

CHUALAR UNION SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2022



CHUALAR UNION SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2022

FINANCIAL SECTION

Report on the Audit of the Financial Statements 1
Management’s Discussion and Analysis..... 4
Basic Financial Statements
 Government-wide Financial Statements
 Statement of Net Position..... 11
 Statement of Activities 12
 Fund Financial Statements
 Governmental Funds – Balance Sheet 13
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position..... 14
 Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances 15
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 16
Notes to Financial Statements..... 17

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Budgetary Comparison Schedule49
Cafeteria Fund – Budgetary Comparison Schedule50
Schedule of Changes in Total OPEB Liability and Related Ratios 51
Schedule of the District’s Proportionate Share of the Net Pension Liability - CalSTRS52
Schedule of the District’s Proportionate Share of the Net Pension Liability - CalPERS53
Schedule of District Contributions - CalSTRS54
Schedule of District Contributions - CalPERS55
Notes to Required Supplementary Information56

SUPPLEMENTARY INFORMATION

Schedule of Average Daily Attendance (ADA)58
Schedule of Instructional Time59
Schedule of Financial Trends and Analysis60
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements61
Combining Statements – Non-Major Governmental Funds
 Combining Balance Sheet 62
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances63
Local Education Agency Organization Structure64
Notes to Supplementary Information65

OTHER INDEPENDENT AUDITORS’ REPORTS

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*66
Report on State Compliance68

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors’ Results.....72
Financial Statement Findings73
State Award Findings and Questioned Costs74
Summary Schedule of Prior Audit Findings.....78

FINANCIAL SECTION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTSIndependent Auditors' Report

Governing Board
Chualar Union School District
Chualar, California

Report on the Audit of the Financial Statements***Opinions***

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Chualar Union School District, as of June 30, 2022, and the respective changes in financial position 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Chualar Union 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 Chualar Union 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 generally accepted auditing standards 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 judgement made by a reasonable user of the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Chualar Union 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Chualar Union 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 required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of district contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chualar Union School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is 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 March 23, 2023 on our consideration of the Chualar Union 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 the Chualar Union 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 Chualar Union School District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Christy White, Inc." in a cursive script.

San Diego, California
March 23, 2023

CHUALAR UNION SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

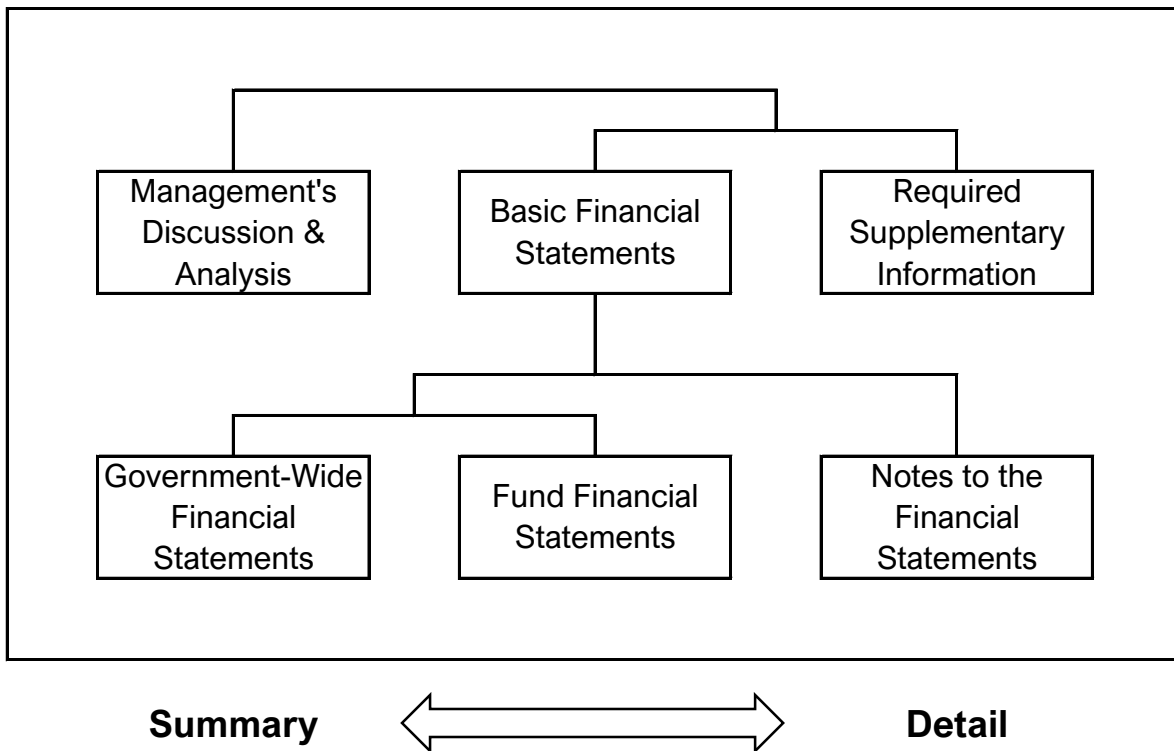
Our discussion and analysis of Chualar Union School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The District's net position was \$(781,626) at June 30, 2022. This was an increase of \$570,471 from the prior year, after restatement.
- ▶ Overall revenues were \$5,465,651 which exceeded expenses of \$4,895,180.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**CHUALAR UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**CHUALAR UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$(781,626) at June 30, 2022, as reflected in the table below. Of this amount, \$(1,786,858) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2022	2021	Net Change
ASSETS			
Current and other assets	\$ 3,973,213	\$ 3,089,882	\$ 883,331
Capital assets	3,292,698	2,648,861	643,837
Total Assets	7,265,911	5,738,743	1,527,168
DEFERRED OUTFLOWS OF RESOURCES	958,143	874,568	83,575
LIABILITIES			
Current liabilities	1,322,831	688,267	634,564
Long-term liabilities	6,096,265	7,268,862	(1,172,597)
Total Liabilities	7,419,096	7,957,129	(538,033)
DEFERRED INFLOWS OF RESOURCES	1,586,584	387,935	1,198,649
NET POSITION			
Net investment in capital assets	395,188	(342,605)	737,793
Restricted	610,044	415,008	195,036
Unrestricted	(1,786,858)	(1,804,156)	17,298
Total Net Position	\$ (781,626)	\$ (1,731,753)	\$ 950,127

