Financial Statements
June 30, 2023

Oak Grove School District

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Oak Grove School District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Oak Grove School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Oak Grove School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Oak Grove School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the identify required supplementary information, by using the specific titles of each RSI schedule as identified in the table of contents. RSI includes information, such as management's discussion and analysis, pension schedules, OPEB schedules, and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oak Grove School District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2023 on our consideration of the Oak Grove School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Oak Grove School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oak Grove School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Menlo Park, California
December 1, 2023

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This section of Oak Grove School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023, with comparative information for the year ended June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

District Profile

The District is located in the southern part of San Jose, California. The District serves over 8,600 students at its twelve elementary (TK-6), three K-8, and three intermediate (7-8) schools.

Overview of the Financial Statements

The Financial Statements

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by generally accepted accounting principles.

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

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

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

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

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

Reporting the District as A Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

Financial Highlights

2022-2023 Operations

- Local Control Funding Formula (LCFF) entitlement of $107.2 million based on student average daily attendance (ADA) of 8,663, accounted for 65.4% of the District's General Fund revenues. LCFF entitlement was fully funded at a rate of $11,070 per average daily attendance.
- Supplemental Grant was per Unduplicated Count of 43.75% of total district enrollment, average rate for fiscal years 2020-21 through 2022-23. The District was required to provide supplemental services at a rate of $851 per ADA, leaving $10,219 per ADA available for general purpose instruction and operations.
- The District's net position at June 30, 2023 was a deficit of $21.76 million, compared to a deficit of $50.92 million July 1, 2022, an increase of $29.16 million.
- Total enrollment continued to decrease to 8,663 in 2023 from 8,824 in 2022, a reduction of 161 students. However, LCFF funding calculation for 2021-22 was based on new calculation method of averaging the past 3 years of attendance.
- The District recognized $9.53 million in one-time revenue under the AB86 funding, CRRSA Act, and ARP Act, including the Elementary and Secondary School Emergency Relief (ESSER) I, II, III, and Governor's Emergency Education Relief (GEER) funds.

- Other state revenues of $30.81 million in the General fund included $284 thousand in one-time Mandated Cost Reimbursement funds as State is in the process of paying off related liability and transferring the program from actual cost to a blanket rate-based disbursement process. Other state revenues also included other programs such as, Expanded Learning Opportunities Grant ($5.53 million), Learning Recovery Emergency Block ($7.16 million), and Arts, Music and Instructional Materials Discretionary Block ($5.22 million).
- In compliance with GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, the District also recognized $4.82 million as State revenues and expenditures (STRS On-Behalf), with net zero effect on fund balance.
- The total cost of health benefits paid for eligible retirees was $428 thousand.
- The District continued to be awarded $85 thousand from the Sobrato Family Foundation Grant, similar to prior year for the teacher mentoring and family engagement program. Additionally, the District received $111 thousand, in continued partnership with County of Santa Clara, to provide students and families with school based coordinated services to improve health and wellbeing of families through a community participatory approach.
- The District received $1.93 million in restricted RDA funds from Santa Clara County as redevelopment agency statutory "pass-through" payments, which has been reserved to satisfy its Routine, Restricted Maintenance (RRM) obligations.

Available Reserves

Available reserves are a measure of the district's unrestricted net current assets, exclusive of capital assets and long-term debt. The State requires a 3.0% reserve level for a district our size. The District reserves are at the required 3.0% for 2022-2023.

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

Construction Projects

The District expended approximately $17.7 million on facilities modernization and construction projects during the year. Funding for this activity comes from local general obligation bond (GO) proceeds. The GO Bond debt service amount is funded entirely from special property taxes authorized by the General Obligation Bond Issue. The District's outstanding debt on the GO Bonds is approximately $318.4 million.

Government-Wide Overall Financial Analysis

Net Position

The District's governmental activities and Business-Type Activities combined net position were deficit $21.76 million for the fiscal year ended June 30, 2023. Of this amount, deficit $111.07 million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use the net position for day-to-day operations. The analysis below focuses on the District's net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1 – Comparison of Net Position – Governmental Activities

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	$ 227,191,305	$ 148,500,510	$ 1,363,112	$ 718,855	$ 228,554,417	$ 149,219,365
Capital assets	232,389,821	219,772,603	-	-	232,389,821	219,772,603
Total assets	459,581,126	368,273,113	1,363,112	718,855	460,944,238	368,991,968
Deferred outflows of resources	39,588,438	34,646,505	1,055,238	634,099	40,643,676	35,280,604
Liabilities						
Current liabilities	16,458,844	12,014,457	9,389	8,361	16,468,233	12,022,818
Long-term liabilities	450,618,676	356,249,010	3,443,036	3,261,932	454,061,712	359,510,942
Total liabilities	467,077,520	368,263,467	3,452,425	3,270,293	470,529,945	371,533,760
Deferred inflows of resources	52,481,864	83,435,734	333,448	218,233	52,815,312	83,653,967
Net Position						
Net investment in capital assets	36,256,077	52,234,667	-	-	36,256,077	52,234,667
Restricted	54,426,626	18,013,132	-	-	54,426,626	18,013,132
Unrestricted	(111,072,523)	(119,027,382)	(1,367,523)	(2,135,572)	(112,440,046)	(121,162,954)
Total net position	$ (20,389,820)	$ (48,779,583)	$ (1,367,523)	$ (2,135,572)	$ (21,757,343)	$ (50,915,155)

Long term liabilities have increased by $94.37 million and the related deferred inflows of resources decreased by $30.95 million. CalPERS and CalSTRS pension liabilities have significantly increased in the current year (57 percent) due to the economic downturn and the investments losses incurred in the plans' fiduciary net position.

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

Table 2 – Comparison of Governmental Activities

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services and sales	$ 6,246	$ 7,201	$ 3,408,569	$ 2,340,023	$ 3,414,815	$ 2,347,224
Operating grants and contributions	36,671,848	33,307,365	-	-	36,671,848	33,307,365
General revenues						
Federal and State aid not restricted	67,504,066	66,730,525	-	-	67,504,066	66,730,525
Property taxes	62,168,354	51,965,736	-	-	62,168,354	51,965,736
Other general revenues	24,297,792	14,150,316	(16,107)	(4,026)	24,281,685	14,146,290
Total revenues	190,648,306	166,161,143	3,392,462	2,335,997	194,040,768	168,497,140
Expenses						
Instruction-related	99,677,789	84,135,218	-	-	99,677,789	84,135,218
Pupil services	17,069,307	14,044,814	-	-	17,069,307	14,044,814
Administration	11,190,042	9,956,068	-	-	11,190,042	9,956,068
Plant services	12,577,666	16,184,612	-	-	12,577,666	16,184,612
All other services	21,743,739	16,823,380	2,624,413	3,327,253	24,368,152	20,150,633
Total expenses	162,258,543	141,144,092	2,624,413	3,327,253	164,882,956	144,471,345
Change in net position	$ 28,389,763	$ 25,017,051	$ 768,049	$ (991,256)	$ 29,157,812	$ 24,025,795

The major differences between 2021-2022 and 2022-2023 are in the Instructions related expenses. These expenses increased by $15.52 million due to mainly collective bargaining settlements and added instructional related instructional positions.

Governmental Activities

As reported in the Statement of Activities on page 18, the cost of all of our governmental activities this year was $162.26 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $62.17 million because the cost was primarily paid for by organizations who subsidized certain programs with grants and contributions ($67.5 million) and federal and state funding. We paid for the remaining "public benefit" portion of our governmental activities with other revenues, like interest and general entitlements.

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

Table 3 – Comparison of Total Cost of Services – Statement of Activities

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
Instruction-related	$ 99,677,789	$ 84,135,218	$ (76,845,494)	$ (65,455,531)
Pupil services	17,069,307	14,044,814	(7,435,016)	(5,660,059)
Administration	11,190,042	9,956,068	(9,342,225)	(6,411,251)
Plant services	12,577,666	16,184,612	(11,799,280)	(14,222,117)
All other services	21,743,739	16,823,380	(20,158,434)	(16,080,568)
Total	$ 162,258,543	$ 141,144,092	$ (125,580,449)	$ (107,829,526)

The District experienced a general increase in expenditures compared to the prior year due to the post pandemic increase in materials, supplies, services, as well as due to the increase in the approved employee salaries and benefits costs. Additionally, during the 2022-23 school year, the Oak Grove School District received a significant one-time funds as part of its Federal and Other State revenues, which was intended to address learning loss and invest in infrastructure and programs to open schools and operate safely as a result of COVID-19 pandemic.

In Table 4, we categorize the expenditures by object codes. Because the District is a service-oriented entity, most of the expenditures (73.86%) are for employee salaries and benefits.

