remaining or outstanding invoices for the project is approximately \$75 thousand and will be paid once final documentation is provided, prior to January 31, 2023.

### Long-Term Liabilities

The District has long-term liabilities other than pensions and OPEB totaling \$262.20 million as of June 30, 2022. 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 7 – Long Term Liabilities**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021 as restated	2022	2021 as restated	2022	2021 as restated
Long-Term Liabilities						
General obligation bonds	\$ 257,010,341	\$ 262,791,528	\$ -	\$ -	\$ 257,010,341	\$ 262,791,528
Unamortized premiums/(discounts)	3,728,033	4,586,855	-	-	3,728,033	4,586,855
Leases	11,523	15,243	-	-	11,523	15,243
Compensated absences	1,322,077	1,284,281	-	-	1,322,077	1,284,281
Claims liability	123,648	103,570	-	-	123,648	103,570
Total OPEB liability	31,980,634	29,907,562	639,352	406,204	32,619,986	30,313,766
Aggregate net pension liability	62,072,754	125,008,184	2,622,580	1,937,652	64,695,334	126,945,836
<b>Total</b>	<b>\$ 356,249,010</b>	<b>\$ 423,697,223</b>	<b>\$ 3,261,932</b>	<b>\$ 2,343,856</b>	<b>\$ 359,510,942</b>	<b>\$ 426,041,079</b>

At year-end, the District has a net pension liability of \$64.70 million versus \$126.95 last year, a decrease of \$62.25 million (or 49.80%).

Other liabilities include compensated absences payable, 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 2022-2023 year, the governing board and management used the following criteria:

The Oak Grove School District's (OGSD) 2022-2023 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, and will be reflected on the 2022-23 First Interim Budget.

1. Local Control Funding Formula with COLA of 12.84%, which includes the additional 6.28% above and beyond the statutory COLA of 6.56%.
2. Supplemental Grant is per Unduplicated Count of 40.41% of total district enrollment, three-year average from 2020-21 through projected 2022-2023.
3. Elimination of expired one-time revenue and recognition of unspent one-time revenue under the AB86 funding, 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 do not exceed revenues as of adopted budget; no transfers in from the Special Reserve Fund is necessary.

Expenditures are based on the following assumptions:

1. Classroom staffing allocations for 2022-2023 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: [mevans@ogsd.net](mailto:mevans@ogsd.net).

Oak Grove School District  
Statement of Net Position  
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Deposits and investments	\$ 111,800,599	\$ 708,328	\$ 112,508,927
Receivables	10,087,138	11,116	10,098,254
Internal balances	589	(589)	-
Prepaid expenses	205,764	-	205,764
Stores inventories	15,786	-	15,786
Lease receivables	26,390,634	-	26,390,634
Capital assets not depreciated	8,721,445	-	8,721,445
Capital assets, net of accumulated depreciation	211,039,883	-	211,039,883
Right-to-use leased assets, net of accumulated amortization	11,275	-	11,275
Total assets	<u>368,273,113</u>	<u>718,855</u>	<u>368,991,968</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	9,269,554	-	9,269,554
Deferred outflows of resources related to OPEB	6,780,337	135,551	6,915,888
Deferred outflows of resources related to pensions	18,596,614	498,548	19,095,162
Total deferred outflows of resources	<u>34,646,505</u>	<u>634,099</u>	<u>35,280,604</u>
<b>Liabilities</b>			
Accounts payable	6,119,547	8,361	6,127,908
Interest payable	3,278,711	-	3,278,711
Due to other governments	917,239	-	917,239
Unearned revenue	1,698,960	-	1,698,960
<b>Long-term liabilities</b>			
Long-term liabilities other than OPEB and pensions			
Due within one year	10,984,622	-	10,984,622
Due in more than one year	251,211,000	-	251,211,000
Total other postemployment benefits liability (OPEB)	31,980,634	639,352	32,619,986
Aggregate net pension liabilities	62,072,754	2,622,580	64,695,334
Total liabilities	<u>368,263,467</u>	<u>3,270,293</u>	<u>371,533,760</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources related to OPEB	5,165,994	103,278	5,269,272
Deferred inflows of resources related to pensions	52,567,816	114,955	52,682,771
Deferred inflows of resources related to leases	25,701,924	-	25,701,924
Total deferred inflows of resources	<u>83,435,734</u>	<u>218,233</u>	<u>83,653,967</u>
<b>Net Position (Deficit)</b>			
Net investment in capital assets	52,234,667	-	52,234,667
Restricted for			
Capital projects	1,221,646	-	1,221,646
Educational programs	14,403,916	-	14,403,916
Food programs	2,387,570	-	2,387,570
Unrestricted	(119,027,382)	(2,135,572)	(121,162,954)
Total net position (Deficit)	<u>\$ (48,779,583)</u>	<u>\$ (2,135,572)</u>	<u>\$ (50,915,155)</u>

See Notes to Financial Statements

Oak Grove School District  
Statement of Activities  
Year Ended June 30, 2022

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	\$ 73,011,714	\$ 3,932	\$ 14,532,600	\$ (58,475,182)	\$ -	\$ (58,475,182)
Instruction-related activities						
Supervision of instruction	4,578,677	715	3,383,900	(1,194,062)	-	(1,194,062)
Instructional library, media, and technology	496,735	-	104,338	(392,397)	-	(392,397)
School site administration	6,048,092	38	654,164	(5,393,890)	-	(5,393,890)
Pupil services						
Home-to-school transportation	2,658,825	-	18,336	(2,640,489)	-	(2,640,489)
Food services	3,885,454	1,483	5,365,690	1,481,719	-	1,481,719
All other pupil services	7,500,535	538	2,998,708	(4,501,289)	-	(4,501,289)
Administration						
Data processing	2,146,494	-	-	(2,146,494)	-	(2,146,494)
All other administration	7,809,574	316	3,544,501	(4,264,757)	-	(4,264,757)
Plant services	16,184,612	11	1,962,484	(14,222,117)	-	(14,222,117)
Ancillary services	279,479	3	182,497	(96,979)	-	(96,979)
Community services	18,088	165	3,294	(14,629)	-	(14,629)
Enterprise services	3,968	-	-	(3,968)	-	(3,968)
Interest on long-term liabilities	10,107,103	-	-	(10,107,103)	-	(10,107,103)
Other outgo	6,414,742	-	556,853	(5,857,889)	-	(5,857,889)
<b>Total governmental activities</b>	<b>141,144,092</b>	<b>7,201</b>	<b>33,307,365</b>	<b>(107,829,526)</b>	<b>-</b>	<b>(107,829,526)</b>
<b>Business-Type Activities</b>						
Enterprise services	3,327,253	2,340,023	-	-	(987,230)	(987,230)
<b>Total primary government</b>	<b>\$144,471,345</b>	<b>\$ 2,347,224</b>	<b>\$ 33,307,365</b>	<b>(107,829,526)</b>	<b>(987,230)</b>	<b>(108,816,756)</b>
<b>General Revenues and Subventions</b>						
Property taxes, levied for general purposes				32,706,800	-	32,706,800
Property taxes, levied for debt service				15,817,627	-	15,817,627
Taxes levied for other specific purposes				3,441,309	-	3,441,309
Federal and State aid not restricted to specific purposes				66,730,525	-	66,730,525
Interest and investment earnings				(1,340,929)	(5,157)	(1,346,086)
Interagency revenues				50,571	-	50,571
Miscellaneous				15,440,674	1,131	15,441,805
<b>Total general revenues and subventions</b>				<b>132,846,577</b>	<b>(4,026)</b>	<b>132,842,551</b>
<b>Change in Net Position</b>				<b>25,017,051</b>	<b>(991,256)</b>	<b>24,025,795</b>
<b>Net Position (Deficit) - Beginning, as restated</b>				<b>(73,796,634)</b>	<b>(1,144,316)</b>	<b>(74,940,950)</b>
<b>Net Position (Deficit) - Ending</b>				<b>\$ (48,779,583)</b>	<b>\$ (2,135,572)</b>	<b>\$ (50,915,155)</b>

