Financial Statements
June 30, 2021

Franklin-McKinley School District

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Schedule of Findings and Questioned Costs

Independent Auditor's Report

To the Governing Board
Franklin-McKinley School District
San Jose, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter – Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, budgetary comparison information on pages 65 through 66, schedule of the District's proportionate share of the net pension liability on page 67, and the schedule of the District's pension contributions on page 68, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report October 29, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Menlo Park, California
October 29, 2021

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Franklin-McKinley School District
PREPARING ALL CHILDREN AS GLOBAL LEARNERS

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

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 GASB Statement Number 34 (The Statement).

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. These statements include all assets of the District (including capital assets), deferred outflows, as well as all liabilities (including long-term liabilities) and deferred inflows. 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 Governmental 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 District.

Financial Highlights of the Past Year

The District's primary source of operating revenue was based on a revenue limit calculation. FY 2013-14 was the first year of implementation of the Local Control Funding Formula ("LCFF"), which replaces the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are provided on the basis of target base funding grants per ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons. School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants called the "Supplemental Grant" and "Concentration Grant".

A supplemental grant add-on is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by the district's percentage of unduplicated EL/LI student enrollment.

School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on equal to 50% of the applicable base grant multiplied by the percentage of the district's unduplicated EL/LI student enrollment in excess of 55% threshold. The concentration grant add-on will increase to 65% of the applicable base grant in fiscal year 2021-22. Full implementation of the LCFF was reached in 2018-2019.

The District converted Fair Middle School to Bridges Academy as a dependent charter school in 2010-2011. At the end of 2019-20, the Bridges Academy was converted back into a traditional public school and is no longer considered a dependent charter. For 2020-2021, the Unduplicated Pupil Percentage is 81.75% for the District. Due to COVID-19, ADA was not collected during the year. For apportionment purposed, prior year's ADA (6,611) was used to calculate LCFF entitlement. This resulted in total LCFF revenue of $72.9 million in the General Fund revenues for fiscal year 2020-2021.

The recommended reserves for a district our size equals 3% of General Fund expenditures and other financing uses. The Board of Trustees passed a resolution on June 14, 2011 to maintain a minimum unassigned fund balance of 5% of the District's General Fund annual operating expenditures. If a fund balance drops below 4%, it shall be recovered at a rate of 1% minimally each year. This policy will be revisited each year. At June 30, 2021, the District's available reserves totaled consisting of $12,176,993 in unassigned fund balance and $5,474,089 reserved for economic uncertainties. This reserve amount is equal to 16.12% of General Fund expenditures and other financing uses.

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 differences between revenues and expenses are the District's operating results. Since the 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 present the governmental activities, all of the District's services are reported in this category. This includes the education of transitional kindergarten through grade eight students, the operation of the different educational programs 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 certificates of participation and general obligation bonds, finance these activities.

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 debt 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. and State Departments of Education.

Governmental Funds - Most activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual, 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 one determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. As the name suggests, these funds record governmental type activities.

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. We use internal service 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.

The District as A Whole

Net Position

Table 1

(Amounts in millions)	Govermental Avtivities 2021	2020
Assets		
Current and other assets	$ 95.5	$ 71.9
Capital assets	181.6	180.8
Total assets	277.1	252.7
Deferred Outflows of Reserves		
Deferred charge on refunding	4.8	5.0
Deferred outflow related to pension	22.9	25.3
Total deferred outflows	27.7	30.30
Liabilities		
Current liabilities	16.4	14.6
Current portion of long-term debt	8.6	6.8
Long-term debt	288.5	269.8
Total liabilities	313.5	291.2
Deferred Inflows of Reserves		
Deferred inflow related to pension	11.4	10.7
Net Position		
Net investment in capital assets	35.0	40.2
Restricted	25.1	16.8
Unrestricted	(80.2)	(75.8)
Total net position	$ (20.1)	$ (18.8)

The District's net position was a deficit $20.1 million and a deficit of $18.8 million as of June 30, 2021, and 2020, respectively. Of these amounts, negative $80 and negative $75.8 million were unrestricted for the combined governmental funds for each respective year. The negative unrestricted net position is primarily the result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Board's ability to use net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

The negative $80 million and negative $75.8 million for fiscal years 2020-2021 and 2019-2020 in unrestricted net deficit represent the accumulated results of all past years' operations. It means that if we had to pay off all of our bills at those year-end dates, including all of our non-capital liabilities (compensated absences and pension liability as examples); we would be short by $80 million and $75.8 million left from governmental activities for fiscal years 2020-2021 and 2019-2020, respectively.

Current assets and current liabilities in 2020-2021 increased by $23.6 million and $3.7 million, respectively, from 2019-2020.

Capital assets increased by $0.8 million. The increase is due to the completion of various Bond projects and other projects in planning and designing phase.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues and expenses for the year.

Table 2

(Amounts in millions)	Governmental 2021	Governmental 2020
Revenues		
Charges for services	$ 0.2	$ 0.2
Operating grants and contributions	42.2	19.1
Capital contributions	2.6	-
General revenues		
Property tax, federal revenue	88.9	90.4
Other general revenues	2.3	10.7
Total revenues	136.2	120.4
Expenses		
Instruction related	93.5	89.7
Pupil services	11.8	10.8
Administration	14.1	6.7
Plant services	11.1	8.4
Enterprise services	-	1.2
Debt service	6.9	7.1
All other services	0.3	0.6
Total expenses	137.7	124.5
Change in Net Position	(1.5)	(4.1)
Net Position - Beginning	(18.7)	(14.6)
Net Position - Ending	$ (20.2)	$ (18.7)

Governmental Activities

As reported in the Statement of Activities, the cost of all of our governmental activities was $137.5 and $124.5 million for 2020-2021 and 2019-2020, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes and other unrestricted revenue sources was only $ 88.9 and $90.4 million for 2020-2021 and 2019-2020. This is approximately 65% and 75% of the total revenue in 2020-2021 and 2019-2020, respectively The cost paid by those who benefited from the programs was $0.2 and $0.2 million for 2020-2021 and 2019-2020, The program cost subsidized by other governments and organizations with grants and contributions of $42.2 and $19.1 million for 2020-2021 and 2019-2020 respectively.

In Table 3, we have presented the net cost of each of the District's largest functions. Below is a brief description of most functions presented. 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.

- Instruction expenditures include activities directly dealing with the teaching of pupils.
- Instruction-related services include the activities involved with assisting staff with the content and process of educating students.
- Pupil services include guidance and counseling, psychological, health, speech and testing services, transporting students, as well as preparing, delivering, and serving meals to students.
- Administration reflects expenditures associated with the administrative and financial supervision of the School District. Typical functions would include the Board of Trustees and Superintendent, Human Resources, Data Processing and Business Services personnel.

- Plant services involve keeping the school grounds, buildings, and equipment in effective working condition.
- Enterprise services are costs generated from performing fee based services.
- Other includes tuitions and transfers of resources between the District and other educational agencies for services provided to students.

Table 3

(Amounts in millions)	Net Cost 2021	Net Cost 2020
Instruction	$ 60.8	$ 65.3
Instruction related	10.3	11.3
Pupil services	4.8	5.4
Administration	4.1	6.4
Plant servies	9.3	8.3
Enterprise servies	-	1.2
Interest on long-term	7.0	7.2
Other	(3.5)	0.4
Totals	$ 92.8	$ 105.5

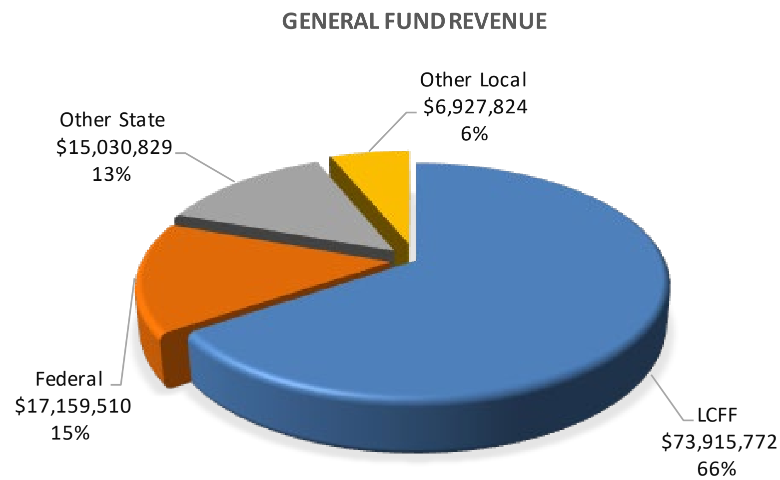
The District's Funds

As the District completed this year, our governmental funds reported a combined fund balance of $80 million, which was an increase of $21 million from last year. The primary reason for the increase is related to the issuance of $27 million in bond funds under Measure R less the increased number of building fund projects completed and paid, and for those modernization projects in process and progress payments have been made.