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

	Expenditures by Object Code		Change	Percentage of
	2022-23	2021-22	Amount	Change
Certificated salaries	$ 52,883,373	$ 50,991,486	$ 1,891,887	4%
Classified salaries	17,853,482	16,623,459	1,230,023	7%
Employee benefits	35,118,716	33,770,693	1,348,023	4%
Books and supplies	5,512,563	3,346,263	2,166,300	65%
Services and operating expenses	24,144,805	17,427,670	6,717,135	39%
Other	7,808,062	6,754,044	1,054,018	16%
Total	$ 143,321,001	$ 128,913,615	$ 14,407,386	11%

Financial Analysis of Governmental Funds

At the end of the District's fiscal year, the general fund balance was $45.38 million. Of the $45.38 million, $1.44 million was non-spendable and $32.71 million was restricted. The fund balance increased by $20.58 million from the prior year amount of $24.80 million.

The increase was due mainly to receiving one-time revenue under the CARES Act, CRRSA Act, and ARP Act, including the Elementary and Secondary School Emergency Relief (ESSER) I, II, III, and Governor's Emergency Education Relief (GEER) funds. Additionally, positive variance as a result of unexpended program funds and from budgeted services not performed by year end and overhead cost savings due to distance learning attributed to the favorable ending fund balance.

The District's Funds

As the District completed the year, our governmental funds reported a combined fund balance of $188.8 million (see Table 5). The District is required to maintain available reserves of 3% of total general fund expenditures for economic uncertainties. This 3% reserve amounts to $4,299,630.

Table 5 – Governmental Fund Balances

	Balances and Activity			
Governmental Fund	June 30, 2022	Revenues and Other Sources	Expenditures and Other Uses	June 30, 2023
Major Funds				
General	$ 24,795,810	$ 163,900,690	$ 143,321,001	$ 45,375,499
Building	52,091,999	67,073,076	33,106,303	86,058,772
Special Reserve Fund for Capital Outlay Projects	16,692,233	17,252,234	714,951	33,229,516
Non-Major funds				
Cafeteria	2,387,570	6,741,849	4,470,540	4,658,879
Bond Interest and Redemption	14,575,160	20,598,873	16,101,165	19,072,868
Student Activity Fund	103,264	145,113	134,626	113,751
Capital Facilities	221,771	40,744	9,477	253,038
Total	$ 110,867,807	$ 275,752,579	$ 197,858,063	$ 188,762,323

General Fund Budgetary Highlights

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

Revenue

- LCFF Entitlement per average daily attendance is $11,070. Supplemental services must be provided at a rate of $851 per ADA, and net unrestricted LCFF funding is $10,219 per ADA.
- Total enrollment continued to decrease from 8,824 in 2022 to 8,663 in 2023, a reduction of 161 students. Starting fiscal year 2022-23, declining enrollment LCFF districts have been allowed to use the higher of current year, prior year, or the average of the three prior years' ADA in calculating LCFF revenues. As such, LCFF funding calculation for 2022-23 was based the average of last 3-year attendance.

- The District recognized $9.53 million in one-time revenue under the AB86 funding, CRRSA Act, and ARP Act, including the Elementary and Secondary School Emergency Relief (ESSER) I, II, III, and Governor's Emergency Education Relief (GEER) funds.

Expenditures

- 2022-23 collective bargaining with all units were settled with a 3-year agreement, with a 4.0% on schedule salary increase for 2022-23.
- CalSTRS rate increased from 16.92% to 19.10%, and CalPERS rate increased from 22.91% to 25.37%.

Capital Assets, Right-to-Use Leased Assets, Right-to-Use Subscription It Assets, and Long-Term Liabilities

Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets

As of June 30, 2023, the District had $232.39 million in a broad range of capital assets, right-to-use leased assets, and right-to-use subscription IT assets (net of depreciation and amortization) including land, buildings, furniture, and equipment, right-to-use leased assets, and right-to-use subscription IT assets. The $12.63 million increase in capital assets is due to combination of $17.92 million additions of building improvements funded from proceed of general obligation bonds and $5.29 million of depreciation. Additional information regarding the District's capital assets can be found in Note 5 to the basic financial statements.

Table 6 – Capital Assets (net of depreciation)

	Government Activities	
	2023	2022
Land and construction in progress	$ 16,496,028	$ 8,721,445
Buildings and improvements	214,327,463	209,921,086
Equipment	1,566,330	1,118,798
Total	$ 232,389,821	$ 219,761,329

This year's furniture and equipment additions of $235,729 included a couple of vehicles and operational equipment such as an oven, bindery machine, and IT firewall. No debt was issued for these additions.

Capital Projects

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

For the 2022-2023 fiscal year, the District expended $17.7 million in bond projects, including administrative expenses and legal fees, to complete necessary upgrades across the District. The focus of much of the projects consisted around safety and security, site improvements, fire life safety, HVAC (heating, ventilation, and air conditioning) system upgrades, and roofing. Major projects include the continuation of the roofing, HVAC, and fire system upgrades at Bernal, Frost-Indigo, and Stipe. A portable relocation and refurbishment was completed at Frost Elementary along with fencing upgrades to Oakridge, Ledesma, and the District corporation yard. The District started the Under Solar Beautification projects at Christopher, Edenvale, Del Roble, Oakridge, Sakamoto, Taylor Elementary schools to provide a safer and more interactive play environment for students. Other projects included are paving and site work improvements, painting, security and fencing improvements, and restroom refurbishment projects at various sites.

Measure S Bonds Series D with net issuance of $3.35 million were issued to fund technology projects. During the 2022-2023 school year, the District expended approximately $192 thousand, which $75 thousand represents the final outstanding invoices to complete the upgrade cabling infrastructure at all school sites. The remaining amount reflects District undergoing the procurement and installation of security cameras to all sites to further enhance our security. The security camera project will extend into fiscal year 2023-24.

Long-Term Liabilities

The District has long-term liabilities other than pensions and OPEB totaling $327.68 million as of June 30, 2023. The major portion of the debt is for the General Obligation (GO) Bonds. The GO bonds are funded primarily from property tax overrides through General Obligation bond issues. Table 6 provides the breakdown of the long-term liabilities.

Table 7 – Long Term Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Long-Term Liabilities						
General obligation bonds	$ 318,426,558	$ 257,010,341	$ -	$ -	$ 318,426,558	$ 257,010,341
Unamortized premiums/(discounts)	7,980,725	3,728,033	-	-	7,980,725	3,728,033
Compensated absences	1,123,697	1,322,077	-	-	1,123,697	1,322,077
Claims liability	147,358	123,648	-	-	147,358	123,648
Total OPEB liability	24,378,356	31,980,634	487,368	639,352	24,865,724	32,619,986
Aggregate net pension liability	98,561,982	62,072,754	2,955,668	2,622,580	101,517,650	64,695,334
Total	$ 450,618,676	$ 356,237,487	$ 3,443,036	$ 3,261,932	$ 454,061,712	$ 359,499,419

At year-end, the District has a net pension liability of $101.52 million versus $64.70 last year, an increase of $36.82 million (or 56.92%).

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

Economic Factors and Next Year's Budgets and Rates

In considering the District Budget for the 2023-2024 year, the governing board and management used the following criteria:

The Oak Grove School District's (OGSD) 2023-2024 Budget was first prepared based on the Governor's May Revision, and in accordance with guidelines and recommendations by Santa Clara County Office of Education, School Services of California, and the state Fiscal Crisis Management Assistance Team (FCMAT). Any changes to revenues that were subsequently revised to reflect approval of the State Budget will be reflected on the 2023-24 First Interim Budget.

1. Local Control Funding Formula with COLA of 8.22%.
2. Supplemental Grant is per Unduplicated Count of 43.83% of total district enrollment, three-year average from 2021-22 through projected 2023-24.
3. Elimination of expired one-time revenue and recognition of unspent one-time revenue under the AB86 funding, CRRSA Act, and ARP Act, including the Elementary and Secondary School Emergency Relief (ESSER) I, II, III, and Governor's Emergency Education Relief (GEER) funds.
4. Total combined general fund expenditures and other uses do not fund balances as of adopted budget; no transfers in from the Special Reserve Fund is necessary.

Expenditures are based on the following assumptions:

1. Classroom staffing allocations for 2023-2024 are in accordance to the following class sizes across the district:

TK	12:1
Grade K-3	24:1 (lowered from 27:1 in 2015-16)
Grade 4-8	32:1
Special Day Class (SDC)	11:1 (average across the district)

2. New STRS and PERS rates;
3. Declining enrollment based on demographer's report;
4. Estimated step increases as per District's position control system;
5. Savings from scheduled employee retirements;
6. Provisions have not been made for collective bargaining settlements or natural attritions; and
7. Operating expenditures and contracted services are based on projected Consumer Price Index (CPI), and additions or deletions of one-time only expenditures.

Although the District acted proactively to generate new revenues and reduce expenditures, the combination of year-over-year enrollment loss, increased special education services, and rising employee pension costs continues to be a challenge to have a balanced multi-year budget. Additional revenue generation and cost saving measures are necessary to bring the budget into balance in the subsequent years.