**CHUALAR UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it slightly, so you can see our total revenues, and expenses for the year.

	Governmental Activities		
	2022	2021	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 970	\$ 606	\$ 364
Operating grants and contributions	1,423,922	1,664,084	(240,162)
General revenues			
Property taxes	638,603	610,370	28,233
Unrestricted federal and state aid	3,299,888	2,947,584	352,304
Other	102,268	68,590	33,678
Total Revenues	5,465,651	5,291,234	174,417
EXPENSES			
Instruction	1,915,905	2,302,596	(386,691)
Instruction-related services	730,190	725,461	4,729
Pupil services	605,536	553,344	52,192
General administration	562,095	609,371	(47,276)
Plant services	473,673	430,827	42,846
Ancillary and community services	19,738	-	19,738
Debt service	125,206	135,599	(10,393)
Other outgo	228,617	263,920	(35,303)
Depreciation	234,220	184,052	50,168
Total Expenses	4,895,180	5,205,170	(309,990)
Change in net position	570,471	86,064	484,407
Net Position - Beginning, as Restated*	(1,352,097)	(1,817,817)	465,720
Net Position - Ending	\$ (781,626)	\$ (1,731,753)	\$ 950,127

**Beginning net position was restated only for the 2022 fiscal year.*

The cost of all our governmental activities this year was \$4,895,180 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$638,603 because the remaining portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**CHUALAR UNION SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District’s functions. 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.

	Net Cost of Services	
	2022	2021
Instruction	\$ 1,345,214	\$ 1,427,039
Instruction-related services	470,071	507,616
Pupil services	273,995	226,747
General administration	517,250	548,939
Plant services	399,301	345,051
Ancillary and community services	19,738	-
Debt service	125,206	135,599
Transfers to other agencies	85,293	165,437
Depreciation	234,220	184,052
Total	\$ 3,470,288	\$ 3,540,480

FINANCIAL ANALYSIS OF THE DISTRICT’S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$2,782,359, which is more than this year’s restated beginning fund balance of \$2,401,843. The District’s General Fund had \$72,686 more in operating revenues than expenditures, combined with \$346,994 in net financing sources, which led to a net increase in fund balance of \$419,680 for the year ended June 30, 2022. The Cafeteria Fund experienced a net decrease in fund balance of \$44,554 during the year ended June 30, 2022.

CURRENT YEAR BUDGET 2021-2022

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a periodic basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District’s financial projections and current budget based on State and local financial information.