General Fund Budgetary Highlights

The Education Code requires that all local educational agencies adopt a budget by July 1, and then twice a year submit to their District Business Advisory Services in the County Offices of Education interim financial reports. The interim reports reflect updates to the District budget as grants are awarded and as the District revises its budget to reflect changes in revenues and expenditures. The final amendment to the budget was adopted in June 2020.

The District prepared the fiscal year 2020-2021 original adoption budget when the carryovers from fiscal year 2019-2020 were not known. The carryovers, however, were included in the fiscal year 2020-2021 final and thus the final budget was higher than the original adopted budget. The District's final budget is adjusted based on the estimated revenue and expenditures at the time of the fiscal year 2021-2022 adoption budget was prepared. At the end of the fiscal year, however, unspent revenues for some categorical programs will be deferred to the new fiscal year in accordance with generally accepted accounting principles and the requirements under the categorical programs. A schedule showing the District's original and final budget amounts compared with actual final amounts is provided in the required supplementary information, succeeding the financial statement section.

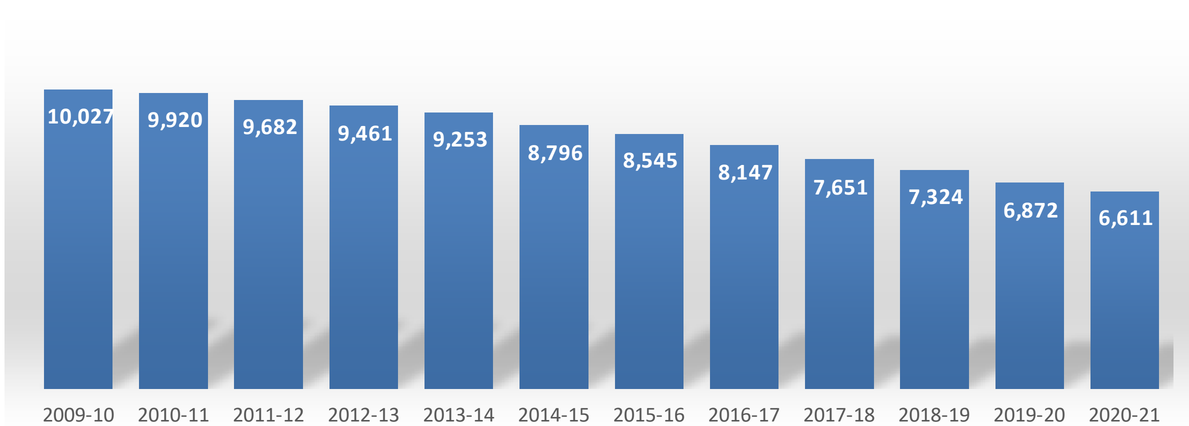


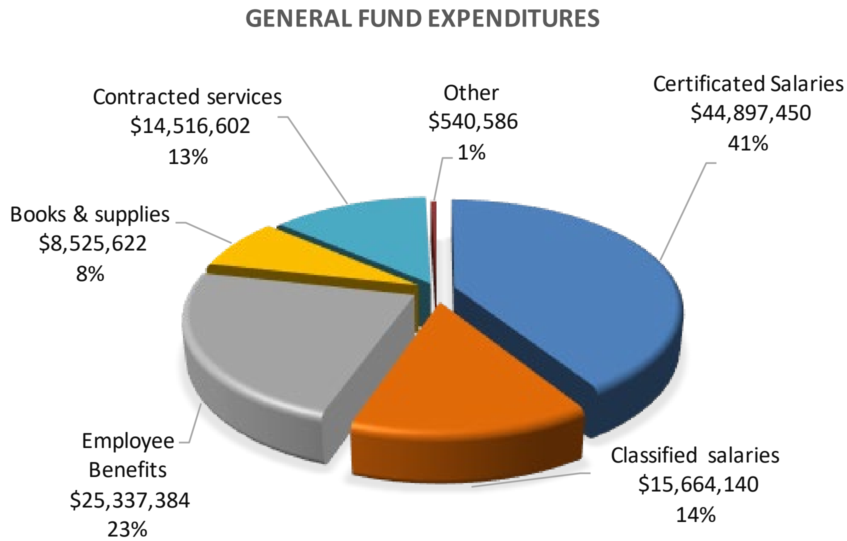
General Fund Revenues

The General Fund is the operating fund of the District. Under the Local Control Funding Formula (LCFF), school districts received funding based on average daily attendance by grade level, and other demographic factors of the students (e.g., English Learner, eligible for free or reduced meal plans, etc.,). For fiscal year 2020-2021, the District received $113.03 million in total revenue from federal, state and local sources. State-controlled revenue (LCFF plus other state revenue) represents over 79% of the District's General Fund income. The following is a graphic presentation of revenues by source used to fund the District's operating activities:

Enrollment /ADA Trends

Average daily attendance (ADA) drives the amount of revenue received under the LCFF, as well as other State grants. Many school districts in Santa Clara County, including Franklin-McKinley, are experiencing declining enrollment in the recent years. Rising housing prices and lower birth rates are two of the various factors driving declining enrollment within the Bay Area. Enrollment is projected to decline at a steady rate of roughly 4% per year.





General Fund Expenditures

The largest components of the District's expenditures were salaries and benefits of teachers and support personnel. In fiscal year 2020-2021, the salaries and related benefits totaled $85.90 million, which accounted for 78% of the total expenditures of $109.48 million for the General Fund.

Capital Asset and Debt Administration

Capital Assets

The District's net capital assets include land, buildings, furniture, and equipment. At June 30, 2021, the District had $181.6 million in capital assets, representing a net increase of $0.8 million over $180.8 million in 2020.

Some of the highlights of this year's construction program include:

Completed during 2020-21:

- College Connection Academy (CCA) – Purchase of two portables
- District Technology – Design of structured cabling and network infrastructure
- Lairon College Preparatory Academy Modernization
- Windmill Modernization
- Intruder locks on classroom doors to "Columbine" locks
- Installation of charging stations for electric buses

Table 4

(Amounts in millions)	**Governmental**	
	2021	**2020**
Capital Assets		
Land	$ 1.6	$ 1.6
Construction in progress	35.6	24.3
Buildings and improvements	239.4	238.8
Furniture and equipment	10.2	10.0
Total assets	286.8	274.7
Accumulated Depreciation		
Buildings and improvements	(100.1)	(89.5)
Furniture and equipment	(5.1)	(4.4)
Total accumulated depreciation	(105.2)	(93.9)
Net Capital Assets		
Land	1.6	1.6
Construction in progress	35.6	24.3
Buildings and improvements	139.3	149.3
Furniture and equipment	5.1	5.6
Totals	$ 181.6	$ 180.8

Construction in Progress during 2020-2021:

- Exterior painting at all schools except those recently modernized (i.e., Windmill, Lairon, and Franklin)
- Under Solar Canopy Beautification which included the addition and upgrade of outdoor learning and eating areas district wide to allow for increased social distancing during and after the school day
- HVAC upgrades district wide to improve air quality
- Network infrastructure upgrade (i.e., expansion of wireless access points and related cabling) to support 1 to 1 device to student ratio and distance learning
- General site improvements (i.e., landscaping, turf/fields, parking lot and blacktop resurfacing, etc.)
- Sylvandale window replacement project
- Installation of kindergarten shade structures district wide
- Stonegate HVAC replacement, roofing upgrades and installation of sky lights
- Installation of new classroom wing and restrooms at Windmill
- Installation of integrated projectors and screens in all classrooms

Refer to Capital Assets Note 5 in the financial statements.

Long-Term Obligations

At the end of this year, the District had $297.0 million in outstanding long-term liabilities versus $276.5 million last year, an increase of $20.5 million.

The District's long-term obligations include compensated absences payable, general obligation bonds, certificates of participation, postemployment benefits, capital leases, early retirement incentive and pension liabilities.