Contacting the District's Financial Management

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Deposits and investments	$ 189,272,367	$ 1,653,762	$ 190,926,129
Receivables	13,084,872	8,803	13,093,675
Internal balances	299,453	(299,453)	-
Prepaid expenses	15,728	-	15,728
Stores inventories	91,203	-	91,203
Lease receivables	24,427,682		24,427,682
Capital assets not depreciated	16,496,029	-	16,496,029
Capital assets, net of accumulated depreciation	215,893,792	-	215,893,792
Total assets	459,581,126	1,363,112	460,944,238
Deferred Outflows of Resources			
Deferred charge on refunding	8,531,389	-	8,531,389
Deferred outflows of resources related to OPEB	6,091,026	114,058	6,205,084
Deferred outflows of resources related to pensions	24,966,023	941,180	25,907,203
Total deferred outflows of resources	39,588,438	1,055,238	40,643,676
Liabilities			
Accounts payable	6,507,556	9,389	6,516,945
Interest payable	4,740,170	-	4,740,170
Due to other governments	3,982,568	-	3,982,568
Unearned revenue	1,228,550	-	1,228,550
Long-term liabilities			
Long-term liabilities other than OPEB and pensions			
Due within one year	10,597,088	-	10,597,088
Long-term liabilities other than OPEB and			
Due in more than one year	317,081,250	-	317,081,250
Total other postemployment benefits liability due in m	24,378,356	487,368	24,865,724
Aggregate net pension liabilities due in more than one	98,561,982	2,955,668	101,517,650
Total liabilities	467,077,520	3,452,425	470,529,945
Deferred Inflows of Resources			
Deferred inflows of resources related to OPEB	13,750,392	148,236	13,898,628
Deferred inflows of resources related to pensions	15,619,359	185,212	15,804,571
Deferred inflows of resources related to leases	23,112,113	-	23,112,113
Total deferred inflows of resources	52,481,864	333,448	52,815,312
Net Position (Deficit)			
Net investment in capital assets	36,256,077	-	36,256,077
Restricted for			
Capital projects	16,946,325	-	16,946,325
Educational programs	32,821,422	-	32,821,422
Food programs	4,658,879	-	4,658,879
Unrestricted	(111,072,523)	(1,367,523)	(112,440,046)
Total net position (Deficit)	$ (20,389,820)	$ (1,367,523)	$ (21,757,343)

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction	$ 85,602,496	$ 1,788	$ 17,338,597	$ (68,262,111)	$ -	$ (68,262,111)
Instruction-related activities						
Supervision of instruction	6,514,178	330	5,109,411	(1,404,437)	-	(1,404,437)
Instructional library, media, and technology	353,928	-	54,401	(299,527)	-	(299,527)
School site administration	7,207,187	42	327,726	(6,879,419)	-	(6,879,419)
Pupil services						
Home-to-school transportation	3,060,765	-	38,656	(3,022,109)	-	(3,022,109)
Food services	4,356,154	1	6,410,608	2,054,455	-	2,054,455
All other pupil services	9,652,388	741	3,184,285	(6,467,362)	-	(6,467,362)
Administration						
Data processing	3,972,570	410	319,969	(3,652,191)	-	(3,652,191)
All other administration	7,217,472	191	1,527,247	(5,690,034)	-	(5,690,034)
Plant services	12,577,666	2,695	775,691	(11,799,280)	-	(11,799,280)
Ancillary services	264,291	20	151,338	(112,933)	-	(112,933)
Community services	7,634	28	950	(6,656)	-	(6,656)
Enterprise services	1,948,367	-	844,848	(1,103,519)	-	(1,103,519)
Interest on long-term liabilities	12,031,903	-	-	(12,031,903)	-	(12,031,903)
Other outgo	7,491,544	-	588,121	(6,903,423)	-	(6,903,423)
Total governmental activities	162,258,543	6,246	36,671,848	(125,580,449)	-	(125,580,449)
Business-Type Activities						
Enterprise services	2,624,413	3,408,569	-	-	784,156	784,156
Total business-type activities	2,624,413	3,408,569	-	-	784,156	784,156
Total primary government	$164,882,956	$ 3,414,815	$ 36,671,848	(125,580,449)	784,156	(124,796,293)
General Revenues and Subventions						
Property taxes, levied for general purposes				42,823,189	-	42,823,189
Property taxes, levied for debt service				15,628,831	-	15,628,831
Taxes levied for other specific purposes				3,716,334	-	3,716,334
restricted State and other aid				67,504,066	-	67,504,066
Interest and investment earnings				2,209,498	(16,107)	2,193,391
Interagency revenues				4,848,749	-	4,848,749
Special and extraordinary				450,000	-	450,000
Miscellaneous				16,789,545	-	16,789,545
Subtotal, general revenues and subventions				153,970,212	(16,107)	153,954,105
Total general revenues and subventions				153,970,212	(16,107)	153,954,105
Change in Net Position				28,389,763	768,049	29,157,812
Net Position (Deficit) - Beginning				(48,779,583)	(2,135,572)	(50,915,155)
Net Position (Deficit) - Ending				$ (20,389,820)	$ (1,367,523)	$ (21,757,343)

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	$ 43,104,395	$ 102,460,573	$ 17,051,718	$ 23,112,915	$ 185,729,601
Receivables	10,244,828	991,899	188,034	1,600,246	13,025,007
Due from other funds	529,477	-	15,989,764	-	16,519,241
Prepaid expenditures	15,728	-	-	-	15,728
Stores inventories	91,203	-	-	-	91,203
Lease receivables	24,427,682	-	-	-	24,427,682
Total assets	$ 78,413,313	$ 103,452,472	$ 33,229,516	$ 24,713,161	$ 239,808,462
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payables	$ 4,822,639	$ 1,403,936	$ -	$ 280,981	$ 6,507,556
Due to other funds	-	15,989,764	-	230,024	16,219,788
Due to other governments	3,982,568	-	-	-	3,982,568
Unearned revenue	1,120,494	-	-	103,620	1,224,114
Total liabilities	9,925,701	17,393,700	-	614,625	27,934,026
Deferred Inflows of Resources,					
Deferred inflows of resources related to leases	23,112,113	-	-	-	23,112,113
Fund Balances					
Nonspendable	1,442,500	-	-	-	1,442,500
Restricted	32,707,671	86,058,772	16,693,287	24,098,536	159,558,266
Assigned	461,188	-	16,536,229	-	16,997,417
Unassigned	10,764,140	-	-	-	10,764,140
Total fund balances	45,375,499	86,058,772	33,229,516	24,098,536	188,762,323
Total liabilities, deferred inflows of resources, and fund balances	$ 78,413,313	$ 103,452,472	$ 33,229,516	$ 24,713,161	$ 239,808,462

Total Fund Balance - Governmental Funds		$ 188,762,323
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	322,411,264	
Accumulated depreciation is	(90,021,443)	
Net capital assets		232,389,821
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.		(4,740,170)
An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position.		3,450,837
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings (deferred changes on refunding)	8,531,389	
Other postemployment benefits (OPEB)	6,091,026	
Net pension liability	24,966,023	
Total deferred outflows of resources		39,588,438
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits (OPEB)	(13,750,392)	
Net pension liability	(15,619,359)	
Total deferred inflows of resources		(29,369,751)

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(98,561,982)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(24,378,356)
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	(362,090,661)	
Compensated absences (vacations)	(1,123,697)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	35,683,378	
Total long-term liabilities		(327,530,980)
Total net position - governmental activities		$ (20,389,820)

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local control funding formula	$ 107,226,937	$ -	$ -	$ -	$ 107,226,937
Federal sources	13,576,065	-	-	3,319,189	16,895,254
Other State sources	30,807,570	-	-	3,562,310	34,369,880
Other local sources	12,290,118	(73,237)	2,111,842	15,796,331	30,125,054
Total revenues	163,900,690	(73,237)	2,111,842	22,677,830	188,617,125
Expenditures					
Current					
Instruction	87,077,685	-	-	-	87,077,685
Instruction-related activities					
Supervision of instruction	6,504,080	-	-	-	6,504,080
Instructional library, media, and technology	349,483	-	-	-	349,483
School site administration	7,299,782	-	-	-	7,299,782
Pupil services					
Home-to-school transportation	3,430,175	-	-	-	3,430,175
Food services	21,846	-	-	4,254,790	4,276,636
All other pupil services	9,369,025	-	-	-	9,369,025
Administration					
Data processing	2,629,421	-	-	-	2,629,421
All other administration	6,913,413	-	-	225,227	7,138,640
Plant services	11,412,688	311,868	701,751	-	12,426,307
Ancillary services	125,742	-	-	134,626	260,368
Community services	7,358	-	-	-	7,358
County operated programs	7,491,544				7,491,544
Enterprise services	383,425	-	-	-	383,425
Capital outlay	247,820	17,654,043	13,200	-	17,915,063
Debt service					
Principal	-	-	-	11,780,000	11,780,000
Interest and other	57,514	-	-	4,321,165	4,378,679
Total expenditures	143,321,001	17,965,911	714,951	20,715,808	182,717,671
Excess (Deficiency) of Revenues Over Expenditures	20,579,689	(18,039,148)	1,396,891	1,962,022	5,899,454
Other Financing Sources (Uses)					
Transfers in	-	-	15,140,392	-	15,140,392
Proceeds from sale of bonds	-	67,146,313	-	4,848,749	71,995,062
Transfers out	-	(15,140,392)	-	-	(15,140,392)
Total other Financing Sources (Uses)	-	52,005,921	15,140,392	4,848,749	71,995,062
Net Change in Fund Balances	20,579,689	33,966,773	16,537,283	6,810,771	77,894,516
Fund Balance - Beginning	24,795,810	52,091,999	16,692,233	17,287,765	110,867,807
Fund Balance - Ending	$ 45,375,499	$ 86,058,772	$ 33,229,516	$ 24,098,536	$ 188,762,323