Oak Grove School District  
Balance Sheet – Governmental Funds  
June 30, 2022

	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	\$ 19,670,686	\$ 1,862,642	\$ 55,447,121	\$ 16,769,567	\$ 14,541,454	\$ 347,031	\$ 108,638,501
Receivables	8,840,346	929,185	188,522	56,410	33,706	1,152	10,049,321
Due from other funds	349,940	-	-	-	-	-	349,940
Prepaid expenditures	205,764	-	-	-	-	-	205,764
Stores inventories	15,786	-	-	-	-	-	15,786
Lease receivables	26,390,634	-	-	-	-	-	26,390,634
<b>Total assets</b>	<b>\$ 55,473,156</b>	<b>\$ 2,791,827</b>	<b>\$ 55,635,643</b>	<b>\$ 16,825,977</b>	<b>\$ 14,575,160</b>	<b>\$ 348,183</b>	<b>\$ 145,649,946</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 2,364,105	\$ 211,798	\$ 3,543,644	\$ -	\$ -	\$ -	\$ 6,119,547
Due to other funds	-	192,459	-	133,744	-	23,148	349,351
Due to other governments	917,239	-	-	-	-	-	917,239
Unearned revenue	1,694,078	-	-	-	-	-	1,694,078
<b>Total liabilities</b>	<b>4,975,422</b>	<b>404,257</b>	<b>3,543,644</b>	<b>133,744</b>	<b>-</b>	<b>23,148</b>	<b>9,080,215</b>
Deferred Inflows of Resources, Deferred inflows of resources related to leases	25,701,924	-	-	-	-	-	25,701,924
<b>Fund Balances</b>							
Nonspendable	930,260	-	-	-	-	-	930,260
Restricted	14,300,652	2,387,570	52,091,999	999,875	14,575,160	203,318	84,558,574
Assigned	2,908,980	-	-	15,692,358	-	121,717	18,723,055
Unassigned	6,655,918	-	-	-	-	-	6,655,918
<b>Total fund balances</b>	<b>24,795,810</b>	<b>2,387,570</b>	<b>52,091,999</b>	<b>16,692,233</b>	<b>14,575,160</b>	<b>325,035</b>	<b>110,867,807</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 55,473,156</b>	<b>\$ 2,791,827</b>	<b>\$ 55,635,643</b>	<b>\$ 16,825,977</b>	<b>\$ 14,575,160</b>	<b>\$ 348,183</b>	<b>\$ 145,649,946</b>

See Notes to Financial Statements

Oak Grove School District  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2022

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Total Fund Balance - Governmental Funds \$ 110,867,807

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

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

The cost of capital assets is	\$ 304,496,201
Accumulated depreciation is	<u>(84,734,873)</u>

Net capital assets	219,761,328
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Right-to-use leased assets used in governmental activities are  
 not financial resources and, therefore, are not reported as assets in  
 governmental funds.

The cost of right-to-use leased assets is	15,243
Accumulated amortization is	<u>(3,968)</u>

Net right-to-use leased assets	11,275
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In governmental funds, unmatured interest on long-term  
 liabilities is recognized in the period when it is due. On the  
 government-wide financial statements, unmatured interest on  
 long-term liabilities is recognized when it is incurred.

(3,278,711)

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 in the statement of net position.

3,071,385

Deferred outflows of resources represent a consumption of net  
 position in a future period and is not reported in the governmental  
 funds. Deferred outflows of resources amounted to and related to

Debt refundings (deferred changes on refunding)	9,269,554
Other postemployment benefits (OPEB)	6,780,337
Net pension liability	<u>18,596,614</u>

Total deferred outflows of resources	34,646,505
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Deferred inflows of resources represent an acquisition of net position  
 that applies to a future period and is not reported in the governmental  
 funds. Deferred inflows of resources amount to and related to

Other postemployment benefits (OPEB)	(5,165,994)
Net pension liability	<u>(52,567,816)</u>

Total deferred inflows of resources	(57,733,810)
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Oak Grove School District  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2022

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Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		\$ (62,072,754)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(31,980,634)
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	\$ (228,887,966)	
Capital leases	(11,523)	
Compensated absences (vacations)	(1,322,077)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(31,850,408)</u>	
Total long-term liabilities		<u>(262,071,974)</u>
Total net position - governmental activities		<u><u>\$ (48,779,583)</u></u>



Oak Grove School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2022

	General Fund	Cafeteria Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
<b>Revenues</b>				
Local control funding formula	\$ 97,198,041	\$ -	\$ -	\$ -
Federal sources	10,407,244	5,218,960	-	-
Other State sources	16,991,997	327,554	-	-
Other local sources	10,195,787	(39,165)	(964,587)	888,063
Total revenues	<u>134,793,069</u>	<u>5,507,349</u>	<u>(964,587)</u>	<u>888,063</u>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	80,013,304	-	-	-
Instruction-related activities				
Supervision of instruction	4,827,767	-	-	-
Instructional library, media, and technology	492,216	-	-	-
School site administration	6,686,514	-	-	-
Pupil services				
Home-to-school transportation	3,013,390	-	-	-
Food services	209,832	3,623,995	-	-
All other pupil services	7,719,435	-	-	-
Administration				
Data processing	2,176,696	-	-	-
All other administration	6,451,548	198,594	-	-
Plant services	10,438,063	-	733	-
Ancillary services	125,091	-	-	-
Community services	21,377	-	-	-
County operated programs	6,414,742	-	-	-
Capital outlay	318,301	-	5,827,375	-
Debt service				
Principal	3,720	-	-	-
Interest and other	1,619	-	-	-
Total expenditures	<u>128,913,615</u>	<u>3,822,589</u>	<u>5,828,108</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,879,454</u>	<u>1,684,760</u>	<u>(6,792,695)</u>	<u>888,063</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	133,744	-	-	-
Proceeds from sale of a site	-	-	15,041,932	-
Transfers out	-	-	-	(133,744)
Total other Financing Sources (Uses)	<u>133,744</u>	<u>-</u>	<u>15,041,932</u>	<u>(133,744)</u>
Net Change in Fund Balances	6,013,198	1,684,760	8,249,237	754,319
Fund Balance - Beginning	<u>18,782,612</u>	<u>702,810</u>	<u>43,842,762</u>	<u>15,937,914</u>
Fund Balance - Ending	<u>\$ 24,795,810</u>	<u>\$ 2,387,570</u>	<u>\$ 52,091,999</u>	<u>\$ 16,692,233</u>

Oak Grove School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2022

	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Local control funding formula	\$ -	\$ -	\$ 97,198,041
Federal sources	-	-	15,626,204
Other State sources	153,586	-	17,473,137
Other local sources	15,475,770	207,931	25,763,799
<b>Total revenues</b>	<b>15,629,356</b>	<b>207,931</b>	<b>156,061,181</b>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	-	-	80,013,304
Instruction-related activities			
Supervision of instruction	-	-	4,827,767
Instructional library, media, and technology	-	-	492,216
School site administration	-	-	6,686,514
Pupil services			
Home-to-school transportation	-	-	3,013,390
Food services	-	-	3,833,827
All other pupil services	-	-	7,719,435
Administration			
Data processing	-	-	2,176,696
All other administration	-	36,267	6,686,409
Plant services	-	-	10,438,796
Ancillary services	-	156,053	281,144
Community services	-	-	21,377
County operated programs	-	-	6,414,742
Capital outlay	-	-	6,145,676
Debt service			
Principal	11,255,000	-	11,258,720
Interest and other	4,206,943	-	4,208,562
<b>Total expenditures</b>	<b>15,461,943</b>	<b>192,320</b>	<b>154,218,575</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>167,413</b>	<b>15,611</b>	<b>1,842,606</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	133,744
Proceeds from sale of a site	-	-	15,041,932
Transfers out	-	-	(133,744)
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>15,041,932</b>
<b>Net Change in Fund Balances</b>	<b>167,413</b>	<b>15,611</b>	<b>16,884,538</b>
<b>Fund Balance - Beginning</b>	<b>14,407,747</b>	<b>309,424</b>	<b>93,983,269</b>
<b>Fund Balance - Ending</b>	<b>\$ 14,575,160</b>	<b>\$ 325,035</b>	<b>\$ 110,867,807</b>

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, 2022

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Total Net Change in Fund Balances - Governmental Funds \$ 16,884,538

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 and amortization expenses in the Statement of Activities.