Table 5

	Governmental	
(Amounts in millions)	**2021**	**2020**
General obligation bonds	$ 158.0	$ 138.2
Accretion to date	7.7	7.3
Capital leases	12.7	13.2
Bond premium	7.5	4.7
Certificates of participation	-	3.0
Postemployement benefits	1.5	1.5
Accumulated vacation - net	0.7	0.5
Pension liabilities	107.8	106.4
Early retirement incentive	1.1	1.7
Totals	$ 297.0	$ 276.5

We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

GASB Statements No. 68 and No. 71 introduce requirements for accrual-basis recognition by state and local governments of employer costs and obligations for pensions. Under the accounting standards, if the present value of benefits earned by all employees participating in the CalSTRS or CalPERS pension plan exceeds the resources accumulated by the pension plan to benefits, LEAs must now report in their government wide financial statements their proportionate share of the plan's net pension liability. See Note 12 for more detailed information. At year-end, the District has a net pension liability of $107.8 million versus $106.4 million last year, and increase of $1.4M, or 1.3%.

Economic Factors and Next Year's Budget

The majority of the District's unrestricted general fund revenues are derived from State and Local income sources through state aid, property taxes, and other state funding as well as one-time funds received under the CARES Act and other Federal assistance programs enacted due to the pandemic. The District has been on a steady course of continuous improvement in academic achievement, closing the achievement gap, improving its facilities, and meeting the priorities of the School Board and community. It is imperative that the District continue this course of success.

One of the major components of State funding is the Local Control Funding Formula (LCFF). LCFF replaces the former Revenue Limit funding model, which had been the basis of funding for California school districts for approximately 40 years. At this point, the LCFF is fully implemented financially. Achieving this full implementation of LCFF means growth in funding in the future years will be closely tied to COLA which is projected to range between 2.4% to 3.6% annually over the next three years from 2022-23 to 2024-25. As of June 2021, LCFF represents approximately 79% of the total revenue the district expects to receive in 2021-22. This coming year the COLA was projected to be 1.7% but we were happy to see the State augment funding growth to 5.07% under LCFF to allow districts more flexibility to manage the impacts of the pandemic on the educational programs, accelerate learning now that distance learning has ended and offset a small portion of the rising costs of education including contributions to the retirement programs (i.e., CalSTRS and CalPERS), impacts of labor negotiations, and rising employer paid unemployment insurance to name a few.

One of the major components of LCFF is enrollment. To help increase enrollment for the future the District launched a Vietnamese dual immersion program during 2018-2019 and opened a Spanish dual immersion program in 2020-2021. We have received a lot of positive feedback from these programs and will continue to monitor the success of these programs and their positive impact on our students, community, and District.

With overwhelming support from our community, the District was able to pass Parcel Tax - Measure K on November 3, 2020. This measure is expected to raise $72 for the next 5 years assessed against each parcel. This is expected to generate $1.2 million annually for the next 5 years.These funds help:

- Enhance academic programs in reading, math, and science.
- Expand reading, counseling and tutoring programs for at-risk students.
- Improve student access to after school programs.
- Improve student access to computers and modern technology.
- Maintain performing arts and music programs for Kindergarten-6th grade.
- Maintain small class sizes.
- Maintaining or expanding performing arts and music programs.
- Help maintain a safer learning environment during health and other emergencies such as the current COVID-19 pandemic.

The Parcel Tax is assessed against each parcel of taxable land within the FMSD boundaries. A parcel is defined as any unit of land in the District that now receives a separate tax bill from the Santa Clara County Assessor's Office. Read the Resolution Calling an Election for Voter Approval of an Education Parcel Tax.

We also continue to thank our community for their support with our $67.4 million Measure H Bond, which was approved by the community on June 7, 2016 and the passage of an $80.0 million Measure R Bond, which was approved by the community on March 3, 2020. The District is currently working through completing a Facilities Priority list approved the Board back on April 9, 2019. That list includes:

- The addition of classrooms at Windmill Elementary to accommodate projected growth.
- The addition of solar canopies at Franklin, Santee and Transportation Yard to reduce operating costs and reduce our carbon footprint.
- The addition of kinder shade structures at several sites to allow greater use of playground space.
- Upgrade of door locks throughout district to improve campus security.
- Upgrades to Stonegate Elementary site including roofing upgrades, hallway upgrades with skylights, and the replacement of heating, ventilation and air conditioning units.
- Additional Feasibility study of new school on Communication Hill.
- Field upgrades at Los Arboles, Windmill and Stonegate.
- Redesign of administrative offices at Kennedy and McKinley.
- Parking lot repairs at several sites to improve the flow of traffic and safety.
- Painting of several school sites.

The District will continue to be proactive and vigilant in managing its human and fiscal resources while ensuring that our schools, teachers, staff and students have the resources they need to maintain the excellent educational program the community has come to enjoy and respect. The District will continue to explore new cost savings strategies and revenue enhancement efforts to provide relief to the District's budget.

As with many districts across the Nation, the COVID pandemic continues to influence our educational decision making. Planning is key, but difficult to do with accuracy. We must plan using information that changes constantly and base our educational decisions on ever-changing factors that include one-time revenue sources, new independent study requirements, supplemental sick leave requirements, various COVID-19 safety protocols, variants of the virus that impacts many families and staff members within our community, and new restricted funding sources that allow us to offer more supports to our students before during and after school as well as expanded summer school courses. The full scope and impact of COVID-19 is still unknown but expected to have long term impacts on the way we operate as a District and how community-based organizations partner and support our District financially and through other services.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Jason Vann, Assistant Superintendent, Business Services, or Joanne Chin, Director of Fiscal Services, Franklin-McKinley School District, at 645 Wool Creek Dr., San Jose, CA 95112.

	Governmental Activities
Assets	
Deposits and investments	$ 69,832,198
Receivables	24,311,301
Prepaid expense	865,630
Stores inventories	44,299
Other current assets	401,027
Capital assets not depreciated	37,246,115
Capital assets, net of accumulated depreciation	144,379,510
Total assets	277,080,080
Deferred Outflows of Resources	
Deferred charge on refunding	4,757,935
Deferred outflows of resources related to pensions	22,927,066
Total deferred outflows of resources	27,685,001
Liabilities	
Accounts payable	10,829,584
Interest payable	2,546,398
Unearned revenue	3,049,358
Long-term liabilities	
Long-term liabilities other than pensions	
Due within one year	8,575,396
Due in more than one year	180,654,991
Aggregage net pension liabilities, due in more than one year	107,825,039
Total liabilities	313,480,766
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	11,401,550
Total deferred inflows of resources	11,401,550
Net Position	
Net investment in capital assets	35,026,521
Restricted for	
Debt service	8,491,945
Capital projects	7,575,752
Educational programs	6,192,954
Food Services	1,452,035
Self Insurance programs	1,367,371
Unrestricted	(80,223,813)
Total net position	$ (20,117,235)

See Notes to Financial Statements

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities					
Instruction	$ 81,003,980	$ 12,023	$ 17,617,456	$ 2,604,606	$ (60,769,895)
Instruction-related activities					
Supervision of instruction	1,386,243	792	721,497	-	(663,954)
Instructional library, media, and technology	986,971	-	349,224	-	(637,747)
School site administration	10,138,745	4,642	1,130,298	-	(9,003,805)
Pupil services					
Home-to-school transportation	1,814,186	-	156,107	-	(1,658,079)
Food services	5,861,700	34	6,067,228	-	205,562
All other pupil services	4,090,153	4,308	777,131	-	(3,308,714)
Administration					
Data processing	8,375,997	2,292	5,905,980	-	(2,467,725)
All other administration	5,726,184	2	4,056,167	-	(1,670,015)
Plant services	11,069,468	771	1,729,910	-	(9,338,787)
Ancillary services	16,551	-	235,746	-	219,195
Interest on long-term liabilities	7,042,936	-	-	-	(7,042,936)
Other outgo	266,703	155,786	3,517,296	-	3,406,379
Total governmental activities	$ 137,779,817	$ 180,650	$ 42,264,040	$ 2,604,606	(92,730,521)
General Revenues and Subventions					
Property taxes, levied for general purposes					29,989,813
Property taxes, levied for debt service					12,091,656
Taxes levied for other specific purposes					1,559,914
Federal and State aid not restricted to specific purposes					45,220,092
Interest and investment earnings					826,989
Interagency revenues					20,022
Miscellaneous					1,470,129
Subtotal, general revenues					91,178,615
Change in Net Position					(1,551,906)
Net Position - Beginning, as restated					(18,565,329)
Net Position - Ending					$ (20,117,235)