**CHUALAR UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2021-2022 the District had invested \$3,292,698 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2022	2021	Net Change
CAPITAL ASSETS			
Land	\$ 27,693	\$ 27,693	\$ -
Construction in progress	-	117,617	(117,617)
Land improvements	1,053,868	1,048,426	5,442
Buildings & improvements	7,045,179	6,467,605	577,574
Furniture & equipment	836,877	803,647	33,230
Less: Accumulated depreciation	(5,670,919)	(5,436,699)	(234,220)
Total	\$ 3,292,698	\$ 3,028,289	\$ 264,409

Long-Term Liabilities

At year-end, the District had \$6,096,265 in long-term liabilities, a decrease of 15% from last year – as shown in the table below. More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities		
	2022	2021	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 2,897,510	\$ 2,991,466	\$ (93,956)
CEC energy loan	414,710	-	414,710
Total OPEB liability	809,825	626,241	183,584
Net pension liability	2,106,197	3,651,155	(1,544,958)
Less: current portion of long-term liabilities	(131,977)	(90,000)	(41,977)
Total	\$ 6,096,265	\$ 7,178,862	\$ (1,082,597)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

In its September 2022 quarterly report, the UCLA Anderson Forecast stated the U.S. economy was likely to muddle along with below-trend growth and continued high inflation over the next twelve months. No recession is forecast at this time; however, the possibility still exists that persistent inflation and aggressive interest rate policy will lead to a hard landing of the economy, potentially triggering a recession. In California, defense spending and technology demands will likely keep the economy growing.

**CHUALAR UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. The May 2022 Budget Revision includes total funding of \$128.3 billion (\$78.4 billion General Fund and \$49.9 billion other funds) for all K-12 education programs, additionally, the revised spending plan further accelerates the implementation of the "California for All Kids" plan, which is a whole-child support framework designed to target inequities in educational outcomes among students from different demographic backgrounds and empower parents and families with more options and services. The Proposition 98 Guarantee continues to be in Test 1 for 2021-22 and 2022-23. To accommodate enrollment increases related to the expansion of transitional kindergarten, the Governor's Budget proposed re-benching the Test 1 percentage to increase the percentage of General Fund revenues due to the Guarantee, from 38.03 percent to approximately 38.4 percent. The May Revision updates the increased Test 1 percentage from approximately 38.4 percent to approximately 38.3 percent. At May Revision, the 2022-23 cost-of-living adjustment (COLA) is updated to 6.56 percent, the largest COLA in the history of LCFF.

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2022. The amount of the liability is material to the financial position of the District. The CalSTRS projected employer contribution rate for 2022-23 is 19.10 percent. The CalPERS projected employer contribution rate for 2022-23 is 25.37 percent. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2022-23 fiscal year.

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 the Business Manager, at Chualar Union School District, P.O. Box 188, Chualar, California, 93925.

**CHUALAR UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities
ASSETS	
Cash and investments	\$ 3,429,118
Accounts receivable	534,305
Inventory	9,790
Capital assets, not depreciated	27,693
Capital assets, net of accumulated depreciation	3,265,005
Total Assets	7,265,911
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	716,940
Deferred outflows related to OPEB	241,203
Total Deferred Outflows of Resources	958,143
LIABILITIES	
Deficit cash	150,807
Accrued liabilities	884,500
Unearned revenue	155,547
Long-term liabilities, current portion	131,977
Long-term liabilities, non-current portion	6,096,265
Total Liabilities	7,419,096
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,432,785
Deferred inflows related to OPEB	153,799
Total Deferred Inflows of Resources	1,586,584
NET POSITION	
Net investment in capital assets	395,188
Restricted:	
Capital projects	6,985
Debt service	180,837
Educational programs	422,222
Unrestricted	(1,786,858)
Total Net Position	\$ (781,626)

The accompanying notes are an integral part of these financial statements.