Total Net Change in Fund Balances - Governmental Funds		$ 77,894,516
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expenses in the Statement of Activities.		
This is the amount by which depreciation and amortization expenses exceeds capital outlays in the period.		
Depreciation and amortization expenses	$ (5,286,570)	
Capital outlays	17,915,063	
Net expense adjustment		12,628,493
The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was		(72,498,748)
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.		198,380
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.		6,828,638
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		(1,671,431)

Governmental funds report the effect of premiums, discounts, and the deferred charge on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Premium on issuance recognized	$ 609,424	
Discount on issuance recognized	(13,366)	
Deferred charge on refunding amortization	(738,167)	
Total amortization		$ (142,109)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
General obligation bonds	11,780,000	
Leases	248	
Total debt payments		11,780,248
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.		(7,007,676)
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.		379,452
Change in net position of governmental activities		$ 28,389,763

	Business-Type Activities - Enterprise Funds	Governmental Activities -
	Child Care Enterprise	Self-Insurance Internal Service Fund
Assets		
Current assets		
Deposits and investments	$ 1,653,762	$ 3,542,766
Receivables	8,803	59,865
Total current assets	1,662,565	3,602,631
Deferred Outflows of Resources		
Deferred outflows of resources related to OPEB	114,058	-
Deferred outflows of resources related to pensions	941,180	-
Total deferred outflows of resources	1,055,238	-
Liabilities		
Current liabilities		
Accounts payable	9,389	-
Due to other funds	299,453	-
Unearned revenue	-	4,436
Current portion of claims liabilities	-	147,358
Total current liabilities	308,842	151,794
Noncurrent liabilities		
Other postemployment benefits liability	487,368	
Aggregate net pension liabilities	2,955,668	-
Total noncurrent liabilities	3,443,036	-
Total liabilities	3,751,878	151,794
Deferred Inflows of Resources		
Deferred inflows of resources related to OPEB	148,236	-
Deferred inflows of resources related to pensions	185,212	-
Total deferred inflows of resources	333,448	-
Net Position (Deficit)		
Unrestricted	(1,367,523)	3,450,837
Total net position (Deficit)	$ (1,367,523)	$ 3,450,837

	Business-Type Activities - Enterprise Funds	Governmental Activities -
	Child Care Enterprise	Self-Insurance Internal Service Fund
Operating Revenues		
Charges for services	$ 3,408,569	$ 1,985,793
Total operating revenues	3,408,569	1,985,793
Operating Expenses		
Payroll costs	2,108,028	-
Supplies and materials	84,761	-
Facility rental	59,525	-
Other operating cost	372,099	1,651,728
Total operating expenses	2,624,413	1,651,728
Operating Income (Loss)	784,156	334,065
Nonoperating Revenues (Expenses)		
Unrealized gain (loss) on investment to County	(29,511)	(24,510)
Interest income	13,404	69,897
Total nonoperating revenues (expenses)	(16,107)	45,387
Change in Net Position	768,049	379,452
Total Net Position (Deficit) - Beginning	(2,135,572)	3,071,385
Total Net Position (Deficit) - Ending	$ (1,367,523)	$ 3,450,837

	Business-Type Activities - Enterprise Funds	Governmental Activities -
	Child Care Enterprise	Self-Insurance Internal Service Fund
Operating Activities		
Cash receipts from customers	$ 3,411,483	$ 1,963,299
Cash payments to other suppliers of goods or services	(208,262)	-
Cash payments to employees for services	(2,241,079)	-
Cash payments for insurance claims	-	(1,628,018)
Net Cash From Operating Activities	962,142	335,281
Investing Activities		
Investments loss	(16,708)	45,387
Net Cash From Investing Activities	(16,708)	45,387
Net Change in Cash and Cash Equivalents	945,434	380,668
Cash and Cash Equivalents, Beginning	708,328	3,162,098
Cash and Cash Equivalents, Ending	$ 1,653,762	$ 3,542,766
Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities		
Operating income (loss)	$ 784,156	$ 334,065
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities		
Pension expense	(39,287)	-
OPEB expense	(85,533)	-
Changes in assets and liabilities		
Receivables	2,914	(22,048)
Accrued liabilities	(1,804)	23,710
Due to other fund	298,864	-
Unearned revenue	-	(446)
Accounts Payable	2,832	-
Net Cash From Operating Activities	$ 962,142	$ 335,281

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Oak Grove School District (the District) was established in 1862 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K-8 as mandated by the State and Federal agencies. The District operates twelve elementary (TK-6), three K-8, and three intermediate (7-8) schools.

A reporting entity is comprised of the primary government, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Oak Grove School District, this includes general operations, all special purpose funds, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program *(Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program *(Education Code* Sections 38091 and 38100). Major sources of revenues are meal reimbursements from state and federal sources. The District elected to present the fund as a major fund.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds *(Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

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

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

Non-Major Governmental Funds

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

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

Capital Project Funds The Capital Project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term liabilities. The District has only one Debt Service Fund, Bond Interest and Redemption Fund, that is presented as Major governmental funds.

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

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

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

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for the business type activities and each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation and amortization of leased assets and subscription IT assets. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets, Depreciation, and Amortization

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $15,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 50 years; furniture and equipment, 5 to 30 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2023.

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB) - MPP

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

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

Leases

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

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

Fund Balances - Governmental Funds

As of June 30, 2023, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are in-district premium or user fees for childcare. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

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

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

Estimates

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

Property Tax

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

Change in Accounting Principles

Implementation of GASB Statement No. 91

As of July 1, 2022, the District adopted GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. The implementation of this standard eliminates the option for issuers of conduit debt to recognize a liability for this debt on their financial statements. In addition, it requires issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations. As a result, there is no material effect of the implementation of this standard on the beginning net position.

Implementation of GASB Statement No. 94

As of July 1, 2022, the District adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*. The implementation of this standard establishes standards of accounting and financial reporting for PPPs and APAs. The standard requires recognition of a right-to-use asset-intangible asset and a corresponding, liability {to be modified depending on the structure of the arrangement}. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

Implementation of GASB Statement No. 96

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Governmental funds	$ 185,729,601
Proprietary funds	5,196,528
Total deposits and investments	$ 190,926,129

Deposits and investments as of June 30, 2023, consist of the following:

Cash on hand and in banks	$ 526,568
Cash with fiscal agent	242,762
Cash in revolving	20,000
Investments	190,136,799
Total deposits and investments	$ 190,926,129

Policies and Practices

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

Investments in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001).

The District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the amortized cost that approximate fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The pool is not registered with the Securities and Exchange Commission.

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool. The fair value of the deposits with County Treasurer at June 30, 2023 approximates $190.14 million, and the weighted average maturity of the pool was 648 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County Pool is not rated as of June 30, 2023.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. As of June 30, 2023, the District's cash in banks totaled $526,568, of which $250,000 was insured and $276,538 was uninsured and uncollateralized.

Note 3 - Fair Value Measurements

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

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

As of June 30, 2023, the District’s investments in the Santa Clara County Treasury Investment Pool and State Investment Pools are uncategorized.