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Deposits and investments	$ 12,224,962	$ 612,648	$ 37,157,703	$ 11,027,237	$ 7,780,519	$ 68,803,069
Receivables	22,873,212	1,086,167	322,750	11,106	16,444	24,309,679
Due from other funds	121,814	160	-	-	-	121,974
Prepaid expenditures	637,047	2,000	-	-	-	639,047
Stores inventories	-	44,299	-	-	-	44,299
Total assets	$ 35,857,035	$ 1,745,274	$ 37,480,453	$ 11,038,343	$ 7,796,963	$ 93,918,068
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 7,544,637	$ 171,425	$ 3,113,242	$ -	$ 280	$ 10,829,584
Due to other funds	5,207	121,814	-	-	-	127,021
Unearned revenue	3,047,622	-	-	-	1,736	3,049,358
Total liabilities	10,597,466	293,239	3,113,242	-	2,016	14,005,963
Fund Balances						
Nonspendable	662,047	46,299	-	-	-	708,346
Restricted	5,973,759	1,405,736	34,367,211	11,038,343	7,794,947	60,579,996
Assigned	972,681	-	-	-	-	972,681
Unassigned	17,651,082	-	-	-	-	17,651,082
Total fund balances	25,259,569	1,452,035	34,367,211	11,038,343	7,794,947	79,912,105
Total liabilities and fund balances	$ 35,857,035	$ 1,745,274	$ 37,480,453	$ 11,038,343	$ 7,796,963	$ 93,918,068

See Notes to Financial Statements

Total Fund Balance - Governmental Funds		$ 79,912,105
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	286,814,637	
Accumulated depreciation is	(105,189,012)	
Net capital assets		181,625,625
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.		(2,546,398)
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.		1,367,371
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings (deferred charge on refunding)	4,757,935	
Net pension liability	22,927,066	
Total deferred outflows of resources		27,685,001
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		
Net pension liability		(11,401,550)
Expenditures relating to prepaid insurance on bond issuances were recognized on the modified accrual basis, but are amortized over the life of the debt on the accrual basis. The balance to amortize is reported on the Statement of Net Position as prepaid expenses.		216,583

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(107,825,039)
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	(157,984,367)	
Unamortized debt premiums	(7,505,034)	
Capital leases	(12,703,381)	
Compensated absences (vacations)	(720,074)	
Early retirement incentives	(1,120,625)	
Post employment benefits	(1,369,401)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(7,748,051)	
Total long-term liabilities		(189,150,933)
Total net position - governmental activities		$ (20,117,235)

	General Fund	Cafeteria Fund	Building Fund
Revenues			
Local control funding formula	$ 73,915,772	$ -	$ -
Federal sources	17,159,510	5,602,953	-
Other State sources	15,030,829	675,813	-
Other local sources	6,927,824	25,523	279,592
Total revenues	113,033,935	6,304,289	279,592
Expenditures			
Current			
Instruction	69,165,403	-	-
Instruction-related activities			
Supervision of instruction	1,240,376	-	-
Instructional library, media, and technology	897,978	-	-
School site administration	8,944,962	-	-
Pupil services			
Home-to-school transportation	1,680,048	-	-
Food services	109,948	5,240,812	-
All other pupil services	3,534,586	-	-
Administration			
Data processing	7,603,334	-	-
All other administration	5,675,153	119,614	-
Plant services	10,107,098	-	-
Ancillary services	-	-	-
Other outgo	266,703	-	-
Capital outlay	-	-	12,043,882
Debt service			
Principal	203,661	-	3,430,000
Interest and other	52,534	-	701,509
Total expenditures	109,481,784	5,360,426	16,175,391
Excess (Deficiency) of Revenues Over Expenditures	3,552,151	943,863	(15,895,799)
Other Financing Sources (Uses)			
Transfers in	-	-	2,604,606
Other sources	84,548	-	27,000,000
Transfers out	-	-	-
Net Financing Sources (Uses)	84,548	-	29,604,606
Net Change in Fund Balances	3,636,699	943,863	13,708,807
Fund Balance - Beginning, as restated	21,622,870	508,172	20,658,404
Fund Balance - Ending	$ 25,259,569	$ 1,452,035	$ 34,367,211

	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Local control funding formula	$ -	$ -	$ 73,915,772
Federal sources	235,027	-	22,997,490
Other State sources	61,538	2,603,375	18,371,555
Other local sources	12,006,388	677,161	19,916,488
Total revenues	12,302,953	3,280,536	135,201,305
Expenditures			
Current			
Instruction	-	-	69,165,403
Instruction-related activities			
Supervision of instruction	-	-	1,240,376
Instructional library, media, and technology	-	-	897,978
School site administration	-	-	8,944,962
Pupil services			
Home-to-school transportation	-	-	1,680,048
Food services	-	-	5,350,760
All other pupil services	-	-	3,534,586
Administration			
Data processing	-	-	7,603,334
All other administration	-	-	5,794,767
Plant services	-	-	10,107,098
Ancillary services	-	16,551	16,551
Other outgo	-	-	266,703
Facility acquisition and construction	-	13,441	12,057,323
Debt service			
Principal	7,955,000	-	11,588,661
Interest and other	5,571,749	-	6,325,792
Total expenditures	13,526,749	29,992	144,574,342
Excess (Deficiency) of Revenues Over Expenditures	(1,223,796)	3,250,544	(9,373,037)
Other Financing Sources (Uses)			
Transfers in	-	-	2,604,606
Other sources	3,280,960	-	30,365,508
Transfers out	-	(2,604,606)	(2,604,606)
Net Financing Sources (Uses)	3,280,960	(2,604,606)	30,365,508
Net Change in Fund Balances	2,057,164	645,938	20,992,471
Fund Balance - Beginning	8,981,179	7,149,009	58,919,634
Fund Balance - Ending	$ 11,038,343	$ 7,794,947	$ 79,912,105

Total Net Change in Fund Balances - Governmental Funds		$ 20,992,471
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Depreciation expense	$ (11,310,097)	
Capital outlays	12,164,754	
Net expense adjustment		854,657
The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was:		(1,190,180)
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.		(84,548)
Supplement employee retirement incentive is not current resources, therefore is not recorded in the governmental funds. However, the amount is recognized in the government wide financial statement as liability. The annual payment of the obligations was expensed in the governmental funds but it reduces the liability in the government-wide statement of net position and does not impact the statement of activities. During the year, amounts incurred was more than amounts paid.		615,493
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.		(171,040)

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.	(4,528,642)
Proceeds received from General obligation bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	(27,000,000)
Governmental funds report the effect of premiums, prepaid insurance on refunding, 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	(3,280,960)
Prepaid insurance on refunding amortization	(13,862)
Premium amortization	430,007
Deferred charge on refunding amortization	(212,753)
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	7,955,000
Certificates of participation	3,010,000
Capital leases	623,661
Payment of retiree benefits are 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.	82,114
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.	269,644
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.	97,032
Change in net position of governmental activities	$ (1,551,906)

	Governmental Activities - Internal Service Fund
Assets	
Current assets	
Deposits and investments	$ 1,029,129
Receivables	1,622
Due from other funds	5,047
Prepaid expenses	10,000
Other current assets	401,027
Total assets	1,446,825
Liabilities	
Current liabilities	
Claim liabilities	79,454
Total liabilities	79,454
Net Position	
Restricted for self insurance	1,367,371
Total net position	$ 1,367,371

	Governmental Activities - Internal Service Fund
Operating Revenues	
In-District contribution	$ 1,377,493
Operating Expenses	
Insurance and other	1,281,587
Operating Income	95,906
Nonoperating Revenues	
Unrealized gain due to fair market value adjustment	(6,753)
Interest income	7,879
Total nonoperating revenues	1,126
Change in Net Position	97,032
Total Net Position - Beginning	1,270,339
Total Net Position - Ending	$ 1,367,371

	Governmental Activities - Internal Service Fund
Operating Activities	
Cash receipts from user charges	$ 1,379,567
Cash payments for insurance claims	(1,217,291)
Net Cash From Operating Activities	162,276
Investing Activities	
Interest on investments	1,126
Net Cash From Investing Activities	1,126
Net Change in Cash and Cash Equivalents	163,402
Cash and Cash Equivalents, Beginning	865,727
Cash and Cash Equivalents, Ending	$ 1,029,129
Reconciliation of Operating Income to Net Cash From Operating Activities	
Operating income	$ 95,906
Changes in assets and liabilities	
Receivables	1,451
Due from other fund	623
Other current asset	48,672
Accrued liabilities	15,624
Net Cash From Operating Activities	$ 162,276

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Franklin-McKinley School District was organized in January 1948 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 kindergarten - eighth as mandated by the State and Federal agencies. The District operates 14 elementary schools and three middle schools, one of which operates as a conversion charter school.