**CHUALAR UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 1,915,905	\$ -	\$ 570,691	\$ (1,345,214)
Instruction-related services				
Instructional supervision and administration	250,892	-	174,406	(76,486)
Instructional library, media, and technology	202,403	-	81,948	(120,455)
School site administration	276,895	-	3,765	(273,130)
Pupil services				
Home-to-school transportation	108,991	-	929	(108,062)
Food services	307,163	864	304,938	(1,361)
All other pupil services	189,382	-	24,810	(164,572)
General administration				
Centralized data processing	15,888	-	-	(15,888)
All other general administration	546,207	37	44,808	(501,362)
Plant services	473,673	69	74,303	(399,301)
Ancillary services	19,738	-	-	(19,738)
Interest on long-term debt	125,206	-	-	(125,206)
Other outgo	228,617	-	143,324	(85,293)
Depreciation (unallocated)	234,220	-	-	(234,220)
Total Governmental Activities	\$ 4,895,180	\$ 970	\$ 1,423,922	(3,470,288)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				409,089
Property taxes, levied for debt service				229,514
Federal and state aid not restricted for specific purposes				3,299,888
Interest and investment earnings				(89,963)
Miscellaneous				192,231
Subtotal, General Revenue				4,040,759
CHANGE IN NET POSITION				570,471
Net Position - Beginning, as Restated				(1,352,097)
Net Position - Ending				\$ (781,626)

The accompanying notes are an integral part of these financial statements.

**CHUALAR UNION SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022**

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 3,246,433	\$ 41	\$ 182,644	\$ 3,429,118
Accounts receivable	457,783	76,522	-	534,305
Due from other funds	11,200	67,716	-	78,916
Stores inventory	-	9,790	-	9,790
Total Assets	\$ 3,715,416	\$ 154,069	\$ 182,644	\$ 4,052,129
LIABILITIES				
Deficit cash	\$ -	\$ 150,807	\$ -	\$ 150,807
Accrued liabilities	853,113	31,387	-	884,500
Due to other funds	67,716	11,200	-	78,916
Unearned revenue	155,547	-	-	155,547
Total Liabilities	1,076,376	193,394	-	1,269,770
FUND BALANCES				
Nonspendable	1,000	9,790	-	10,790
Restricted	422,222	-	182,644	604,866
Assigned	1,306,417	-	-	1,306,417
Unassigned	909,401	(49,115)	-	860,286
Total Fund Balances	2,639,040	(39,325)	182,644	2,782,359
Total Liabilities and Fund Balances	\$ 3,715,416	\$ 154,069	\$ 182,644	\$ 4,052,129

The accompanying notes are an integral part of these financial statements.

**CHUALAR UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2022**

Total Fund Balance - Governmental Funds \$ 2,782,359

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 8,963,617	
Accumulated depreciation	<u>(5,670,919)</u>	3,292,698

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 2,897,510	
CEC energy loan	414,710	
Total OPEB liability	809,825	
Net pension liability	<u>2,106,197</u>	(6,228,242)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 716,940	
Deferred inflows of resources related to pensions	<u>(1,432,785)</u>	(715,845)

Deferred outflows and inflows of resources relating to OPEB:

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.

Deferred outflows of resources related to OPEB	\$ 241,203	
Deferred inflows of resources related to OPEB	<u>(153,799)</u>	87,404

Total Net Position - Governmental Activities \$ (781,626)

**CHUALAR UNION SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 3,645,565	\$ -	\$ -	\$ 3,645,565
Federal sources	473,157	229,908	-	703,065
Other state sources	727,839	8,523	281	736,643
Other local sources	381,777	535	224,271	606,583
Total Revenues	5,228,338	238,966	224,552	5,691,856
EXPENDITURES				
Current				
Instruction	2,260,762	-	-	2,260,762
Instruction-related services				
Instructional supervision and administration	296,766	-	-	296,766
Instructional library, media, and technology	212,503	-	-	212,503
School site administration	292,526	-	-	292,526
Pupil services				
Home-to-school transportation	114,059	-	-	114,059
Food services	18,117	319,205	-	337,322
All other pupil services	192,757	-	-	192,757
General administration				
Centralized data processing	15,888	-	-	15,888
All other general administration	572,150	11,200	-	583,350
Plant services	461,195	20,831	-	482,026
Facilities acquisition and construction	470,574	-	-	470,574
Ancillary services	19,738	-	-	19,738
Transfers to other agencies	228,617	-	-	228,617
Debt service				
Principal	-	-	90,000	90,000
Interest and other	-	-	129,162	129,162
Total Expenditures	5,155,652	351,236	219,162	5,726,050
Excess (Deficiency) of Revenues Over Expenditures	72,686	(112,270)	5,390	(34,194)
Other Financing Sources (Uses)				
Transfers in	-	67,716	-	67,716
Other sources	414,710	-	-	414,710
Transfers out	(67,716)	-	-	(67,716)
Net Financing Sources (Uses)	346,994	67,716	-	414,710
NET CHANGE IN FUND BALANCE	419,680	(44,554)	5,390	380,516
Fund Balance - Beginning, as Restated	2,219,360	5,229	177,254	2,401,843
Fund Balance - Ending	\$ 2,639,040	\$ (39,325)	\$ 182,644	\$ 2,782,359

The accompanying notes are an integral part of these financial statements.