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

Depreciation and amortization expenses	\$ (6,501,393)
Capital outlays	<u>5,735,361</u>

Net expense adjustment	(766,032)
------------------------	-----------

The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (5,473,813)

Gain on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (5,368,302)

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. (37,796)

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. 10,693,250

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. (2,031,683)

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, 2022

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	\$ 872,188	
Discount on issuance recognized	(13,366)	
Deferred charge on refunding amortization	<u>(757,674)</u>	
Total amortization		\$ 101,148

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	11,255,000	
Leases	<u>3,720</u>	
Total debt payments		11,258,720

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.

(522,156)

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.

279,177

Change in net position of governmental activities \$ 25,017,051

Oak Grove School District  
Statement of Net Position – Proprietary Funds  
June 30, 2022

	Business-Type Activities - Enterprise Funds	Governmental Activities - Self-Insurance Internal Service Fund
	Child Care Enterprise	
<b>Assets</b>		
Current assets		
Deposits and investments	\$ 708,328	\$ 3,162,098
Receivables	11,116	37,817
Total current assets	<u>719,444</u>	<u>3,199,915</u>
Deferred Outflows of Resources		
Deferred outflows of resources related to OPEB	135,551	-
Deferred outflows of resources related to pensions	498,548	-
Total deferred outflows of resources	<u>634,099</u>	<u>-</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	8,361	-
Due to other funds	589	-
Unearned revenue	-	4,882
Current portion of claims liabilities	-	123,648
Total current liabilities	<u>8,950</u>	<u>128,530</u>
Noncurrent liabilities		
Other postemployment benefits liability	639,352	
Aggregate net pension liabilities	2,622,580	-
Total noncurrent liabilities	<u>3,261,932</u>	<u>-</u>
Total liabilities	<u>3,270,882</u>	<u>128,530</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to OPEB	114,955	-
Deferred inflows of resources related to pensions	103,278	-
Total deferred inflows of resources	<u>218,233</u>	<u>-</u>
<b>Net Position (Deficit)</b>		
Unrestricted	<u>(2,135,572)</u>	<u>3,071,385</u>
Total net position (Deficit)	<u>\$ (2,135,572)</u>	<u>\$ 3,071,385</u>

Oak Grove School District  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds	Governmental Activities - Self-Insurance Internal Service Fund
	Child Care Enterprise	
Operating Revenues		
Charges for services	\$ 2,340,023	\$ 1,981,254
Total operating revenues	<u>2,340,023</u>	<u>1,981,254</u>
Operating Expenses		
Payroll costs	2,834,584	-
Supplies and materials	75,016	-
Facility rental	59,525	-
Other operating cost	358,128	1,652,185
Total operating expenses	<u>3,327,253</u>	<u>1,652,185</u>
Operating Income (Loss)	(987,230)	329,069
Nonoperating Revenues (Expenses)		
Unrealized gain (loss) on investment to County	(8,045)	(68,730)
Interest income	4,019	18,838
Total nonoperating revenues (expenses)	<u>(4,026)</u>	<u>(49,892)</u>
Change in Net Position	(991,256)	279,177
Total Net Position (Deficit) - Beginning	<u>(1,144,316)</u>	<u>2,792,208</u>
Total Net Position (Deficit) - Ending	<u>\$ (2,135,572)</u>	<u>\$ 3,071,385</u>

Oak Grove School District  
Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds	Governmental Activities - Self-Insurance
	Child Care Enterprise	Internal Service Fund
Operating Activities		
Cash receipts from customers	\$ 2,330,504	\$ 2,022,273
Cash payments to other suppliers of goods or services	(696,653)	-
Cash payments to employees for services	(2,123,985)	-
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	-	(1,716,245)
Net Cash From Operating Activities	(490,134)	691,043
Investing Activities		
Investments loss	(4,627)	(49,892)
Net Change in Cash and Cash Equivalents	(494,761)	641,151
Cash and Cash Equivalents, Beginning	1,203,089	2,520,947
Cash and Cash Equivalents, Ending	\$ 708,328	\$ 3,162,098
Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities		
Operating income (loss)	\$ (987,230)	\$ 329,069
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities		
Pension expense	496,591	-
OPEB expense	222,239	-
Changes in assets and liabilities		
Receivables	(9,519)	41,923
Due from other fund	-	385,015
Accrued liabilities	(1,804)	(64,060)
Due to other fund	(210,411)	-
Unearned revenue	-	(904)
Net Cash From Operating Activities	\$ (490,134)	\$ 691,043

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

### **Financial Reporting Entity**

The Oak Grove School District (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 fourteen elementary (TK-6), one K-8, and three intermediate (7-8) 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 two broad fund categories: governmental and proprietary.

**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. 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 and amortization of leased assets. 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 governmental funds are aggregated and presented in a single column. The enterprise and internal service funds are presented in separate columns 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 total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available 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**

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.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract.

### **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.

### **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, 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.

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, deferred inflows of resources related to leases, 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) - MPP**

For purposes of measuring the net OPEB MPP liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the MPP's fiduciary net position have been determined on the same basis as they are reported by the MPP. For this purpose, the MPP recognizes benefit payments when due and payable in accordance with the benefit terms.

Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability of the District plan attributable to the governmental activities or to the business-type activities will be paid by the funds where the employees work. The net OPEB liability of MPP plan will be paid primarily by the General Fund.

### **Leases**

The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

### **Fund Balances - Governmental Funds**

As of June 30, 2022, fund balances of the governmental funds are classified as follows:

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

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

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

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

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

When an expenditure (expense) is incurred for purposes for which both restricted and unrestricted fund balance or 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.

### **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 and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type activities.



### **Estimates**

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

### **Property Tax**

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

### **Change in Accounting Principles**

#### **Implementation of GASB Statement No. 87**

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires 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. The effect of the implementation of this standard on beginning net position is disclosed in Note 18 and the additional disclosures required by this standard is included in Note 6.

#### **Implementation of GASB Statement No. 89**

As of July 1, 2021, The District adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The implementation of this Standard 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, there is no material effect of the implementation of this standard on the beginning net position.

#### **Implementation of GASB Statement No. 92**

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.

The provisions of this Statement have been implemented as of June 30, 2022.

**Note 2 - Deposits and Investments**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 108,638,501
Proprietary funds	<u>3,870,426</u>
Total deposits and investments	<u><u>\$ 112,508,927</u></u>

Deposits and investments as of June 30, 2022, consist of the following:

Cash on hand and in banks	\$ 391,231
Cash with fiscal agent	453,071
Cash in revolving	20,000
Investments	<u>111,644,625</u>
Total deposits and investments	<u><u>\$ 112,508,927</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 fair value of the deposits with County Treasurer at June 30, 2022 approximates \$111.6 million, and the weighted average maturity of the pool was 738 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, 2022.

### **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, 2022, the District's cash in banks totaled \$391,231, of which \$250,000 was insured and \$141,231 was uninsured and uncollateralized.

### **Note 3 - Fair Value Measurements**

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

- Level 1 inputs – quoted prices in active markets for identical assets.
- Level 2 inputs – quoted prices in active or inactive for the same or similar assets.
- Level 3 inputs – estimates using the best information available when there is little or no market.

As of June 30, 2022, the District's investments in the Santa Clara County Treasury Investment Pool and State Investment Pools are uncategorized.