Note 4 - Receivables Other than Lease Receivables

Receivables, other than lease receivables, at June 30, 2023, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Funds	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Federal Government						
Categorical aid	$ 6,132,543	$ -	$ -	$ 1,318,136	$ 7,450,679	$ -
State Government						
Categorical aid	2,783,953	-	-	-	2,783,953	-
Lottery	529,955	-	-	-	529,955	-
Local Government						-
Interest	415,785	837,827	139,587	133,949	1,527,148	31,114
Other local sources	382,592	154,072	48,447	148,161	733,272	37,554
Total	$ 10,244,828	$ 991,899	$ 188,034	$ 1,600,246	$ 13,025,007	$ 68,668

Note 5 - Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets

Capital assets, right-to-use leased assets, and right-to-use subscription IT assets activity for the fiscal year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	$ 3,468,200	$ -	$ -	$ 3,468,200
Construction in progress	5,253,245	17,679,334	(9,904,750)	13,027,829
Total capital assets not being depreciated	8,721,445	17,679,334	(9,904,750)	16,496,029
Capital assets being depreciated				
Buildings and improvements	282,229,874	9,904,750	-	292,134,624
Furniture and equipment	13,544,881	235,729	(18,290)	13,762,320
Total capital assets being depreciated	295,774,755	10,140,479	(18,290)	305,896,944
Total capital assets	304,496,200	27,819,813	(9,923,040)	322,392,973
Accumulated depreciation				
Buildings and improvements	(72,308,788)	(5,498,373)	-	(77,807,161)
Furniture and equipment	(12,426,083)	211,803	18,290	(12,195,990)
Total accumulated depreciation	(84,734,871)	(5,286,570)	18,290	(90,003,152)
Net depreciable capital assets	$ 219,761,329	$ 22,533,243	$ (9,904,750)	$ 232,389,821

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

Governmental Activities	
Instruction	$ 3,277,459
Supervision of instruction	244,803
Instructional library, media and technology	13,154
School site administration	274,752
Pupil transportation	129,106
Food services	160,965
Other pupil services	352,634
Ancillary services	9,800
Community services	276
Other general administration	268,687
Data processing services	98,967
Plant maintenance and operations	455,967
Total depreciation and amortization expenses governmental activities	$ 5,286,570

Note 6 - Lease Receivables

Lease receivables are recorded by the District as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the District charges the lessee. The District has accrued a receivable for leasing a portion of its facilities to various lessees. These leases are non-cancelable for periods more than one year. During the fiscal year, the District recognized $2,589,811 in lease revenue and $761,721 in interest revenue related to these agreements. As of June 30, 2023, the District recorded $24,427,682 in leases receivable and $23,112,113 in deferred inflows of resources for these arrangements. The interest rates on these leases are ranging from 2.5% to 3.8%.

The remaining principal payments on the receivable associated with these leases as of June 30, 2023, are as follows:

Year Ending June 30,	Lease Revenue Total
2024	$ 2,073,231
2025	2,200,809
2026	2,352,971
2027	2,493,223
2028	2,639,037
2029-2033	10,698,375
2034-2038	1,970,036
Total	$ 24,427,682

Note 7 - Interfund Transaction

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2023, between major and non-major governmental funds, enterprise fund, and Internal service fund are as follows:

	Due From		
Due To	General Fund	Special Reserve Capital Outlay	Total
Non-Major Governmental Funds	$ 230,024	$ -	$ 230,024
Building Fund	-	15,989,764	15,989,764
Proprietary Funds	299,453	-	299,453
Total	$ 529,477	$ 15,989,764	$ 16,519,241

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

Operating Transfers

Interfund transfers for the year ended June 30, 2023, consisted of the Building fund transferred to Special Reserve – Capital Outlay fund for operation in the amount of $15,140,392.

Note 8 - Deferred Charge on Refunding

Deferred outflows of resources are a consumption of net position by the District that is applicable to a future reporting period. For governmental activities, the net investment in capital assets amount of $36,256,077 includes the effect of deferring the recognition of loss from advance refunding. The $8,531,389 balance of the deferred outflows of resources at June 30, 2023, will be recognized as an expense and as a decrease in net position over the remaining life of related bonds. During the current year, the District recognized an expense of $738,167.

Note 9 - Accounts Payable

Accounts payable at June 30, 2023, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Funds
Vendor payables	$ 4,452,928	$ 1,401,065	$ 278,196	$ 6,132,189	$ 5,519
Salaries and benefits	369,711	2,871	2,785	375,367	3,870
Total	$ 4,822,639	$ 1,403,936	$ 280,981	$ 6,507,556	$ 9,389

Note 10 - Unearned Revenue

Unearned revenue at June 30, 2023, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total	Internal Service Fund
Federal financial assistance	$ 203,015	$ 103,620	$ 306,635	$ -
State categorical aid	643,034	-	643,034	-
Other local	274,445	-	274,445	4,436
Total	$ 1,120,494	$ 103,620	$ 1,224,114	$ 4,436

Note 11 - Long-Term Liabilities Other than OPEB and Pensions

Summary

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

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 257,010,341	$ 73,196,217	$ (11,780,000)	$ 318,426,558	$ 9,450,991
Unamortized debt premiums	4,022,084	4,848,750	(609,424)	8,261,410	843,505
Unamortized debt discounts	(294,051)	-	13,366	(280,685)	(13,366)
Compensated absences	1,322,077	483,645	(682,025)	1,123,697	168,600
Claims liability	123,648	1,675,437	(1,651,727)	147,358	147,358
Total	$ 262,184,099	$ 80,204,049	$ (14,709,810)	$ 327,678,338	$ 10,597,088

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

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2022	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2023
Current Interest Bonds:							
2011	08/01/24	5.361%	$ 1,750,000	$ 1,750,000	$ -	$ -	$ 1,750,000
2012	08/01/25	1.25-4.00%	17,305,000	-	-	-	-
2014	08/01/24	2.00-5.00%	8,400,000	1,470,000	-	(1,470,000)	-
2015	08/01/44	4.00-5.00%	57,575,000	1,675,000	-	(445,000)	1,230,000
2016	08/01/24	2.00-5.00%	15,415,000	7,755,000	-	(2,025,000)	5,730,000
2016	08/01/23	2.00-4.00%	6,650,000	425,000	-	(425,000)	-
2016	08/01/45	2.00-4.00%	26,200,000	25,330,000	-	(115,000)	25,215,000
2016	08/01/33	2.00-5.00%	12,000,000	9,800,000	-	(780,000)	9,020,000
2017	08/01/41	1.50-4.00%	19,150,000	17,135,000	-	(360,000)	16,775,000
2019	08/01/24	4.00%	3,365,000	1,995,000	-	(780,000)	1,215,000
2019	08/01/33	1.78%	4,620,000	4,060,000	-	(235,000)	3,825,000
2020	08/01/24	2.00%	1,080,000	850,000	-	(270,000)	580,000
2020	08/01/37	0.63%-1.71%	31,590,000	30,530,000	-	(1,350,000)	29,180,000
2021	08/01/26	2.00%	425,000	425,000	-	(90,000)	335,000
2021	08/01/44	0.179%-2.815%	37,640,000	37,065,000	-	(360,000)	36,705,000
2023	08/01/28	5%	4,450,000	-	4,450,000	-	4,450,000
2023	08/01/52	4.00% - 5.00%	63,200,000	-	63,200,000	-	63,200,000
	Subtotal for current interest bonds			140,265,000	67,650,000	(8,705,000)	$ 199,210,000
Capital Appreciation Bonds							
2009	08/01/33	4.45-6.83%	$ 19,999,923	35,465,706	2,093,347	(1,875,000)	35,684,053
2011	08/01/35	2.72%-6.97%	18,249,429	11,260,382	905,793	(1,200,000)	10,966,175
2019	08/01/42	3.85-5.00%	29,004,234	33,805,515	1,498,331	-	35,303,846
2020	06/01/45	1.53%-3.18%	23,916,211	25,380,219	776,433	-	26,156,652
2021	06/01/46	1.18%-2.50%	10,558,236	10,833,519	272,313	-	11,105,832
	Subtotal for capital appreciation bonds			116,745,341	5,546,217	(3,075,000)	119,216,558
	Total general obligation bonds			$ 257,010,341	$ 73,196,217	$ (11,780,000)	$ 318,426,558

Debt Service Requirements to Maturity

The current interest bonds mature through 2053 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2024	$ 9,450,991	$ 9,167,168	$ 18,618,159
2025	10,202,594	8,952,536	19,155,130
2026	5,338,736	10,125,373	15,464,109
2027	5,365,996	10,358,919	15,724,915
2028	5,697,531	10,647,663	16,345,194
2029-2033	35,731,100	48,936,458	84,667,558
2034-2038	35,370,317	43,714,907	79,085,224
2039-2043	63,881,452	49,638,306	113,519,758
2043-2048	60,359,463	44,004,143	104,363,606
2049-2053	51,345,000	6,671,950	58,016,950
Total	$ 282,743,180	$ 242,217,423	$ 524,960,603

The capital appreciation bonds mature through 2053 as follows:

Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2024	$ 1,265,991	$ 2,079,899	$ 3,345,890	$ 19,110	$ 3,365,000
2025	1,652,594	1,916,356	3,568,950	221,050	3,790,000
2026	2,313,736	2,838,680	5,152,416	647,584	5,800,000
2027	2,260,996	2,811,158	5,072,154	987,846	6,060,000
2028	2,252,531	2,809,534	5,062,065	1,377,935	6,440,000
2029-2033	12,686,100	9,841,196	22,527,296	8,427,705	30,955,001
2034-2038	7,215,317	5,408,914	12,624,231	11,915,769	24,540,000
2039-2043	26,751,452	5,716,165	32,467,617	22,707,383	55,175,000
2043-2048	27,134,463	2,261,476	29,395,939	26,399,061	55,795,000
2049-2053	-	-	-	-	-
Total	$ 83,533,180	$ 35,683,378	$ 119,216,558	$ 72,703,443	$ 191,920,001

Note 12 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 20,000	$ -	$ -	$ -	$ 20,000
Stores inventories	91,203	-	-	-	91,203
Prepaid expenditures	15,728	-	-	-	15,728
Leases receivable	1,315,569	-	-	-	1,315,569
Total nonspendable	1,442,500	-	-	-	1,442,500
Restricted					
Education programs	32,707,671	-	-	113,751	32,821,422
Food service	-	-	-	4,658,879	4,658,879
Capital projects	-	86,058,772	16,693,287	253,038	103,005,097
Debt services	-	-	-	19,072,868	19,072,868
Total restricted	32,707,671	86,058,772	16,693,287	24,098,536	159,558,266
Assigned					
Early retirement	461,188	-	-	-	461,188
Capital projects	-	-	16,536,229	-	16,536,229
Total assigned	461,188	-	16,536,229	-	16,997,417
Unassigned					
Reserve for economic uncertainties	4,299,630	-	-	-	4,299,630
Remaining unassigned	6,464,510	-	-	-	6,464,510
Total unassigned	10,764,140	-	-	-	10,764,140
Total	$ 45,375,499	$ 86,058,772	$ 33,229,516	$ 24,098,536	$ 188,762,323

Note 13 - Total Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2023, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense as follows:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 24,865,724	$ 6,205,084	$ 13,898,628	$ 1,585,898

Plan Administration

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

Plan Membership

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	36
Inactive employees entitled to but not yet receiving benefits payments	-
Active employees	813
Total	849

Benefits Provided

The Plan provides medical, dental, vision and life insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The Plan offers employees health benefits from within different bargaining units who retire after age 50 to 60 with at least 10 years of service. The Plan makes payments for five years or until age 65, whichever comes first. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, different bargaining units, and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2022-2023, the District contributed $385,794 to the Plan, all of which was used for current premiums.

Actuarial Assumptions

The total OPEB liability measured as of June 30, 2022 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75	percent
Salary increases	3.00	percent, average, including inflation
Discount rate	4.09	percent
Healthcare cost trend rates	6.00	percent for 2019

The discount rate was based on the Bond Buyer 20-bond General Obligation Index as of June 30, 2022 (measurement date).

Mortality rates are taken from the 2021 CalPERS valuation, projected to future years using the ultimate rates from projection scale MP-2021, for classified and AFSCME employees, and from the 2020 Cal STRS valuation, for certificated and management employees. In the 2020 valuation, mortality rates for classified and AFSCME employees were taken from the 2017 CalPERS OPEB Assumptions Model, projected with projection scale MP-2020.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an 2021 CalPERS study and the 2020 CalSTRS study.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2022	$ 32,619,986
Service cost	2,500,509
Interest	694,510
Changes of benefit terms	19,242
Differences between expected and actual experience	(3,525,208)
Changes of assumptions or other inputs	(6,509,779)
Benefit payments	(933,536)
Net change in total OPEB liability	(7,754,262)
Balance, June 30, 2023	$ 24,865,724

Changes of assumptions and other inputs reflect a change in the discount rate from 2.16% in 2021 to 4.09% in 2023.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09%) or 1-percentage-point higher (5.09%) than the current discount rate:

Discount Rate	Total OPEB Liability
1% decrease (3.09%)	$ 27,982,800
Current discount rate (4.09%)	24,865,724
1% increase (5.09%)	22,160,142

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.0%) or 1-percentage-point higher (7.0%) than the current healthcare costs trend rates:

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (5.0%)	$ 21,846,097
Current healthcare cost trend rate (6.0%)	24,865,724
1% increase (7.0%)	28,430,421

Total OPEB Liability and OPEB Expenses

For the year ended June 30, 2023, the District recognized OPEB expense of $1,585,898. At June 30, 2023, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $385,794. At June 30, 2022, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 385,794	$ -
Differences between expected and actual experience	-	6,335,571
Changes of assumptions	5,819,290	7,563,057
Total	$ 6,205,084	$ 13,898,628

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

The deferred inflows of resources related to changes in assumptions will be amortized over a closed 12 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ (759,202)
2025	(759,202)
2026	(759,202)
2027	(759,202)
2028	(759,202)
Thereafter	(4,283,328)
Total	$ (8,079,338)

Note 14 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2023, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 59,937,424	$ 12,666,714	$ 13,199,022	$ 3,709,603
CalPERS	41,580,226	13,240,489	2,605,549	4,026,962
Total	$ 101,517,650	$ 25,907,203	$ 15,804,571	$ 7,736,565

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, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2023, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after 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	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period.

The contribution rates for each plan for the year ended June 30, 2023, are presented above and the District's total contributions were $9,537,282.

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

At June 30, 2023, 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	$ 59,937,424
State's proportionate share of the net pension liability	30,016,428
Total	$ 89,953,852

The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, respectively was 0.0863% and 0.0866%, resulting in a net decrease in the proportionate share of 0.0003%.

For the year ended June 30, 2023, the District recognized pension expense of $3,709,603. In addition, the District recognized pension expense and revenue of $2,420,805 for support provided by the State. At June 30, 2023, 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	$ 9,537,282	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	107,805	5,773,909
Differences between projected and actual earnings on pension plan investments	-	2,931,056
Differences between expected and actual experience in the measurement of the total pension liability	49,167	4,494,057
Changes of assumptions	2,972,460	-
Total	$ 12,666,714	$ 13,199,022

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments are amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ (2,153,078)
2025	(2,332,496)
2026	(3,503,882)
2027	5,058,400
Total	$ (2,931,056)

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
2024	$ 297,431
2025	(1,887,675)
2026	(1,929,072)
2027	(1,614,778)
2028	(1,569,902)
Thereafter	(434,538)
Total	$ (7,138,534)

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, 2021 and rolling forward the total pension liability to June 30,2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions.

Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 101,795,977
Current discount rate (7.10%)	59,937,424
1% increase (8.10%)	25,182,240

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, 2021 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, 2023, 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%	8.00%
Required employer contribution rate	25.37%	25.37%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the total District contributions were $5,067,208.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $41,580,226. The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, respectively was 0.1208% and 0.1243%, resulting in a net decrease in the proportionate share of 0.0035%.

For the year ended June 30, 2023, the District recognized pension expense of $4,026,962. At June 30, 2023, 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	$ 5,067,208	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	-	1,570,980
Differences between projected and actual earnings on pension plan investments	4,909,494	-
Differences between expected and actual experience in the measurement of the total pension liability	187,918	1,034,569
Changes of assumptions	3,075,869	-
Total	$ 13,240,489	$ 2,605,549

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 818,747
2025	726,172
2026	370,938
2027	2,993,637
Total	$ 4,909,494

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 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 4,081
2025	322,031
2026	387,385
2027	(55,259)
Total	$ 658,238

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, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

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 - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2%

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. 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 expected rate of return on the School Employer Pool investments 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 (5.90%)	$ 60,064,741
Current discount rate (6.90%)	41,580,226
1% increase (7.90%)	26,303,453

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 $4,815,256 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 15 - Risk Management

Property and Liability

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

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

Workers' Compensation

For fiscal year 2023, the District participated in the Santa Clara County Schools Insurance Group (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to districts that can meet the JPA's selection criteria.

Employee Medical Benefits

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

Unpaid Claims Liabilities

The District accounts for the self-insured activities of dental and vision, and other insurance premiums in the Internal Service Fund. The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities of dental and vision for the District from July 1, 2022 to June 30, 2023:

	Dental and Vision
Liability Balance, July 1, 2021	$ 103,570
Claims and changes in estimates	1,672,263
Claims payments	(1,652,185)
Liability Balance, June 30, 2022	123,648
Claims and changes in estimates	1,675,437
Claims payments	(1,651,727)
Liability Balance, June 30, 2023	$ 147,358
Assets available to pay claims at June 30, 2023	$ 3,598,195

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

Note 16 - Commitments and Contingencies

Construction Commitments

As of June 30, 2023, the District had $8,649,309 of construction commitments with respect to unfinished projects funded by Measure S and Measure P. These projects are expected to be completed by October 2024.

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, 2023.

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, 2023.

Note 17 - Participation in Public Entity Risk Pools, Joint Power Authorities and Other Related Party Transactions

The District is a member of the Santa Clara County Schools Insurance Group (SCCSIG) joint powers authority. The District pays an annual premium to the applicable entity for its workers compensation, property and liability insurance coverage. Payments for services provided are paid to the JPA. The relationship between the District and the JPA is such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities. The District has appointed one member to the governing board of Santa Clara County Schools Insurance Group.