A reporting entity is comprised of the primary government, component units, 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 Franklin-McKinley School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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). 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.

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

Non-Major Governmental Funds

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

- **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). A capital project fund, Building Fund, is reported under major governmental funds in previous page.

- **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).

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

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term liabilities. The District has only one debt service fund, Bond Interest and Redemption Fund, that is reported under major governmental funds in previous page.

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 one proprietary fund below:

- **Internal Service Fund** Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a dental and 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, for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools 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 $10,000. 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, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

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

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

Pensions

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

Fund Balances - Governmental Funds

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

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

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 5 percent of General Fund expenditures and other financing uses.

Net Position

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

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 primarily interfund insurance premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

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

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

The provisions of this Statement have been implemented as of June 30, 2021. The implementation resulted restatement of beginning fund balance in Special Revenue Fund, Student Activity Fund, in the amount of $219,988 and the elimination of Fiduciary Fund.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement have been implemented as of June 30, 2021. Implementation of the statement does not have material impact on the District's financial statement.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). The provisions of this Statement have been implemented as of June 30, 2021. Implementation of the statement does not have material impact on the District's financial statement.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, have been implemented as of June 30, 2021.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The effects of this change on the District's financial statements have not yet been determined.

New Accounting Pronouncements

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

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

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

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

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

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

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

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

The requirements of this Statement are effective as follows:

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

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

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

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

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

Governmental funds	$ 68,803,069
Proprietary funds	1,029,129
Total deposits and investments	$ 69,832,198

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

Cash on hand and in banks	$ 233,259
Cash in revolving	25,000
Investments	69,573,939
Total deposits and investments	$ 69,832,198

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The pool is not registered with Stock Exchange Commission.

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The fair value of the investment with the County Treasurer at June 30, 2021 was $69,573,939 and the weighted average maturity of the pool was 615 days.

Credit Risk

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

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, the District has no significant custodial credit risk.

Note 3 - Receivables

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

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total	Proprietary Fund
Federal Government							
Categorical aid	$ 6,170,546	$ 1,032,439	$ -	$ -	$ -	$ 7,202,985	$ -
State Government							
LCFF apportionment	15,166,744	20	-	-	-	15,166,764	-
Categorical aid	395,615	52,549	-	-	-	448,164	-
Lottery	435,153	-	-	-	-	435,153	-
Local Government							-
Interest	49,571	1,159	70,082	11,106	13,252	145,170	1,622
Other local sources	655,583	-	252,668	-	3,192	911,443	-
Total	$ 22,873,212	$ 1,086,167	$ 322,750	$ 11,106	$ 16,444	$ 24,309,679	$ 1,622

Note 4 - Capital Assets

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

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	$ 1,565,500	$ -	$ -	$ 1,565,500
Construction in progress	24,253,286	11,427,329	-	35,680,615
Total capital assets not being depreciated	25,818,786	11,427,329	-	37,246,115
Capital assets being depreciated				
Buildings and improvements	238,812,915	600,125	-	239,413,040
Furniture and equipment	10,018,182	137,300	-	10,155,482
Total capital assets being depreciated	248,831,097	737,425	-	249,568,522
Total capital assets	274,649,883	12,164,754	-	286,814,637
Accumulated depreciation				
Buildings and improvements	(89,489,482)	(10,639,232)	-	(100,128,714)
Furniture and equipment	(4,389,433)	(670,865)	-	(5,060,298)
Total accumulated depreciation	(93,878,915)	(11,310,097)	-	(105,189,012)
Governmental activities capital assets, net	$ 180,770,968	$ 854,657	$ -	$ 181,625,625

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

Governmental Activities	
Instruction	$ 6,854,529
Supervision of instruction	122,926
Instructional library, media, and technology	88,993
School site administration	886,476
Home-to-school transportation	166,499
Food services	510,940
All other pupil services	350,290
Data processing	753,516
All other administration	574,281
Plant services	1,001,647
Total depreciation expenses governmental activities	$ 11,310,097

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

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

	Due From			
Due To	General Fund	Cafeteria Fund	Proprietary Funds	Total
General Fund	$ -	$ 160	$ 5,047	$ 5,207
Cafeteria Fund	121,814	-	-	121,814
Total	$ 121,814	$ 160	$ 5,047	$ 127,021

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.

Note 6 - Deferred Outflows of Resources 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 $35,026,521 includes the effect of deferring the recognition of loss from advance refunding. The $4,757,935 balance of the deferred outflow of resources on refunding at June 30, 2021 will be recognized as an expense and as a decrease in net position over the remaining life of related bonds.

Deferred outflow of resources on refunding at June 30, 2021 consisted of the following:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Deferred charge on bond refunding	$ 4,887,826	$ -	$ (129,891)	$ 4,757,935
Deferred charge on COP refunding	82,862	-	(82,862)	-
Total	$ 4,970,688	$ -	$ (212,753)	$ 4,757,935

Note 7 - Accounts Payable

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

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 5,479,875	$ 150,347	$ 3,113,242	$ 280	$ 8,743,744
LCFF apportionment	400,593	-	-	-	400,593
Salaries and benefits	1,664,169	21,078	-	-	1,685,247
Total	$ 7,544,637	$ 171,425	$ 3,113,242	$ 280	$ 10,829,584

Note 8 - Unearned Revenue

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

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 218,689	$ -	$ 218,689
State categorical aid	323,382	-	323,382
Other local	2,505,551	1,736	2,507,287
Total	$ 3,047,622	$ 1,736	$ 3,049,358

Note 9 - Long-Term Liabilities Other than Pensions

Summary

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

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
General obligation bonds	$145,497,238	$28,190,180	$ (7,955,000)	$165,732,418	$ 5,987,563
Certificates of participation	3,010,000	-	(3,010,000)	-	-
Unamortized debt premiums	4,654,081	3,280,960	(430,007)	7,505,034	430,007
Capital leases	13,242,494	84,548	(623,661)	12,703,381	733,576
Early retirement liabilities	1,736,118	-	(615,493)	1,120,625	615,493
Compensated absences	549,034	171,040	-	720,074	720,074
Retiree health care benefit	1,451,515	-	(82,114)	1,369,401	88,683
Claim liabilities	63,830	1,297,211	(1,281,587)	79,454	-
Total	$170,204,310	$33,023,939	$ (13,997,862)	$189,230,387	$ 8,575,396

The Bond Interest and Redemption Fund makes payments on the general obligation bonds with local property tax revenues. The Capital Facilities Fund make payments for the Certificates of Participation. The accumulated vacation, postemployment benefits and early retirement incentive will be paid by the fund for which the employee worked. Capital leases are paid by the General Fund.