**Note 4 - Receivables Other than Lease Receivables**

Receivables, other than lease receivables, at June 30, 2022, 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	\$ 6,122,984	\$ 926,166	\$ -	\$ -
State Government				
Categorical aid	520,385	-	-	-
Lottery	482,093	-	-	-
Local Government				
Interest	80,139	3,019	144,043	42,958
Other local sources	1,634,745	-	44,479	13,452
	<u>\$ 8,840,346</u>	<u>\$ 929,185</u>	<u>\$ 188,522</u>	<u>\$ 56,410</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	\$ -	\$ -	\$ 7,049,150	\$ -
State Government				
Categorical aid	-	-	520,385	-
Lottery	-	-	482,093	-
Local Government				
Interest	22,041	874	293,074	8,043
Other local sources	11,665	278	1,704,619	40,890
	<u>\$ 33,706</u>	<u>\$ 1,152</u>	<u>\$ 10,049,321</u>	<u>\$ 48,933</u>
Total				

**Note 5 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021 as restated	Additions	Deductions	Balance June 30, 2022
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 3,521,000	\$ -	\$ (52,800)	\$ 3,468,200
Construction in progress	-	5,253,245	-	5,253,245
<b>Total capital assets not being depreciated</b>	<b>3,521,000</b>	<b>5,253,245</b>	<b>(52,800)</b>	<b>8,721,445</b>
Capital assets being depreciated				
Buildings and improvements	290,403,916	-	(8,174,042)	282,229,874
Furniture and equipment	13,062,766	482,116	-	13,544,882
<b>Total capital assets being depreciated</b>	<b>303,466,682</b>	<b>482,116</b>	<b>(8,174,042)</b>	<b>295,774,756</b>
<b>Total capital assets</b>	<b>306,987,682</b>	<b>5,735,361</b>	<b>(8,226,842)</b>	<b>304,496,201</b>
Accumulated depreciation				
Buildings and improvements	(69,422,768)	(5,744,560)	2,858,540	(72,308,788)
Furniture and equipment	(11,673,220)	(752,865)	-	(12,426,085)
<b>Total accumulated depreciation</b>	<b>(81,095,988)</b>	<b>(6,497,425)</b>	<b>2,858,540</b>	<b>(84,734,873)</b>
<b>Net depreciable capital assets</b>	<b>225,891,694</b>	<b>(762,064)</b>	<b>(5,368,302)</b>	<b>219,761,328</b>
Right-to-use leased assets being amortized				
Furniture and equipment	15,243	-	-	15,243
Accumulated amortization				
Furniture and equipment	-	(3,968)	-	(3,968)
<b>Net right-to-use leased assets</b>	<b>15,243</b>	<b>(3,968)</b>	<b>-</b>	<b>11,275</b>
<b>Governmental activities capital assets, net and righ- to-use leased assets, net</b>	<b>\$ 225,906,937</b>	<b>\$ (766,032)</b>	<b>\$ (5,368,302)</b>	<b>\$ 219,772,603</b>

Depreciation and amortization expenses were charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 4,123,762
Supervision of instruction	248,576
Instructional library, media and technology	25,344
School site administration	344,281
Pupil transportation	155,156
Food services	197,399
Other pupil services	397,465
Ancillary services	14,476
Community services	1,101
Other general administration	344,276
Data processing services	112,076
Plant maintenance and operations	<u>537,481</u>
Total depreciation and amortization expenses governmental activities	<u><u>\$ 6,501,393</u></u>

**Note 6 - Lease Receivables**

Lease receivables are recorded by the District as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the District charges the lessee. The District has accrued a receivable for leasing a portion of its facilities to various lessees. These leases are non-cancelable for periods more than one year. During the fiscal year, the District recognized \$2,589,811 in lease revenue and \$761,721 in interest revenue related to these agreements. As of June 30, 2022, the District recorded \$26,390,634 in leases receivable and \$25,701,924 in deferred inflows of resources for these arrangements. The interest rates on these leases are ranging from 2.5% to 3.8%.

The remaining principal payments on the receivable associated with these leases as of June 30, 2022, are as follows:

Year Ending June 30,	Lease Revenue Total
2023	\$ 1,962,956
2024	2,073,228
2025	2,200,809
2026	2,352,971
2027	2,493,223
2028-2032	11,614,418
2033-2037	3,688,471
2038	<u>4,558</u>
Total	<u><u>\$ 26,390,634</u></u>



**Note 7 - Interfund Transaction**

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

Interfund receivable and payable balances at June 30, 2022, between major and non-major governmental funds, enterprise fund, and Internal service fund are as follows:

	Due From General Fund
Due To	
Cafeteria	\$ 192,459
Special Reserve-Capital Outlay Fund	133,744
Non-Major Governmental Funds	23,148
Proprietary Funds	589
Total	\$ 349,940

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, 2022, consisted of the Special Reserve – Capital Outlay fund transferred to General fund for operation in the amount of \$133,744.

**Note 8 - 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 \$50,418,475 includes the effect of deferring the recognition of loss from advance refunding. The \$9,269,554 balance of the deferred outflows of resources at June 30, 2022, will be recognized as an expense and as a decrease in net position over the remaining life of related bonds. During the current year, the District recognized an expense of \$757,674.

**Note 9 - Accounts Payable**

Accounts payable at June 30, 2022, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	Total Governmental Funds	Proprietary Funds
Vendor payables	\$ 2,196,749	\$ 211,500	\$ 3,543,372	\$ 5,951,621	\$ 7,018
Salaries and benefits	167,356	298	272	167,926	1,343
<b>Total</b>	<b>\$ 2,364,105</b>	<b>\$ 211,798</b>	<b>\$ 3,543,644</b>	<b>\$ 6,119,547</b>	<b>\$ 8,361</b>

**Note 10 - Unearned Revenue**

Unearned revenue at June 30, 2022, consisted of the following:

	General Fund	Total	Proprietary Funds
Federal financial assistance	\$ 508,116	\$ 508,116	\$ -
State categorical aid	283,508	283,508	-
Other local	902,454	902,454	4,882
<b>Total</b>	<b>\$ 1,694,078</b>	<b>\$ 1,694,078</b>	<b>\$ 4,882</b>

**Note 11 - 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, 2021 as restated	Additions	Deductions	Balance June 30, 2022	Due in One Year
<b>Long-Term Liabilities</b>					
General obligation bonds	\$ 262,791,528	\$ 5,473,813	\$ (11,255,000)	\$ 257,010,341	\$ 10,066,753
Unamortized debt premiums	4,894,272	-	(872,188)	4,022,084	605,422
Unamortized debt discounts	(307,417)	-	13,366	(294,051)	(13,366)
Leases	15,243	-	(3,720)	11,523	3,865
Compensated absences	1,284,281	528,825	(491,029)	1,322,077	198,300
Claim liability	103,570	1,672,263	(1,652,185)	123,648	123,648
<b>Total</b>	<b>\$ 268,781,477</b>	<b>\$ 7,674,901</b>	<b>\$ (14,260,756)</b>	<b>\$ 262,195,622</b>	<b>\$ 10,984,622</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, 2021	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2022
Current interest Bonds:							
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	815,000	-	(815,000)	-
2014	08/01/24	2.00-5.00%	8,400,000	2,875,000	-	(1,405,000)	1,470,000
2015	08/01/44	4.00-5.00%	57,575,000	2,015,000	-	(340,000)	1,675,000
2016	08/01/24	2.00-5.00%	15,415,000	9,685,000	-	(1,930,000)	7,755,000
2016	08/01/23	2.00-4.00%	6,650,000	1,140,000	-	(715,000)	425,000
2016	08/01/45	2.00-4.00%	26,200,000	25,415,000	-	(85,000)	25,330,000
2016	08/01/33	2.00-5.00%	12,000,000	10,570,000	-	(770,000)	9,800,000
2017	08/01/41	1.50-4.00%	19,150,000	17,500,000	-	(365,000)	17,135,000
2019	08/01/24	4.00%	3,365,000	2,695,000	-	(700,000)	1,995,000
2019	10/18/19	1.78%	4,620,000	4,290,000	-	(230,000)	4,060,000
2020	08/01/24	2.00%	1,080,000	1,080,000	-	(230,000)	850,000
2020	08/01/37	0.63%-1.71%	31,590,000	31,020,000	-	(490,000)	30,530,000
2021	08/01/26	2.00%	425,000	425,000	-	-	425,000
2021	08/01/44	0.179%-2.815%	37,640,000	37,640,000	-	(575,000)	37,065,000
Subtotal for current interest bonds				148,915,000	-	(8,650,000)	140,265,000
Capital Appreciation Bonds							
2009	08/01/33	4.45-6.83%	\$ 19,999,923	34,668,021	2,302,685	(1,505,000)	35,465,706
2011	08/01/35	2.72%-6.97%	18,249,429	11,647,706	712,676	(1,100,000)	11,260,382
2019	08/01/42	3.85-5.00%	29,004,234	32,370,437	1,435,078	-	33,805,515
2020	06/01/45	1.53%-3.18%	23,916,211	24,631,373	748,846	-	25,380,219
2021	06/01/46	1.18%-2.50%	10,558,236	10,558,991	274,528	-	10,833,519
Subtotal for capital appreciation bonds				113,876,528	5,473,813	(2,605,000)	116,745,341
Total general obligation bonds				\$ 262,791,528	\$ 5,473,813	\$ (11,255,000)	\$ 257,010,341