During the year ended June 30, 2023, the District made payments of $1,856,541 to SCCSIG for services rendered.

Required Supplementary Information
June 30, 2023

Oak Grove School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local control funding formula	$ 98,315,430	$ 109,355,386	$ 107,226,937	$ (2,128,449)
Federal sources	9,835,491	4,095,032	13,576,065	9,481,033
Other State sources	22,474,389	14,516,494	30,807,570	16,291,076
Other local sources	8,286,393	7,032,349	12,290,118	5,257,769
Total revenues	138,911,703	134,999,261	163,900,690	28,901,429
Expenditures				
Current				
Certificated salaries	50,828,018	57,182,728	52,883,373	4,299,355
Classified salaries	17,907,342	20,040,089	17,853,482	2,186,607
Employee benefits	35,184,034	37,031,721	35,118,716	1,913,005
Books and supplies	6,230,445	2,421,344	5,512,563	(3,091,219)
Services and operating expenditures	16,796,554	18,905,166	24,144,805	(5,239,639)
Other outgo	6,806,114	7,385,017	7,275,793	109,224
Capital outlay	100,000	137,192	474,755	(337,563)
Debt service				
Debt service - principal	-	-	-	-
Debt service - interest and other	-	-	57,514	(57,514)
Total expenditures	133,852,507	143,103,257	143,321,001	(217,744)
Excess (Deficiency) of Revenues Over Expenditures	5,059,196	(8,103,996)	20,579,689	28,683,685
Other Financing Sources (Uses)				
Transfers out	(177,951)	-	-	-
Net financing sources (uses)	(177,951)	-	-	-
Net Change in Fund Balances	4,881,245	(8,103,996)	20,579,689	28,683,685
Fund Balance - Beginning	24,795,810	24,795,810	24,795,810	-
Fund Balance - Ending	$ 29,677,055	$ 16,691,814	$ 45,375,499	$ 28,683,685

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	$ 2,500,509	$ 2,403,849	$ 1,844,738	$ 1,665,642	$ 1,660,368	$ 1,863,094
Interest	694,510	659,379	890,406	885,451	805,269	649,971
Changes of benefit terms	19,242	-	(27,847)	-	-	-
Difference between expected and actual experience	(3,525,208)	-	(3,816,001)	-	(401,393)	-
Changes of assumptions	(6,509,779)	198,201	6,562,269	1,064,944	(770,962)	(2,047,137)
Benefit payments	(933,536)	(955,209)	(1,159,951)	(951,515)	(862,373)	(694,417)
Net change in total OPEB liability	(7,754,262)	2,306,220	4,293,614	2,664,522	430,909	(228,489)
Total OPEB Liability - Beginning	32,619,986	30,313,766	26,020,152	23,355,630	22,924,721	23,153,210
Total OPEB Liability - Ending	$ 24,865,724	$ 32,619,986	$ 30,313,766	$ 26,020,152	$ 23,355,630	$ 22,924,721
Covered Payroll	$ 73,595,144	$ 65,614,636	$ 70,103,828	$ 70,175,259	$ 70,675,313	$ 69,322,219
Total OPEB Liability as a Percentage of Covered Payroll	33.79%	49.71%	43.24%	37.08%	33.05%	33.07%
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS									
Proportion of the net pension liability	0.0863%	0.0866%	0.0910%	0.0909%	0.0917%	0.0922%	0.0942%	0.0942%	0.0942%
Proportionate share of the net pension liability	$ 59,937,424	$ 39,418,421	$ 88,192,801	$ 82,079,461	$ 84,272,481	$ 84,356,637	$ 76,216,164	$ 63,436,646	$ 54,897,947
State's proportionate share of the net pension liability	30,016,428	19,833,821	45,463,400	44,779,826	48,249,936	49,904,674	43,388,503	33,550,993	33,149,751
Total	$ 89,953,852	$ 59,252,242	$133,656,201	$ 126,859,287	$ 132,522,417	$ 134,261,311	$ 119,604,667	$ 96,987,639	$ 88,047,698
Covered payroll	$ 48,722,577	$ 47,636,762	$ 55,773,579	$ 49,219,435	$ 49,217,630	$ 48,283,219	$ 46,946,486	$ 44,880,721	41,368,667
Proportionate share of the net pension liability as a percentage of its covered payroll	123.02%	82.75%	158.13%	166.76%	171.22%	174.71%	162.35%	141.34%	133%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS									
Proportion of the net pension liability	0.1208%	0.1243%	0.1263%	0.1303%	0.1378%	0.1423%	0.1423%	0.1455%	0.1412%
Proportionate share of the net pension liability	$ 41,580,226	$ 25,276,913	$ 38,753,035	$ 37,978,588	$ 36,731,886	$ 33,958,279	$ 28,109,165	$ 21,445,165	$ 16,027,823
Covered payroll	$ 18,552,619	$ 18,042,217	$ 25,694,478	$ 18,070,812	$ 18,191,115	$ 18,173,157	$ 16,912,358	$ 15,640,192	14,796,667
Proportionate share of the net pension liability as a percentage of its covered payroll	224.12%	140.10%	150.82%	210.17%	201.92%	186.86%	166.20%	137.12%	108%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS									
Contractually required contribution	$ 9,537,282	$ 8,243,860	$ 7,693,337	$ 9,537,282	$ 8,012,924	$ 7,102,104	$ 6,074,029	$ 5,037,358	$ 3,985,408
Less contributions in relation to the contractually required contribution	9,537,282	8,243,860	7,693,337	9,537,282	8,012,924	7,102,104	6,074,029	5,037,358	3,985,408
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 49,933,414	$ 48,722,577	$ 47,636,762	$ 55,773,579	$ 49,219,435	$ 49,217,630	$ 48,283,219	$ 46,946,486	$ 44,880,721
Contributions as a percentage of covered payroll	19.10%	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS									
Contractually required contribution	$ 5,067,208	$ 4,250,405	$ 3,734,739	$ 5,067,208	$ 3,263,950	$ 2,825,262	$ 2,523,888	$ 2,003,607	$ 1,841,007
Less contributions in relation to the contractually required contribution	5,067,208	4,250,405	3,734,739	5,067,208	3,263,950	2,825,262	2,523,888	2,003,607	1,841,007
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 19,973,228	$ 18,552,619	$ 18,042,217	$ 25,694,478	$ 18,070,812	$ 18,191,115	$ 18,173,157	$ 16,912,358	$ 15,640,192
Contributions as a percentage of covered payroll	25.370%	22.910%	20.700%	19.721%	18.0620%	15.5310%	13.8880%	11.8470%	11.7710%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedules

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

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

These schedules present information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Change in Benefit Terms* – No Change in the current year.
- *Change in Assumptions* – Discount rate change from 2.16% at June 30, 2022 to 4.09% at June 30, 2023.

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

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

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

Supplementary Information
June 30, 2023

Oak Grove School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
COVID-19 Elementary and Secondary School Emergency Relief II	84.425D	15547	$ 1,664,191
COVID-19 Elementary and Secondary School Emergency Relief III	84.425U	15559	4,792,619
COVID-19 Elementary and Secondary School Emergency Relief III	84.425U	10155	1,375,541
COVID-19 Elementary and Secondary School Emergency Relief III	84.425U	15566	2,673
COVID-19 Elementary and Secondary School Emergency Relief III	84.425D	15618	407,999
COVID-19 Governor's Emergency Education Relief IICOVID-19	84.425D	15619	82,808
COVID-19 Elementary and Secondary School Emergency Relief III	84.425U	15620	303,492
COVID-19 Elementary and Secondary School Emergency Relief III	84.425U	15621	272,738
Subtotal			8,902,061
Passed Through South East Consortium special Education Local Plan Area			
Special Education Cluster			
Special Education Grants to States			
Special Education Grants to States	84.027	13379	1,782,831
Special Education Grants to States	84.027	10115	14,267
Special Education Grants to States	84.027	15638	369,613
Special Education Grants to States	84.027	10169	4,062
Special Education Grants to States	84.027	15197	108,972
Subtotal			2,279,745
Special Education Preschool Grants	84.173	13430	42,858
Special Education Preschool Grants	84.173	15639	28,375
Special Education Preschool Grants	84.173	13007	2,030
Special Education Preschool Grants	84.173	13431	316
Subtotal			73,579
Total Special Education Cluster			2,353,324
Title I Grants to Local Educational Agencies	84.010	14329	1,483,735
Supporting Effective Instruction State Grants	84.367	14341	213,879
English Language Acquisition State Grants	84.365	14346	619,957
Student Support and Academic Enrichment Program	84.424	15396	85,145
Total U.S. Department of Education			13,658,101
U.S. Department of Agriculture			
Passed Through California Department of Education (CDE)			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	1,801,429
School Breakfast Program - National School Breakfast	10.553	13525	75,589
School Breakfast Program - Especially Needy Breakfast	10.553	13526	773,624
Supply Chain Assistance for School Meals	10.555	15655	211,077
Total Child Nutrition Cluster			2,861,719
Pass Through California Department of Social Services			
Child and Adult Care Food Program	10.558	13393	375,432
Total U.S. Department of Agriculture			3,237,151
Total Federal Financial Assistance			$ 16,895,252