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2021
2006	2028	3.25-5.25%	$ 6,950,000	$ 6,665,000	$ -	$ -	$ (220,000)	$ 6,445,000
2011	2023	5.25-11.98	6,875,000	2,675,000	-	-	(550,000)	2,125,000
2011	2027	5.25-11.98	4,500,000	4,500,000	-	-	-	4,500,000
2012	2036	3.00-4.00%	15,000,000	8,100,000	-	-	(750,000)	7,350,000
2015	2025	3.00-5.00%	4,690,000	4,090,000	-	-	(665,000)	3,425,000
2015	2038	3.00-5.00%	4,835,000	4,535,000	-	-	(145,000)	4,390,000
2016	2038	3.00-5.00%	13,425,000	12,885,000	-	-	(115,000)	12,770,000
2017	2045	3.00-4.00%	25,000,000	20,165,000	-	-	(600,000)	19,565,000
2017	2036	2.00-4.00%	5,730,000	5,595,000	-	-	(55,000)	5,540,000
2018	2044	3.00-4.00%	30,000,000	28,850,000	-	-	-	28,850,000
2018	2020	5.00%	1,590,000	450,000	-	-	(450,000)	-
2019	2041	3.00-4.00%	12,400,000	12,400,000	-	-	-	12,400,000
2020	2041	3.23-3.35%	16,540,000	16,540,000	-	-	-	16,540,000
2021	2040	4.00%	27,000,000	-	27,000,000	-	(3,155,000)	23,845,000
	Total current interest bonds			127,450,000	27,000,000	-	(6,705,000)	147,745,000
2002	2023	2.70-6.00%	$ 8,999,326	3,558,690	-	126,218	(1,250,000)	2,434,908
2011	2036	5.25-11.98	15,163,985	8,718,974	-	839,665	-	9,558,639
2020	2045	3.85%	5,602,032	5,769,574	-	224,297	-	5,993,871
	Total capital appreciation bonds			18,047,238	-	1,190,180	(1,250,000)	17,987,418
	Total bonded liabilities			$ 145,497,238	$ 27,000,000	$ 1,190,180	$ (7,955,000)	$ 165,732,418

Debt Service Requirements to Maturity

The capital appreciation bonds mature as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2022	$ 437,563	$ 812,437	$ 1,250,000	$ -	$ 1,250,000
2023	410,787	774,121	1,184,908	65,092	1,250,000
2024	-	-	-	-	-
2025	-	-	-	-	-
2026	-	-	-	-	-
2027-2031	1,174,115	2,701,584	3,875,699	4,649,301	8,525,000
2032-2036	2,614,870	3,068,070	5,682,940	8,817,060	14,500,000
2037-2041	-	-	-	-	-
2042-2046	5,602,032	391,839	5,993,871	7,832,345	13,826,216
Total	$ 10,239,367	$ 7,748,051	$ 17,987,418	$ 21,363,798	$ 39,351,216

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2022	$ 5,550,000	$ 5,721,090	$ 11,271,090
2023	6,345,000	5,494,379	11,839,379
2024	5,275,000	5,252,541	10,527,541
2025	5,025,000	5,025,298	10,050,298
2026	3,105,000	4,831,936	7,936,936
2027-2031	22,415,000	20,938,435	43,353,435
2032-2036	25,490,000	16,694,458	42,184,458
2037-2041	39,170,000	10,901,487	50,071,487
2042-2046	28,385,000	3,889,050	32,274,050
2047-2050	6,985,000	725,200	7,710,200
Total	$ 147,745,000	$ 79,473,874	$ 227,218,874

Certificates of Participation

In April 2002, the District issued certificates of participation (2002 Certificates) in the amount of $13 million through the California School Boards Association Finance Corporation at interest rates ranging from 3.0 to 4.5 percent. In November 2004, $6.5 million in the 2002 Certificates were called, paid off and removed from long-term debt. In January of 2013, the remaining 2002 Certificates were refunded by the 2013 Refunding Lease. The interest rate on the 2013 Refunding Lease is 2.85% and the final maturity date is September 1, 2027. As of June 30, 2021, the remaining balance outstanding and the interest have been paid off.

Capital Leases

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

	Solar	Bus	Apple	Enterprise	Total
Balance, July 1, 2020	$ 17,054,774	$ 215,706	$ 120,949	$ 148,851	$ 17,540,280
Additions	-	84,548	-	-	84,548
Payments	(900,951)	(71,902)	(70,197)	(82,847)	(1,125,897)
Balance, July 1, 2021	$ 16,153,823	$ 228,352	$ 50,752	$ 66,004	$ 16,498,931

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2022	$ 1,212,765
2023	1,052,890
2024	1,030,049
2025	1,076,456
2026	1,125,210
2027-2031	6,428,403
2032-2036	4,573,158
Total	16,498,931
Less amount representing interest	(3,795,550)
Present value of minimum lease payments	$ 12,703,381

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

Solar panels	$ 15,610,000
Buses	413,800
Apple computers	266,844
Enterprise flees	368,817
Less accumulated depreciation	(6,584,173)
Total	$ 10,075,288

Early Retirement Incentives

In 2020-2021, the District provided a Supplemental Early Retirement Incentives Program to eligible employees. The incentive payments through the end of the contract are as follows:

Year Ending June 30,	Incentive Payment
2022	$ 615,493
2023	252,566
2024	252,566
Total	$ 1,120,625

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to $720,074.

Retiree Health Care Benefits

The district provides retiree health care benefits, in accordance with District employment contracts, to three employees. The District contributes 100 percent of the amount of premiums incurred by the retirees. Expenditures for the benefits are recognized on a pay-as-you-go basis, as retiree's premiums are paid. During the year, expenditures of $82,114 were recognized for retiree's health care benefits. The approximate accumulated future liability for the District at June 30, 2021, amounts to $1,369,401. This amount was calculated based upon the three retirees receiving benefits multiplied by the District payment in effect at June 30, 2021, multiplied by the number of years of payments remaining, with health care cost trend rate of 7%.

These health care benefits mature through 2035 as follows:

Year Ending June 30,	Lease Payment
2022	$ 88,683
2023	95,777
2024	103,439
2025	111,714
2026	80,341
2027-2031	509,031
2032-2036	380,416
Total	$ 1,369,401

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	$ 25,000	$ -	$ -	$ -	$ -	$ 25,000
Stores inventories	-	44,299	-	-	-	44,299
Prepaid expenditures	637,047	2,000	-	-	-	639,047
Total nonspendable	662,047	46,299	-	-	-	708,346
Restricted						
Educational programs	5,973,759	-	-	-	-	5,973,759
Food service	-	1,405,736	-	-	-	1,405,736
Capital projects	-	-	34,367,211	-	7,575,752	41,942,963
Debt services	-	-	-	11,038,343	-	11,038,343
Total restricted	5,973,759	1,405,736	34,367,211	11,038,343	7,794,947	60,579,996
Assigned						
Program carryover	972,681	-	-	-	-	972,681
Total assigned	972,681	-	-	-	-	972,681
Unassigned						
Reserve for economic uncertainties	5,474,089	-	-	-	-	5,474,089
Remaining unassigned	12,176,993	-	-	-	-	12,176,993
Total unassigned	17,651,082	-	-	-	-	17,651,082
Total	$ 25,259,569	$ 1,452,035	$ 34,367,211	$ 11,038,343	$ 7,794,947	$ 79,912,105

Note 11 - Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, the District contracted with Alliance of Schools for Cooperative Insurance Programs for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

The District participates in the Santa Clara County Schools Insurance Group (the JPA) public entity risk pool for workers' compensation, and property liability coverage.

Coverage provided by Santa Clara County Schools Insurance Group for property and liability and workers' compensation is as follows:

Insurance Program / Company Name	Type of Coverage	Limits	
Workers' Compensation Program			
Santa Clara County School Insurance Group	Workers' Compensation	$	1,000,000
Property and Liability Program			
Alliance of Schools for Cooperative Insurance Programs	General	$	5,000,000
	Automobile	$	5,000,000
	Property	$	600,000,000

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred.

Unpaid Claims Liabilities

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 for the District from July 1, 2019 to June 30, 2021:

	Dental and Vision
Liability Balance, July 1, 2019	$ 89,492
Claims and changes in estimates	1,039,910
Claims payments	(1,065,572)
Liability Balance, June 30, 2020	63,830
Claims and changes in estimates	1,297,211
Claims payments	(1,281,587)
Liability Balance, June 30, 2021	$ 79,454
Assets available to pay claims at June 30, 2021	$ 1,446,825

Note 12 - Employee Retirement Systems

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

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 73,896,776	$ 17,031,072	$ 9,421,277	$ 8,299,717
CalPERS	33,928,263	5,895,994	1,980,273	6,398,507
Total	$ 107,825,039	$ 22,927,066	$ 11,401,550	$ 14,698,224

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

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

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

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were $6,822,464.

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

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

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 73,896,776
State's proportionate share of the net pension liability	38,093,797
Total	$ 111,990,573

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.0763 percent and 0.0804 percent, resulting in a net decrease in the proportionate share of 0.0041 percent.