### Debt Service Requirements to Maturity

The current interest bonds mature through 2046 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2023	\$ 8,705,000	\$ 4,307,656	\$ 13,012,656
2024	8,185,000	4,001,863	12,186,863
2025	8,550,000	3,688,030	12,238,030
2026	2,500,000	3,525,134	6,025,134
2027	2,060,000	3,485,190	5,545,190
2028-2032	15,660,000	16,606,289	32,266,289
2033-2037	29,670,000	12,763,761	42,433,761
2038-2042	37,400,000	7,903,312	45,303,312
2043-2046	27,535,000	2,049,078	29,584,078
<b>Total</b>	<b>\$ 140,265,000</b>	<b>\$ 58,330,312</b>	<b>\$ 198,595,312</b>

The capital appreciation bonds mature through 2046 as follows:

Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2023	\$ 1,361,753	\$ 1,696,668	\$ 3,058,421	\$ 16,579	\$ 3,075,000
2024	1,265,991	1,851,896	3,117,887	247,113	3,365,000
2025	1,652,594	1,723,449	3,376,043	413,957	3,790,000
2026	2,313,736	2,553,769	4,867,505	932,495	5,800,000
2027	2,260,996	2,526,622	4,787,618	1,272,382	6,060,000
2028-2032	12,430,953	10,564,957	22,995,910	10,139,091	33,135,001
2033-2037	9,442,822	5,170,855	14,613,677	13,746,323	28,360,000
2038-2042	9,882,472	1,465,087	11,347,559	8,422,441	19,770,000
2043-2046	44,283,616	4,297,105	48,580,721	43,059,279	91,640,000
<b>Total</b>	<b>\$ 84,894,933</b>	<b>\$ 31,850,408</b>	<b>\$ 116,745,341</b>	<b>\$ 78,249,660</b>	<b>\$ 194,995,001</b>

### Leases

The District has entered into 3 lease agreements as lessee for the use of copier equipment. As of June 30, 2022, the District recognized a right-to-use asset of \$11,275 and a lease liability of \$11,523 related to these agreements. The District is required to make principal and interest payments through November 2025. The lease agreements have interest rates between 5.0% and 6.87%.

The District's liability on lease agreements is summarized below:

	Copier
Balance, July 1, 2021	\$ 15,243
Payments	(3,720)
Balance, June 30, 2022	\$ 11,523

Right-to-use leased copiers at June 30, 2022, include the following:

Copiers	\$ 15,243
Less accumulated amortization	(3,968)
Total	\$ 11,275

Amortization of leased copiers is included with depreciation and amortization expense.

Remaining obligations associated with these leases are as follows:

Fiscal Year ending June 30	Principal	Interest	Total
2023	\$ 3,864	\$ 526	\$ 4,390
2024	3,568	314	3,882
2025	2,928	134	3,062
2026	1,163	15	1,178
Totals	\$ 11,523	\$ 989	\$ 12,512

**Note 12 - 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	15,786	-	-	-	-	-	15,786
Prepaid expenditures	205,764	-	-	-	-	-	205,764
Leases receivable	688,710	-	-	-	-	-	688,710
Total nonspendable	<u>930,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>930,260</u>
<b>Restricted</b>							
Education programs	14,300,652	-	-	-	-	103,264	14,403,916
Food service	-	2,387,570	-	-	-	-	2,387,570
Capital projects	-	-	52,091,999	999,875	-	100,054	53,191,928
Debt services	-	-	-	-	14,575,160	-	14,575,160
Total restricted	<u>14,300,652</u>	<u>2,387,570</u>	<u>52,091,999</u>	<u>999,875</u>	<u>14,575,160</u>	<u>203,318</u>	<u>84,558,574</u>
<b>Assigned</b>							
LCAP Supplemental Services	2,426,147	-	-	-	-	-	2,426,147
Early retirement	482,833	-	-	-	-	-	482,833
Capital projects	-	-	-	15,692,358	-	121,717	15,814,075
Total assigned	<u>2,908,980</u>	<u>-</u>	<u>-</u>	<u>15,692,358</u>	<u>-</u>	<u>121,717</u>	<u>18,723,055</u>
<b>Unassigned</b>							
Reserve for economic uncertainties	3,867,409	-	-	-	-	-	3,867,409
Remaining unassigned	2,788,509	-	-	-	-	-	2,788,509
Total unassigned	<u>6,655,918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,655,918</u>
Total	<u>\$ 24,795,810</u>	<u>\$ 2,387,570</u>	<u>\$ 52,091,999</u>	<u>\$ 16,692,233</u>	<u>\$ 14,575,160</u>	<u>\$ 325,035</u>	<u>\$ 110,867,807</u>

**Note 13 - Total Other Postemployment Benefit (OPEB) Liability**

For the fiscal year ended June 30, 2022, 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
District Plan	\$ 32,619,986	\$ 6,915,888	\$ 5,269,272	\$ 2,253,922

**Plan Administration**

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

**Plan Membership**

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

Inactive employees or beneficiaries currently receiving benefits payments	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 2021-2022, the District contributed \$450,163 to the Plan, all of which was used for current premiums.

**Actuarial Assumptions**

The total OPEB liability measured as of June 30, 2021 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total OPEB liability to June 30, 2021. 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	2.16 percent
Healthcare cost trend rates	6.00 percent for 2019

The discount rate was based on the Bond Buyer 20-bond General Obligation Index as of June 30, 2021 (measurement date).

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, 2021	\$ 30,313,766
Service cost	2,403,849
Interest	659,379
Changes of assumptions or other inputs	198,201
Benefit payments	(955,209)
Net change in total OPEB liability	2,306,220
Balance, June 30, 2022	\$ 32,619,986

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21% in 2020 to 2.16% in 2022.



**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 (1.16%) or 1-percentage-point higher (3.16%) than the current discount rate:

Discount Rate	Total OPEB Liability
1% decrease (1.16%)	\$ 36,905,930
Current discount rate (2.16%)	32,619,986
1% increase (3.16%)	28,915,822

**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 Rate	Total OPEB Liability
1% decrease (5.0%)	\$ 28,158,667
Current healthcare cost trend rate (6.0%)	32,619,986
1% increase (7.0%)	37,971,735

**Total OPEB Liability and OPEB Expenses**

For the year ended June 30, 2022, the District recognized OPEB expense of \$2,253,922. At June 30, 2022, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$450,163. At June 30, 2021, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 450,163	\$ -
Differences between expected and actual experience	-	3,455,958
Changes of assumptions	6,465,725	1,813,314
Total	\$ 6,915,888	\$ 5,269,272

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 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 84,074
2024	84,074
2025	84,074
2026	84,074
2027	84,074
Thereafter	776,083
Total	\$ 1,196,453

#### **Note 14 - 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, 2022, 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	\$ 39,418,421	\$ 14,090,176	\$ 40,969,166	\$ 909,593
CalPERS	25,276,913	5,004,986	11,713,605	1,388,013
Total	\$ 64,695,334	\$ 19,095,162	\$ 52,682,771	\$ 2,297,606

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, 2020, 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, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	16.92%	16.92%
Required employer contribution rate	10.828%	10.828%
Required state contribution rate		

### Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were \$8,243,860.