Organization

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

Governing Board

Member	Office	Term Expires
Carla Hernandez	President	2024
Beija Gonzalez	Vice President	2024
Jorge Pacheco Jr.	Trustee	2026
Diego Martinez	Trustee	2026
Dr. Taunya Jaco	Trustee	2026

Administration

Name	Title
Jose Manzo	Superintendent
Mark Evans	Associate Superintendent, Business Services
Ivan Chaidez	Assistant Superintendent, Human Resources
Amy Boles	Assistant Superintendent, Educational Services
Melina Nguyen	Director of Fiscal Services

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	3,507.01	3,531.51
Fourth through sixth	2,769.58	2,778.19
Seventh and eighth	1,749.40	1,749.91
Total Regular ADA	8,025.99	8,059.61
Extended Year Special Education		
Transitional kindergarten through third	6.95	6.95
Fourth through sixth	3.69	3.69
Seventh and eighth	1.21	1.21
Total Extended Year Special Education	11.85	11.85
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.13	1.36
Fourth through sixth	7.58	8.00
Seventh and eighth	6.11	6.62
Total Special Education, Nonpublic, Nonsectarian Schools	14.82	15.98
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.33	0.33
Fourth through sixth	1.45	1.45
Seventh and eighth	1.10	1.10
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.88	2.88
Total ADA	8,055.54	8,090.32

Grade Level	1986-1987 Minutes Requirement	2022-2023 Actual Minutes	Number of Actual Days Traditional Calendar	Number of Actual Days Multitrack Calendar	Status
Kindergarten	36,000	47,160	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,660	180	N/A	Complied
Grade 2		50,660	180	N/A	Complied
Grade 3		50,660	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,245	180	N/A	Complied
Grade 5		54,245	180	N/A	Complied
Grade 6		54,245	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		54,000	180	N/A	Complied
Grade 8		54,000	180	N/A	Complied

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

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

	Child Care and Development Enterprise Fund
Fund Balance	
Balance, June 30, 2023, Unaudited Actuals	1,353,723
Decrease in	
Pension liabilities and related deferrals	(2,199,700)
OPEB liabilities and related deferrals	(521,546)
Balance, June 30, 2023, Audited Financial Statements	$ (1,367,523)

	(Budget) 2024 [1]	2023	2022 [1]	2021 [1]
General Fund				
Revenues	$ 134,999,261	$ 163,900,690	$ 134,793,069	$ 127,219,244
Other sources	-	-	133,744	181,022
Total Revenues and Other Sources	134,999,261	163,900,690	134,926,813	127,400,266
Expenditures	143,103,257	143,321,001	128,913,615	120,737,224
Total Expenditures and Other Uses	143,103,257	143,321,001	128,913,615	120,737,224
Increase/(Decrease) in Fund Balance	(8,103,996)	20,579,689	6,013,198	6,663,042
Ending Fund Balance	$ 37,271,503	$ 45,375,499	$ 24,795,810	$ 18,782,612
Available Reserves [2]	$ 12,079,710	$ 10,764,140	$ 6,655,918	$ 6,741,129
Available Reserves as a Percentage of Total Outgo	8.44%	7.51%	5.16%	5.58%
Long-Term Liabilities [3]	$ 440,021,588	$ 450,618,676	$ 356,249,010	$ 423,681,980
K-12 Average Daily Attendance at P-2	8,092	8,056	8,122	9,415

The General Fund balance has increased by $26,592,887 over the past two years. The fiscal year 2023-2024 budget projects an decrease of $8,103,996. For a District this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses.

The District has incurred operating surpluses in all of the past three years but anticipates an operating deficit during the 2023-2024 fiscal year. Total long-term liabilities have decreased by $26,936,696 over the past two years.

Average daily attendance has decreased by 1,359 ADA over the past two years. An increase of 36 ADA is anticipated during fiscal year 2023-2024.

[1] Financial information for 2024, 2022, and 2021 are 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] Long-term liabilities exclude business-type activities.

	Student Activity Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets					
Deposits and investments	$ 112,907	$ 3,851,660	$ 251,765	$ 18,896,583	$ 23,112,915
Receivables	844	1,420,770	2,347	176,285	1,600,246
Total assets	$ 113,751	$ 5,272,430	$ 254,112	$ 19,072,868	$ 24,713,161
Liabilities					
Accounts payable	$ -	$ 280,981	$ -	$ -	$ 280,981
Due to other funds	-	228,950	1,074	-	230,024
Unearned revenue	-	103,620	-	-	103,620
Total liabilities	-	613,551	1,074	-	614,625
Fund Balances					
Restricted	113,751	4,658,879	253,038	19,072,868	24,098,536
Total fund balances	113,751	4,658,879	253,038	19,072,868	24,098,536
Total liabilities and fund balances	$ 113,751	$ 5,272,430	$ 254,112	$ 19,072,868	$ 24,713,161

	Student Activity Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues					
Federal sources	$ -	$ 3,237,152	$ -	$ 82,037	$ 3,319,189
Other State sources	-	3,498,697	-	63,613	3,562,310
Other local sources	145,113	6,000	40,744	15,604,474	15,796,331
Total revenues	145,113	6,741,849	40,744	15,750,124	22,677,830
Expenditures					
Current					
Pupil services					
Food services	-	4,254,790	-	-	4,254,790
Administration					
All other administration	-	215,750	9,477	-	225,227
Ancillary services	134,626	-	-	-	134,626
Debt service					
Principal	-	-	-	11,780,000	11,780,000
Interest and other	-	-	-	4,321,165	4,321,165
Total expenditures	134,626	4,470,540	9,477	16,101,165	20,715,808
Excess (Deficiency) of Revenues Over Expenditures	10,487	2,271,309	31,267	(351,041)	1,962,022
Other Financing Sources (Uses)					
Other sources	-	-	-	4,848,749	4,848,749
Net Financing Sources (Uses)	-	-	-	4,848,749	4,848,749
Net Change in Fund Balances	10,487	2,271,309	31,267	4,497,708	6,810,771
Fund Balance - Beginning	103,264	2,387,570	221,771	14,575,160	17,287,765
Fund Balance - Ending	$ 113,751	$ 4,658,879	$ 253,038	$ 19,072,868	$ 24,098,536

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation
The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Oak Grove School District (the District) under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Oak Grove School District, it is not intended to and does not present the financial position, changes in net position of Oak Grove School District.

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

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

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

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Independent Auditor’s Reports
June 30, 2023

Oak Grove School District

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Oak Grove School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Oak Grove School District's basic financial statements and have issued our report thereon dated December 1, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Eide Bailly LLP

Menlo Park, California
December 1, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Oak Grove School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Oak Grove School District's major federal programs for the year ended June 30, 2023. Oak Grove School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Oak Grove School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Oak Grove School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Oak Grove School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Oak Grove School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Menlo Park, California
December 1, 2023

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Independent Auditor's Report on State Compliance

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

Report on Compliance

Opinion on State Compliance

We have audited Oak Grove School District's (the District) compliance with the requirements specified in the ***2022**-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2023.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the ***2022**-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
Early Retirement Incentive	No, see below
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	No, see below
Transitional Kindergarten	No, see below
Charter Schools	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

Continuation Education
We did not perform Continuation Education procedures because the program is not offered by the District.

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

Juvenile Court Schools
We did not perform Juvenile Court Schools procedures because the program is not offered by the District.

Middle or Early College High Schools
We did not perform Middle or Early College High Schools procedures because the program is not offered by the District.

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

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

California Clean Energy Jobs Act
We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

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

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

Transitional Kindergarten
The District did not report ADA for transitional kindergarten; therefore, we did not perform procedures related to Transitional Kindergarten.

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

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-2023 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
December 1, 2023

Financial Statements

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

Federal Awards

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

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	
ESSER II	84.425D
ESSER III	84.425U
ESSER III: Learning Loss	84.425U
COVID-19 Expanded Learning Opportunities (ELO) Grant	
ESSER II State Reserve	84.425
Governor's Emergency Education Relief (GEER) II	84.425
ESSER III: State Reserve, Emergency Needs	84.425
ESSER III: State Reserve, Learning Loss	84.425
Special Education Grants to States	
Basic Local Assistance	84.027/84.173
Child Nutrition Cluster	10.553/10.555

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

State Compliance

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

None reported.

None reported.

None reported.

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