For the year ended June 30, 2021, the District recognized pension expense of $8,299,717. In addition, the District recognized pension expense and revenue of $5,336,567 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 6,822,464.00	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,116,870	7,337,261
Differences between projected and actual earnings on pension plan investments	1,755,362	-
Differences between expected and actual experience in the measurement of the total pension liability	130,394	2,084,016
Changes of assumptions	7,205,982	-
Total	$ 17,031,072	$ 9,421,277

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ (1,071,111)
2023	598,084
2024	1,193,244
2025	1,035,145
Total	$ 1,755,362

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ 265,380
2023	237,120
2024	764,355
2025	(724,462)
2026	(949,913)
Thereafter	(560,511)
Total	$ (968,031)

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 111,647,735
Current discount rate (7.10%)	73,896,776
1% increase (8.10%)	42,728,043

California Public Employees Retirement System (CalPERS)

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total District contributions were $3,347,118.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $33,928,263. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.1106 percent and 0.1159 percent, resulting in a net decrease in the proportionate share of 0.0053 percent.

For the year ended June 30, 2021, the District recognized pension expense of $6,398,507 At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,347,118	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	35,445	1,980,273
Differences between projected and actual earnings on pension plan investments	706,278	-
Differences between expected and actual experience in the measurement of the total pension liability	1,682,737	-
Changes of assumptions	124,416	-
Total	$ 5,895,994	$ 1,980,273

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ (264,305)
2023	235,750
2024	409,773
2025	325,060
Total	$ 706,278

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ 505,636
2023	(166,443)
2024	(430,847)
2025	(46,021)
Total	$ (137,675)

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 48,778,065
Current discount rate (7.15%)	33,928,263
1% increase (8.15%)	21,603,673

Social Security

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

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 $4,311,087 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 13 - Commitments and Contingencies

Grants

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

Litigation

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

Construction Commitments

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

Capital Project	Remaining Construction Commitment	Expected Date of Completion
New Construction - Communication Hill	$ 691,805	06/30/24
New Construction - Franklin	34,883	12/31/22
Modernization	3,103,296	09/30/22
Campus Exterior Painting	1,445,921	06/30/22
Furniture Upgrades - Stonegate	258,150	10/31/21
General Site Improvements	127,094	01/31/22
HVAC System Modernization - Stonegate	3,290,133	10/31/21
Network Infrastructure	691,803	06/30/22
Parking Lot & Blacktop Resurface	3,573,264	09/30/22
Under Solar Beautific. & Field Improv.-Kennedy	205,557	09/30/22
Total	$ 13,421,906	

Note 14 - Participation in Public Entity Risk Pools, Joint Powers Authorities and Other Related Party Transactions

The District is a member of the Santa Clara County Schools Insurance Group (SCCSIG) public entity risk pool and the East Valley Transportation (EVT) joint powers authority (JPA). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage and to provide transportation services for special education students. The relationships between the District, the pool, and the JPA are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements. The District has appointed one board member to the Governing Board of each of these two authorities. During the year ended June 30, 2021, the District made payments of $474,113 and $246,703 to SCCSIG and EVT, respectively. Audited financial statements are generally available from the respective entities.

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

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

Government-Wide Financial Statements	
Net position - beginning	$ (18,785,327)
Reclassified student body funds from fiduciary to a special revenue fund	219,988
Net position - beginning as restated	$ (18,565,339)
Student Activity Fund	
Fund balance - beginning	$ -
Reclassified student body funds from fiduciary to a special revenue fund	219,988
Fund balance - beginning as restated	$ 219,988

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Required Supplementary Information
June 30, 2021

Franklin-McKinley School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local control funding formula	$66,997,679	$73,868,186	$ 73,915,772	$ 47,586
Federal sources	7,276,069	22,233,945	17,159,510	(5,074,435)
Other State sources	8,303,994	14,828,223	15,030,829	202,606
Other local sources	4,259,891	7,001,793	6,927,824	(73,969)
Total revenues	86,837,633	117,932,147	113,033,935	(4,898,212)
Expenditures				
Current				
Certificated salaries	42,203,828	44,311,106	44,897,450	(586,344)
Classified salaries	14,610,190	15,887,571	15,664,140	223,431
Employee benefits	24,802,137	25,660,938	25,337,384	323,554
Books and supplies	2,619,285	9,839,815	8,525,622	1,314,193
Services and operating expenditures	10,282,665	14,121,188	14,516,602	(395,414)
Other outgo	757,813	(2,384)	147,091	(149,475)
Capital outlay	71,645	137,048	137,300	(252)
Debt service				
Debt service - principal	132,179	203,661	203,661	-
Debt service - interest and other	13,568	56,578	52,534	4,044
Total expenditures	95,493,310	110,215,521	109,481,784	733,737
Excess (Deficiency) of Revenues Over Expenditures	(8,655,677)	7,716,626	3,552,151	(4,164,475)
Other Financing Sources (Uses)				
Proceeds from capital leases	-	84,548	84,548	-
Net Change in Fund Balances	(8,655,677)	7,801,174	3,636,699	(4,164,475)
Fund Balance - Beginning	20,492,254	21,406,215	21,622,870	216,655
Fund Balance - Ending	$ 11,836,577	$ 29,207,389	$ 25,259,569	$ (3,947,820)

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Federal sources	$ 4,547,199	$ 5,588,012	$ 5,602,953	$ 14,941
Other State sources	291,010	623,017	675,813	52,796
Other local sources	603,285	1,000	25,523	24,523
Total revenues	5,441,494	6,212,029	6,304,289	92,260
Expenditures				
Current				
Classified salaries	1,837,917	1,830,824	1,629,443	201,381
Employee benefits	977,994	988,608	884,709	103,899
Books and supplies	2,004,700	2,262,470	2,261,385	1,085
Services and operating expenditures	266,646	319,985	270,141	49,844
Other outgo	33,013	270,094	314,748	(44,654)
Total expenditures	5,120,270	5,671,981	5,360,426	311,555
Net Change in Fund Balances	321,224	540,048	943,863	403,815
Fund Balance - Beginning	508,172	508,172	508,172	-
Fund Balance - Ending	$ 829,396	$ 1,048,220	$ 1,452,035	$ 403,815

	2021	2020	2019	2018	2017	2016
CalSTRS						
Proportion of the net pension liability	0.0763%	0.0804%	0.0819%	0.0798%	0.0865%	0.0903%
Proportionate share of the net pension liability	$ 73,896,776	$ 72,657,286	$ 75,271,657	$ 73,809,593	$ 69,978,477	$ 60,773,479
State's proportionate share of the net pension liability	38,093,797	39,639,400	43,096,544	43,665,132	39,837,499	32,142,471
Total	$111,990,573	$112,296,686	$118,368,201	$117,474,725	$109,815,976	$ 92,915,950
Covered payroll	$ 41,183,152	$ 42,480,049	$ 44,466,854	$ 43,205,461	$ 43,450,466	$ 41,816,982
Proportionate share of the net pension liability as a percentage of its covered payroll	179%	171%	169%	171%	161%	145%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
CalPERS						
Proportion of the net pension liability	0.1106%	0.1159%	0.1175%	0.1167%	0.1136%	0.1133%
Proportionate share of the net pension liability	$ 33,928,263	$ 33,787,756	$ 31,326,020	$ 27,867,689	$ 22,244,660	$ 16,698,379
Covered payroll	$ 15,929,147	$ 16,060,453	$ 15,501,706	$ 14,866,741	$ 13,631,848	$ 12,189,415
Proportionate share of the net pension liability as a percentage of its covered payroll	213%	210%	202%	187%	163%	137%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

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

	2021	2020	2019	2018	2017	2016
CalSTRS						
Contractually required contribution	$ 6,822,464	$ 7,042,319	$ 6,915,752	$ 6,416,567	$ 5,435,247	$ 4,662,235
Less contributions in relation to the contractually required contribution	6,822,464	7,042,319	6,915,752	6,416,567	5,435,247	4,662,235
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$43,233,912	$41,183,152	$47,926,209	$44,466,854	$43,205,461	$43,450,466
Contributions as a percentage of covered payroll	16.15%	17.10%	14.43%	14.43%	12.58%	10.73%
CalPERS						
Contractually required contribution	$ 3,347,118	$ 3,141,387	$ 2,900,839	$ 2,407,570	$ 2,064,693	$ 1,614,965
Less contributions in relation to the contractually required contribution	3,347,118	3,141,387	2,900,839	2,407,570	2,064,693	1,614,965
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$16,233,820	$15,929,147	$16,060,453	$15,501,706	$14,866,741	$13,631,848
Contributions as a percentage of covered payroll	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule(s)