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

At June 30, 2022, 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	\$ 39,418,421
State's proportionate share of the net pension liability	<u>19,833,821</u>
Total	<u><u>\$ 59,252,242</u></u>

The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, respectively was 0.0866% and 0.0910%, resulting in a net decrease in the proportionate share of 0.0044%.

For the year ended June 30, 2022, the District recognized pension expense of \$909,593. In addition, the District recognized pension expense and revenue of \$678,590 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 8,243,860	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	162,400	5,593,237
Differences between projected and actual earnings on pension plan investments	-	31,180,987
Differences between expected and actual experience in the measurement of the total pension liability	98,745	4,194,942
Changes of assumptions	<u>5,585,171</u>	<u>-</u>
Total	<u><u>\$ 14,090,176</u></u>	<u><u>\$ 40,969,166</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
2023	\$ (7,918,101)
2024	(7,242,476)
2025	(7,422,210)
2026	(8,598,200)
Total	\$ (31,180,987)

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
2023	\$ 591,331
2024	738,755
2025	(1,455,557)
2026	(1,497,333)
2027	(1,182,017)
Thereafter	(1,137,042)
Total	\$ (3,941,863)

### 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, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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 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 current and future valuation, CalSTRS' independent 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, 2021, are summarized in the following table:

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10%. 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 of 7.10% and assumed that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 80,241,797
Current discount rate (7.10%)	39,418,421
1% increase (8.10%)	5,535,799

**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, 2020 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, 2022, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 55	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	55	62
Retirement age	1.1% - 2.5%	1.0% - 2.5%
Monthly benefits as a percentage of eligible compensation	7.00%	7.00%
Required employee contribution rate	22.91%	22.91%
Required employer contribution rate		

**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, 2022, are presented above and the total District contributions were \$4,250,405.



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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$25,276,913. The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, respectively was 0.1243% and 0.1263%, resulting in a net decrease in the proportionate share of 0.0020%.

For the year ended June 30, 2022, the District recognized pension expense of \$1,388,013. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,250,405	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	-	1,953,491
Differences between projected and actual earnings on pension plan investments	-	9,700,526
Differences between expected and actual experience in the measurement of the total pension liability	754,581	59,588
Total	\$ 5,004,986	\$ 11,713,605

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
2023	\$ (2,432,883)
2024	(2,237,255)
2025	(2,332,483)
2026	(2,697,905)
Total	\$ (9,700,526)

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
2023	\$ (517,577)
2024	(539,749)
2025	(186,478)
2026	(14,694)
Total	\$ (1,258,498)

#### 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, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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%)	\$ 42,620,424
Current discount rate (7.15%)	25,276,913
1% increase (8.15%)	10,878,077

#### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$5,570,668 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

**Note 15 - Risk Management**

**Property and Liability**

The District is exposed to various risks of loss related to torts; theft, damage, 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 ) Santa Clara County School's Insurance Group	Excess General Liability General Liability	\$ 25,000,000 \$ 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 2022, 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 ensures 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, 2021 to June 30, 2022:

	<u>Dental and Vision</u>
Liability Balance, July 1, 2020	\$ 84,138
Claims and changes in estimates	1,841,875
Claims payments	(1,822,443)
Liability Balance, June 30, 2021	103,570
Claims and changes in estimates	1,672,263
Claims payments	(1,652,185)
Liability Balance, June 30, 2022	\$ 123,648
Assets available to pay claims at June 30, 2022	\$ 3,195,033

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 16 - Commitments and Contingencies

#### Construction Commitments

As of June 30, 2022, the District had \$7,161,186 of construction commitments with respect to unfinished projects funded by Measure S. These projects are expected to be completed by January 2023.

#### 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, 2022.

#### 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, 2022.

**Note 17 - 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, 2022, the District made payments of \$1,489,254 to SCCSIG for services rendered.

**Note 18 - Restatement of Prior Year Net Position and Fund Balance**

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires 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. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

General Fund	
Beginning Fund Balance previously reported at June 30, 2021	\$ 18,782,612
Recognition of lease receivable	28,291,735
Recognition of deferred inflows of resources from leases	<u>(28,291,735)</u>
Fund Balance - Beginning as Restated	<u><u>\$ 18,782,612</u></u>
Government-Wide Financial Statements	
Beginning Net Position (Deficit) Governmental Activities previously reported at June 30, 2021	\$ (73,796,634)
Recognition of right-to-use leased asset	15,243
Recognition of lease Liability	(15,243)
Recognition of lease receivable	28,291,735
Recognition of deferred inflows of resources from leases	<u>(28,291,735)</u>
Net Position - Beginning as Restated	<u><u>\$ (73,796,634)</u></u>



Required Supplementary Information  
June 30, 2022

# Oak Grove School District

Oak Grove School District  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive (Negative) Final to Actual
<b>Revenues</b>				
Local control funding formula	\$ 97,477,812	\$ 99,161,200	\$ 97,198,041	\$ (1,963,159)
Federal sources	3,963,905	19,582,151	10,407,244	(9,174,907)
Other State sources	9,116,789	17,557,114	16,991,997	(565,117)
Other local sources	7,581,863	9,580,796	10,195,787	614,991
	<u>118,140,369</u>	<u>145,881,261</u>	<u>134,793,069</u>	<u>(11,088,192)</u>
<b>Expenditures</b>				
<b>Current</b>				
Certificated salaries	49,907,198	51,536,337	50,991,486	544,851
Classified salaries	16,964,755	17,547,399	16,623,459	923,940
Employee benefits	33,440,793	33,473,279	33,770,693	(297,414)
Books and supplies	4,666,594	13,991,924	3,346,263	10,645,661
Services and operating expenditures	14,361,022	19,974,947	17,427,670	2,547,277
Other outgo	5,391,191	6,150,957	6,216,148	(65,191)
Capital outlay	232,000	552,445	532,557	19,888
<b>Debt service</b>				
Debt service - principal	-	4,864	3,720	1,144
Debt service - interest and other	-	532	1,619	(1,087)
	<u>124,963,553</u>	<u>143,232,684</u>	<u>128,913,615</u>	<u>14,319,069</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,823,184)	2,648,577	5,879,454	3,230,877
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,765,499	-	133,744	133,744
Transfers out	(19,441)	-	-	-
	<u>1,746,058</u>	<u>-</u>	<u>133,744</u>	<u>133,744</u>
Net financing sources (uses)	1,746,058	-	133,744	133,744
Net Change in Fund Balances	(5,077,126)	2,648,577	6,013,198	3,364,621
Fund Balance - Beginning	18,782,612	18,782,612	18,782,612	-
Fund Balance - Ending	<u>\$ 13,705,486</u>	<u>\$ 21,431,189</u>	<u>\$ 24,795,810</u>	<u>\$ 3,364,621</u>



Oak Grove School District  
 Budgetary Comparison Schedule – Cafeteria Fund  
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Federal sources	\$ 3,527,398	\$ 5,075,851	\$ 5,218,960	\$ 143,109
Other State sources	210,543	326,061	327,554	1,493
Other local sources	3,000	3,000	(39,165)	(42,165)
Total revenues	<u>3,740,941</u>	<u>5,404,912</u>	<u>5,507,349</u>	<u>102,437</u>
<b>Expenditures</b>				
<b>Current</b>				
Classified salaries	1,408,405	1,408,692	1,224,389	184,303
Employee benefits	478,362	497,989	423,940	74,049
Books and supplies	55,000	30,000	15,629	14,371
Services and operating expenditures	1,396,513	1,965,937	1,960,037	5,900
Capital Outlay	182,981	213,786	198,594	15,192
Total expenditures	<u>3,521,261</u>	<u>4,116,404</u>	<u>3,822,589</u>	<u>293,815</u>
Excess (Deficiency) of Revenues Over Expenditures	219,680	1,288,508	1,684,760	396,252
<b>Other Financing Sources (Uses)</b>				
Transfers in	19,441	-	-	-
Net financing sources (uses)	<u>19,441</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	239,121	1,288,508	1,684,760	396,252
Fund Balance - Beginning	<u>702,810</u>	<u>702,810</u>	<u>702,810</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 941,931</u>	<u>\$ 1,991,318</u>	<u>\$ 2,387,570</u>	<u>\$ 396,252</u>

Oak Grove School District  
Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 2,403,849	\$ 1,844,738	\$ 1,665,642	\$ 1,660,368	\$ 1,863,094
Interest	659,379	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	198,201	6,562,269	1,064,944	(770,962)	(2,047,137)
Benefit payments	(955,209)	(1,159,951)	(951,515)	(862,373)	(694,417)
Net change in total OPEB liability	2,306,220	4,293,614	2,664,522	430,909	(228,489)
Total OPEB Liability - Beginning	<u>30,313,766</u>	<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>\$ 32,619,986</u>	<u>\$ 30,313,766</u>	<u>\$ 26,020,152</u>	<u>\$ 23,355,630</u>	<u>\$ 22,924,721</u>
Covered Payroll	<u>65,614,636</u>	<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>49.71%</u>	<u>43.24%</u>	<u>37.08%</u>	<u>33.05%</u>	<u>33.07%</u>
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>								
Proportion of the net pension liability	0.0866%	0.0910%	0.0909%	0.0917%	0.0922%	0.0942%	0.0942%	0.0942%
Proportionate share of the net pension liability	\$ 39,418,421	\$ 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	19,833,821	45,463,400	44,779,826	48,249,936	49,904,674	43,388,503	33,550,993	33,149,751
<b>Total</b>	<b>\$ 59,252,242</b>	<b>\$ 133,656,201</b>	<b>\$ 126,859,287</b>	<b>\$ 132,522,417</b>	<b>\$ 134,261,311</b>	<b>\$ 119,604,667</b>	<b>\$ 96,987,639</b>	<b>\$ 88,047,698</b>
Covered payroll	\$ 47,636,762	\$ 48,209,708	\$ 49,219,435	\$ 49,217,630	\$ 48,283,219	\$ 46,946,486	\$ 44,880,721	41,368,667
Proportionate share of the net pension liability as a percentage of its covered payroll	82.75%	182.94%	166.76%	171.22%	174.71%	162.35%	141.34%	133%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2021	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	0.1243%	0.1263%	0.1303%	0.1378%	0.1423%	0.1423%	0.1455%	0.1412%
Proportionate share of the net pension liability	\$ 25,276,913	\$ 38,753,035	\$ 37,978,588	\$ 36,731,886	\$ 33,958,279	\$ 28,109,165	\$ 21,445,165	\$ 16,027,823
Covered payroll	\$ 18,042,217	\$ 21,552,685	\$ 18,070,812	\$ 18,191,115	\$ 18,173,157	\$ 16,912,358	\$ 15,640,192	14,796,667
Proportionate share of the net pension liability as a percentage of its covered payroll	140.10%	179.81%	210.17%	201.92%	186.86%	166.20%	137.12%	108%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2021	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, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>								
Contractually required contribution	\$ 8,243,860	\$ 7,693,337	\$ 8,243,860	\$ 8,012,924	\$ 7,102,104	\$ 6,074,029	\$ 5,037,358	\$ 3,985,408
Less contributions in relation to the contractually required contribution	8,243,860	7,693,337	8,243,860	8,012,924	7,102,104	6,074,029	5,037,358	3,985,408
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 48,722,577	\$ 47,636,762	\$ 48,209,708	\$ 49,219,435	\$ 49,217,630	\$ 48,283,219	\$ 46,946,486	\$ 44,880,721
Contributions as a percentage of covered payroll	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
<b>CalPERS</b>								
Contractually required contribution	\$4,250,405	\$ 3,734,739	\$ 4,250,405	\$ 3,263,950	\$ 2,825,262	\$ 2,523,888	\$ 2,003,607	\$ 1,841,007
Less contributions in relation to the contractually required contribution	4,250,405	3,734,739	4,250,405	3,263,950	2,825,262	2,523,888	2,003,607	1,841,007
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 18,552,619	\$ 18,042,217	\$ 21,552,685	\$ 18,070,812	\$ 18,191,115	\$ 18,173,157	\$ 16,912,358	\$ 15,640,192
Contributions as a percentage of covered payroll	22.910%	20.700%	19.721%	18.0620%	15.5310%	13.8880%	11.8470%	11.7710%

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 2.21% at June 30, 2021 to 2.16% at June 30, 2022.

### **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.



Supplementary Information  
June 30, 2022

# Oak Grove School District

Oak Grove School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

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) Fund			
ESSER I	84.425	15536	\$ 411,340
ESSER II	84.425	15547	2,094,096
ESSER III	84.425	15559	2,557,137
ESSER III: Learning Loss	84.425U	10155	87,844
COVID-19 Expanded Learning Opportunities (ELO) Grant			
ESSER II: State Reserve	84.425	15618	495,620
Governor's Emergency Education Relief (GEER) II	84.425	15619	124,581
ESSER III: State Reserve, Emergency Needs	84.425	15620	285,562
ESSER III: State Reserve, Learning Loss	84.425	15621	742,690
Subtotal			<u>6,798,870</u>
Title I Grants to Local Educational Agencies	84.010	14329	915,417
Supporting Effective Instruction State Grants	84.367	14341	174,617
English Language Acquisition State Grants - LEP	84.365	14346	258,476
Student Support and Academic Enrichment Program	84.424	15396	224,292
Passed Through South East Consortium special Education Local Plan Area			
Special Education Cluster			
Special Education Grants to States			
- Basic Local Assistance	84.027	13379	1,811,403
- Local Assistance, Private School ISPs	84.027	10115	19,907
- Mental Health Services	84.027A	15197	113,967
Subtotal			<u>1,945,277</u>
- Preschool Grants	84.173	13430	68,295
- Special Ed: ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	14,640
- Special Ed: Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	6,831
Special Education Preschool Grants			
- Preschool Staff Development	84.173A	13431	529
Subtotal			<u>90,295</u>
Total Special Education Cluster			<u>2,035,572</u>
Total U.S. Department of Education			<u>10,407,244</u>
U.S. Department of Agriculture			
Passed Through California Department of Education (CDE)			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	3,468,283
School Breakfast Program - National School Breakfast	10.553	13525	1,442,004
Total Child Nutrition Cluster			<u>4,910,287</u>
Pass Through California Department of Social Services			
Child and Adult Care Food Program	10.558	13393	308,673
Total U.S. Department of Agriculture			<u>5,218,960</u>
Total Federal Financial Assistance			<u>\$ 15,626,204</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>
Carla Hernandez	President	2024
Beija Gonzalez	Vice President	2024
Jorge Pacheco Jr.	Member	2022
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 Average Daily Attendance  
June 30, 2022

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	3,539.94	3,545.26
Fourth through sixth	2,822.24	2,822.60
Seventh and eighth	1,731.99	1,728.71
Total Regular ADA	<u>8,094.17</u>	<u>8,096.57</u>
Extended Year Special Education		
Transitional kindergarten through third	6.38	6.38
Fourth through sixth	4.14	4.14
Seventh and eighth	1.45	1.45
Total Extended Year Special Education	<u>11.97</u>	<u>11.97</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.38	1.29
Fourth through sixth	6.59	6.22
Seventh and eighth	5.35	4.67
Total Special Education, Nonpublic, Nonsectarian Schools	<u>13.32</u>	<u>12.18</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.26	0.26
Fourth through sixth	1.25	1.25
Seventh and eighth	1.17	1.17
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>2.68</u>	<u>2.68</u>
Total ADA	<u><u>8,122.14</u></u>	<u><u>8,123.40</u></u>

Oak Grove School District  
 Schedule of Instructional Time  
 Year Ended June 30, 2022

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	47,160	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,800	180	N/A	Complied
Grade 2		50,800	180	N/A	Complied
Grade 3		50,800	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,080	180	N/A	Complied
Grade 5		54,080	180	N/A	Complied
Grade 6		54,080	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		54,240	180	N/A	Complied
Grade 8		54,240	180	N/A	Complied

The District did not file Form J-13A during the year.