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

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

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

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

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

Schedule of District Contributions

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

Supplementary Information
June 30, 2021

Franklin-McKinley School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER)			
ESSER I	84.425D	15536	$ 1,916,077
ESSER II	84.425D	15547	3,862,570
COVID-19 Governor's Emergency Education Relief Fund (GEER)			
Learning Loss Mitigation	84.425C	15517	384,570
Subtotal			6,163,217
Special Education Cluster			
Special Education Grants to States	84.027	13379	1,089,884
Special Education Grants to States	84.027A	15197	80,879
Special Education Preschool Grant	84.173	13430	62,455
Special Education Preschool Grant	84.173A	13431	554
Total Special Education Cluster			1,233,772
Every Student Succeeds Act (ESSA)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	2,275,982
Title I, Part A, School Improvement Funding for LEAs	84.010	15438	65,613
Subtotal			2,341,595
Title II, Part A, Improving Teacher Quality	84.367	14341	362,881
Title III, Limited English Proficient Student Program	84.365	14346	254,685
Title IV, Part Am Student Support and Academic Enrichment Grant Program	84.424	15396	144,842
Total U.S. Department Education			10,500,992
U.S. Department of Treasury			
Passed through CDE:			
COVID-19 Coronavirus Relief Fund:			
Learning Loss Mitigation	21.019	25516	6,658,518
Total U.S. Department of Treasury			6,658,518
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	2,057,012
School Breakfast Program - Especially Needy Breakfast	10.555	13526	1,261,482
National School Lunch Program - Commodity Supplemental Food	10.556	13391	195,136
Total Child Nutrition Cluster			3,513,630
COVID-19 Child and Adult Care Food Program	10.558	13393	2,086,638
Fresh Fruit and Vegatable Program	10.582	14968	2,685
Total U.S. Department of Agriculture			5,602,953
Total Expenditures of Federal Awards			$22,762,463

See Notes to Supplementary Information

Organization

The Franklin-McKinley School District was established in 1948 and consists of an area comprising approximately 10 square miles. The District operates 14 elementary schools and three middle schools, one of which operates as a conversion charter school. There were no boundary changes during the year.

Governing Board

Member	Office	Term Expires
Maimona Afzal Berta	President	2024
Thanh Tran	Vice President	2022
Rudy Rodriguez	Clerk	2022
George Sanchez	Member	2024
Kerry Rosado	Member	2022

Administration

Name	Title
Juan Cruz	District Superintendent
Jason Vann	Assistant Superintendent, Business Services
Norma Martinez Palmer	Assistant Superintendent, Educational Services
Annette Grasty	Assistant Superintendent, Human Resources
Joanne Chin	Director, Fiscal Services

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

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

See Notes to Supplementary Information

	(Budget) 2022 [1]	2021	2020	2019
General Fund				
Revenues	$ 96,028,315	$ 113,033,935	$ 102,191,390	$ 103,711,199
Other sources	-	84,548	-	523,590
Total revenues and other sources	96,028,315	113,118,483	102,191,390	104,234,789
Expenditures	102,783,150	109,215,081	99,623,511	103,053,965
Other uses and transfers out	-	266,703	667,635	-
Total expenditures and other uses	102,783,150	109,481,784	100,291,146	103,053,965
Increase/(Decrease) in Fund Balance	(6,754,835)	3,636,699	1,900,244	1,180,824
Ending Fund Balance	$ 18,504,734	$ 25,259,569	$ 21,622,870	$ 19,722,626
Available Reserves [2]	$ 16,882,579	$ 17,651,082	$ 18,643,474	$ 15,530,226
Available Reserves as a Percentage of Total Outgo	16.43%	16.12%	18.59%	15.07%
Long-Term Liabilities	$ 288,480,030	$ 297,055,426	$ 276,858,522	$ 173,490,556
K-12 Average Daily Attendance at P-2 [3]	6,090	6,573	6,573	6,974

The General Fund balance has increased by $5,536,943 over the past two years. The fiscal year 2021-2022 budget projects a further decrease of $6,754,835 (27 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in the past three years but anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by $123,485,416 over the past two years.

Average daily attendance (ADA) has decreased by 401 over the past two years. Additional decline of 483 ADA is anticipated during fiscal year 2021-2022.

[1] Budget 2022 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.
[3] In 2021, average daily attendance (ADA) was not collected due to COVID-19 provision where 2020 ADA was use for claiming apportionment purpose.

Name of Charter School and Charter Number	Charter Number	Included in Audit Report
ACE Esperanza Middle School	1545	No
KIPP Heritage Academy	1608	No
Rocketship Mosaic Elementary Charter School	1192	No
Rocketship Spark Academy	1526	No
Voices College-Bound Language Academy	0846	No

	Student Activity Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
Assets					
Deposits and investments	$ 219,195	$ 7,421,646	$ -	$ 139,678	$ 7,780,519
Receivables	-	16,194	-	250	16,444
Total assets	$ 219,195	$ 7,437,840	$ -	$ 139,928	$ 7,796,963
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ -	$ 280	$ -	$ -	$ 280
Unearned revenue	-	1,736	-	-	1,736
Total liabilities	-	2,016	-	-	2,016
Fund Balances					
Restricted	219,195	7,435,824	-	139,928	7,794,947
Total fund balances	219,195	7,435,824	-	139,928	7,794,947
Total liabilities and fund balances	$ 219,195	$ 7,437,840	$ -	$ 139,928	$ 7,796,963

	Student Activity Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
Revenues					
Other State sources	$ -	$ -	$ 2,603,375	$ -	$ 2,603,375
Other local sources	15,748	659,927	1,231	255	677,161
Total revenues	15,748	659,927	2,604,606	255	3,280,536
Expenditures					
Current					
Ancillary services	16,551	-	-	-	16,551
Facility acquisition and construction	-	13,441	-	-	13,441
Total expenditures	16,551	13,441	-	-	29,992
Excess (Deficiency) of Revenues Over Expenditures	(803)	646,486	2,604,606	255	3,250,544
Net Change in Fund Balances	(803)	646,486	-	255	645,938
Fund Balance - Beginning, as restated	219,998	6,789,338	-	139,673	7,149,009
Fund Balance - Ending	$ 219,195	$ 7,435,824	$ -	$ 139,928	$ 7,794,947

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

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

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

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

Food Donation
Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the District had food commodities totaling $44,299 in inventory.

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

Description	CFDA Number	Amount
Total federal revenues reported on the financial statements		$ 22,997,490
Federal reimbursement of qualified school construction	Not applicable	(235,027)
Total schedule of expenditures of federal awards		$ 22,762,463

Local Education Agency Organization Structure

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

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

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

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Independent Auditor's Reports
June 30, 2021

Franklin-McKinley School District

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CPAs & BUSINESS ADVISORS

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
Franklin-McKinley School District
San Jose, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin-McKinley School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Franklin-McKinley School District's basic financial statements and have issued our report thereon dated October 29,2021

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

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered Franklin-McKinley 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 Franklin-McKinley School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin-McKinley School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin-McKinley 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.

Eide Bailly LLP

Menlo Park, California
October 29, 2021

CPAs & BUSINESS ADVISORS

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

To the Board of Directors
Franklin-McKinley School District
San Jose, California

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

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

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

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

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

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

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

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

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

Eide Bailly LLP

Menlo Park, California
October 29, 2021

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on State Compliance

To the Board of Directors
Franklin-McKinley School District
San Jose, California

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

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

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

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

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Compliance Requirements Tested

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

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

The District does not offer an Early Retirement Incentive, Apprenticeship: Related and Supplemental Instruction, District of Choice, and an Independent Study- Course Based Program. In addition, the District does not operate any Charter Schools, therefore, we did not perform procedures for Charter School Programs.

Unmodified Opinion

In our opinion, Franklin-McKinley School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

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

Eide Bailly LLP

Menlo Park, California
October 29, 2021

Financial Statements

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

Federal Awards

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

Identification of major programs:

Name of Federal Program or Cluster	Assisting Listing Number (ALN)
Elementary and Secondary School Emergency Relief Fund (ESSER)	
ESSER I	84.425D
ESSER II	84.425D
Governor's Emergency Education Relief Fund (GEER)	
Learning Loss Mitigation	84.425C
Coronavirus Relief Fund: Learning Loss Mitigation	21.019
Child and Adult Care Food Program	10.558

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

State compliance

Type of auditor's report issued on compliance for programs:	Unmodified

None reported.

None reported.

None reported.

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