Oak Grove School District  
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
 Year Ended June 30, 2022

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

	<u>General Fund</u>	<u>Child Care and Development Enterprise Fund</u>
Fund Balance		
Balance, June 30, 2022, Unaudited Actuals	\$ 24,107,100	\$ 710,494
Decrease in		
Pension liabilities and related deferrals	-	(2,238,987)
OPEB liabilities and related deferrals	-	(607,079)
The implementation adjustment for GASB 87, leases	<u>688,710</u>	<u>-</u>
Balance, June 30, 2022, Audited Financial Statements	<u><u>\$ 24,795,810</u></u>	<u><u>\$ (2,135,572)</u></u>

Oak Grove School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2022

	(Budget) 2023 <sup>1</sup>	2022	2021 <sup>1</sup>	2020 <sup>1</sup>
General Fund				
Revenues	\$ 138,911,703	\$ 134,793,069	\$ 127,219,244	\$ 120,177,587
Other sources	-	133,744	181,022	3,557,182
<b>Total Revenues and Other Sources</b>	<b>138,911,703</b>	<b>134,926,813</b>	<b>127,400,266</b>	<b>123,734,769</b>
Expenditures	133,852,507	128,913,615	120,737,224	122,745,073
Other uses and transfers out	177,951	-	-	134,880
<b>Total Expenditures and Other Uses</b>	<b>134,030,458</b>	<b>128,913,615</b>	<b>120,737,224</b>	<b>122,879,953</b>
Increase/(Decrease) in Fund Balance	4,881,245	6,013,198	6,663,042	854,816
Ending Fund Balance	<u>\$ 29,677,055</u>	<u>\$ 24,795,810</u>	<u>\$ 18,782,612</u>	<u>\$ 12,119,570</u>
Available Reserves <sup>2</sup>	<u>\$ 5,250,785</u>	<u>\$ 6,655,918</u>	<u>\$ 6,741,129</u>	<u>\$ 3,686,401</u>
Available Reserves as a Percentage of Total Outgo	<u>3.92%</u>	<u>5.16%</u>	<u>5.58%</u>	<u>3.00%</u>
Long-Term Liabilities <sup>3</sup>	<u>\$ 345,264,388</u>	<u>\$ 356,249,010</u>	<u>\$ 423,681,980</u>	<u>\$ 406,648,835</u>
K-12 Average Daily Attendance at P-2	<u>8,394</u>	<u>8,122</u>	<u>9,415</u>	<u>9,415</u>

The General Fund balance has increased by \$12,676,240 over the past two years. The fiscal year 2022-2023 budget projects an increase of \$4,881,245. 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 2022-2023 fiscal year. Total long-term liabilities have decreased by \$47,666,032 over the past two years.

Average daily attendance has decreased by 1,293 ADA over the past two years. An increase of 272 ADA is anticipated during fiscal year 2022-2023.

<sup>1</sup> Financial information for 2023, 2021, and 2020 are 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, 2022

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	<u>Student Activity Fund</u>	<u>Capital Facilities Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>Assets</b>			
Deposits and investments	\$ 102,926	\$ 244,105	\$ 347,031
Receivables	338	814	1,152
	<u>\$ 103,264</u>	<u>\$ 244,919</u>	<u>\$ 348,183</u>
<b>Liabilities</b>			
Due to other funds	\$ -	\$ 23,148	\$ 23,148
<b>Fund Balances</b>			
Restricted	103,264	100,054	203,318
Assigned	-	121,717	121,717
	<u>103,264</u>	<u>221,771</u>	<u>325,035</u>
Total fund balances	<u>103,264</u>	<u>221,771</u>	<u>325,035</u>
Total liabilities and fund balances	<u>\$ 103,264</u>	<u>\$ 244,919</u>	<u>\$ 348,183</u>

Oak Grove School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental  
Funds  
Year Ended June 30, 2022

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	<u>Student Activity Fund</u>	<u>Capital Facilities Fund</u>	<u>Total Non-Major Governmental Funds</u>
Revenues			
Other local sources	\$ 174,951	\$ 32,980	\$ 207,931
Total revenues	<u>174,951</u>	<u>32,980</u>	<u>207,931</u>
Expenditures			
Current			
Administration			
All other administration	-	36,267	36,267
Ancillary services	156,053	-	156,053
Total expenditures	<u>156,053</u>	<u>36,267</u>	<u>192,320</u>
Net Change in Fund Balances	18,898	(3,287)	15,611
Fund Balance - Beginning	<u>84,366</u>	<u>225,058</u>	<u>309,424</u>
Fund Balance - Ending	<u>\$ 103,264</u>	<u>\$ 221,771</u>	<u>\$ 325,035</u>

## **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, 2022. 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 position 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 subrecipient.

#### 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.

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

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

### **Schedule of Average Daily Attendance (ADA)**

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

### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

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**

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





Independent Auditor's Reports  
June 30, 2022

# 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 Governing Board  
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, 2022, 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 December 6, 2022.

***Adoption of New Accounting Standard***

As discussed in Note 1 to the financial statements, the Oak Grove School District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the Government wide Net Position and General Fund Balance as of July 1, 2021. The restatement does not affect the beginning net position. Our opinions are not modified with respect to this matter.

**Report on 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.

### **Report on 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.

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

Menlo Park, California  
December 6, 2022



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

To the Governing Board  
Oak Grove School District  
San Jose, California

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

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

We have audited Oak Grove School District’s compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, Oak Grove School District complied, in all material respects, with the 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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Oak Grove School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Oak Grove School District’s compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Oak Grove School District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Oak Grove School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Oak Grove School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Oak Grove School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Oak Grove School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Oak Grove School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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

Menlo Park, California  
December 6, 2022



## Independent Auditor's Report on State Compliance

To the Governing Board  
Oak Grove School District  
San Jose, California

### Report on Compliance

#### *Opinion on State Compliance*

We have audited Oak Grove School District's (the District) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2022.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

#### *Basis for Opinion*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's state programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we express no such opinion; and,



- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items.

2021-2022 K-12 Audit guide Procedures	Procedures Performed
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	No, see below
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
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	No, see below
In Person Instruction Grant	Yes
<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
Annual Instructional Minutes - Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

#### Kindergarten Continuance

We did not perform procedures for Kindergarten Continuance because there were no Kindergarteners retained in 2020-2021 that were in Kindergarten in 2021-2022.

#### Continuation Education

The District does not offer a Continuation Education; therefore, we did not perform procedures related to the Continuation Education Program.

#### Early Retirement Incentive

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

#### Juvenile Court Schools

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

#### Middle or Early College High Schools

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

#### Transportation Maintenance of Effort

We did not perform Transportation Maintenance of Effort procedures because the District did not receive funding for this grant.

#### 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.

#### Career Technical Education Incentive Grant

We did not perform Career Technical Education Incentive Grant procedures because the District did not receive funding for this grant.

#### Charter Schools

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

### **Report on 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 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 a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned in the lower-left quadrant of the page.

Menlo Park, California  
December 6, 2022

**Financial Statements**

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

**Federal Awards**

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

**Identification of major programs**

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	
ESSER I	84.425
ESSER II	84.425
ESSER III	84.425
ESSER III: Learning Loss	84.425U
COVID-19 Expanded Learning Opportunities (ELO) Grant	
ESSER II State Reserve	84.425
Governor's Emergency Education Relief (GEER) II	84.425
ESSER III: State Reserve, Emergency Needs	84.425
ESSER III: State Reserve, Learning Loss	84.425
Title I Grants to Local Educational Agencies	84.010
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**State Compliance**

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for all programs.	Unmodified

None reported.

None reported.

None reported.

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