**CHUALAR UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balances - Governmental Funds \$ 380,516

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$	498,629	
Depreciation expense:		(234,220)	264,409

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

90,000

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(414,710)

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:

(35,640)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:

281,940

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:

3,956

Change in Net Position of Governmental Activities	\$	570,471
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**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Chualar Union Elementary School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-8 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization’s relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. 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 of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements. The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Fund shall be 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*).

Non-Major Governmental Funds

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

D. Basis of Accounting – Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net 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. The net position should be reported as restricted when constraints placed on its 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. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means 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. Generally, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

**CHUALAR UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

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

Investments

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

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. 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. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	20 to 50 Years
Improvements/Infrastructure	5 to 50 Years
Equipment	2 to 15 Years

Interfund Balances

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

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. 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 resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations 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 obligations of the funds.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 – June 30, 2021

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

Premiums and Discounts

In the government-wide fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, lease receivables (net of related deferred inflows), prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Fund Balance

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Interfund Activity

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

G. 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.

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. 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. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. 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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

J. New Accounting Pronouncements

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has implemented this Statement as of June 30, 2022.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has not yet determined the impact on the financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This standard's primary objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. A portion of this statement was effective upon issuance, while the majority of this statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has fully implemented this Statement as of June 30, 2022.

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The statement is effective for periods beginning after June 15, 2022. The District has not yet determined the impact on the financial statements.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This standard's primary objectives are to increase consistency and comparability related to reporting fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective for periods beginning after June 15, 2021. The District has implemented this Statement as of June 30, 2022.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has not yet determined the impact on the financial statements.

**CHUALAR UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities
Investment in county treasury*	\$ 3,374,204
Fair value adjustment	(97,178)
Cash on hand and in banks	1,285
Total	\$ 3,278,311

*net of deficit cash

B. 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; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Monterey County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$3,277,026. The average weighted maturity for this pool is 482 days.

E. 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 investments in the County Treasury are not required to be rated.

**CHUALAR UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2022, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Monterey County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2022 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 3,277,026
Total	<u>\$ 3,277,026</u>

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Cafeteria Fund	Governmental Activities
Federal Government			
Categorical aid	\$ 268,555	\$ 73,023	\$ 341,578
State Government			
Categorical aid	17,730	3,499	21,229
Lottery	14,302	-	14,302
Local Government			
Other local sources	157,196	-	157,196
Total	\$ 457,783	\$ 76,522	\$ 534,305

NOTE 4 – CAPITAL ASSETS

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

	Restated Balance July 01, 2021	Additions	Deletions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 27,693	\$ -	\$ -	\$ 27,693
Construction in progress	117,617	-	117,617	-
Total capital assets not being depreciated	145,310	-	117,617	27,693
Capital assets being depreciated				
Land improvements	1,048,426	5,442	-	1,053,868
Buildings & improvements	6,467,605	577,574	-	7,045,179
Furniture & equipment	803,647	33,230	-	836,877
Total capital assets being depreciated	8,319,678	616,246	-	8,935,924
Less: Accumulated depreciation				
Land improvements	1,003,030	4,111	-	1,007,141
Buildings & improvements	4,094,132	172,261	-	4,266,393
Furniture & equipment	339,537	57,848	-	397,385
Total accumulated depreciation	5,436,699	234,220	-	5,670,919
Total capital assets being depreciated, net	2,882,979	382,026	-	3,265,005
Governmental Activities				
Capital Assets, net	\$ 3,028,289	\$ 382,026	\$ 117,617	\$ 3,292,698

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2022 were as follows:

	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>		
		<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Total</u>
General Fund		\$ -	\$ 67,716	\$ 67,716
Cafeteria Fund		11,200	-	11,200
Total		\$ 11,200	\$ 67,716	\$ 78,916

Due from the General Fund to the Cafeteria Fund to support program operating costs.	\$ 67,716
Due from the Cafeteria Fund to the General Fund for indirect costs.	11,200
Total	\$ 78,916

B. Operating Transfers

Interfund transfers for the year ended June 30, 2022 included a transfer from the General Fund to the Cafeteria Fund to support program operating costs in the amount of \$67,716.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2022 consisted of the following:

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Governmental Activities</u>
Payroll	\$ 81,234	\$ 3,533	\$ 84,767
Due to grantor government	343,062	-	343,062
Vendors payable	428,817	27,854	456,671
Total	\$ 853,113	\$ 31,387	\$ 884,500

NOTE 7 – UNEARNED REVENUE

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

	<u>General Fund</u>
Federal sources	\$ 66,225
State categorical sources	89,322
Total	\$ 155,547

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2022 consisted of the following:

	Balance July 01, 2021	Additions	Deductions	Balance June 30, 2022	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 2,975,000	\$ -	\$ 90,000	\$ 2,885,000	\$ 100,000
Unamortized premium	40,476	-	5,167	35,309	5,167
Unamortized discount	(24,010)	-	(1,211)	(22,799)	(1,211)
Total general obligation bonds	2,991,466	-	93,956	2,897,510	103,956
CEC energy loan	-	414,710	-	414,710	28,021
Total OPEB liability	626,241	183,584	-	809,825	-
Net pension liability	3,651,155	-	1,544,958	2,106,197	-
Total	\$ 7,268,862	\$ 598,294	\$ 1,638,914	\$ 6,228,242	\$ 131,977

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments on the CEC energy loan are made in the General Fund.

A. General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Series	Issue Date	Final Maturity	Interest Rate	Original Issue	Bonds Outstanding July 01, 2021	Additions	Deductions	Bonds Outstanding June 30, 2022
2001 Series A	12/14/2001	2027	6.00%	\$ 920,000	\$ 575,000	\$ -	\$ 70,000	\$ 505,000
2017 Refunding, Series A	2/16/2017	2029	3.00% - 5.00%	605,000	510,000	-	20,000	490,000
2017 Refunding, Series B	2/16/2017	2041	3.13% - 4.00%	1,895,000	1,890,000	-	-	1,890,000
Total					\$ 2,975,000	\$ -	\$ 90,000	\$ 2,885,000

The annual requirements to amortize all general obligation bonds outstanding at June 30, 2022 were as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 100,000	\$ 121,738	\$ 221,738
2024	120,000	116,513	236,513
2025	135,000	108,713	243,713
2026	145,000	100,138	245,138
2027	165,000	90,625	255,625
2028 - 2032	640,000	356,729	996,729
2033 - 2037	805,000	239,341	1,044,341
2038 - 2041	775,000	53,500	828,500
Total	\$ 2,885,000	\$ 1,187,297	\$ 4,072,297

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 8 – LONG-TERM LIABILITIES (continued)

B. California Energy Commission (CEC) Energy Loan

During the year ended June 30, 2022, the District was granted an Energy Loan in the amount of \$560,419 by the State of California, Energy Resources Conservation and Development Commission for the purpose of energy efficiency measures consisting of a solar project to be installed at the District’s school site. The Energy Loan was began being funded in August 2021, and will ultimately mature in June 2042. The loan bears no interest. At June 30, 2022, the District had received \$414,710 in loan proceeds with the remaining \$145,709 to be received in the year ended June 30, 2023. The annual payments required to amortize the CEC Energy Loan outstanding as of June 30, 2022, are as follows:

<u>Year Ended June 30,</u>	<u>Payment</u>
2023	\$ 28,021
2024	28,021
2025	28,021
2026	28,021
2027	28,021
2028 - 2032	140,105
2033 - 2037	134,500
Total	\$ 414,710

C. Other Postemployment Benefits

The District’s beginning total OPEB liability was \$626,241 and increased by \$183,584 during the year ended June 30, 2022. The ending total OPEB liability at June 30, 2022 was \$809,825. See Note 10 for additional information regarding the total OPEB liability.

D. Net Pension Liability

The District’s beginning net pension liability was \$3,651,155 and decreased by \$1,544,958 during the year ended June 30, 2022. The ending net pension liability at June 30, 2022 was \$2,106,197. See Note 11 for additional information regarding the net pension liability.

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2022:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 1,000	\$ -	\$ -	\$ 1,000
Stores inventory	-	9,790	-	9,790
Total non-spendable	1,000	9,790	-	10,790
Restricted				
Educational programs	422,222	-	-	422,222
Capital projects	-	-	6,792	6,792
Debt service	-	-	175,852	175,852
Total restricted	422,222	-	182,644	604,866
Assigned				
Postemployment benefits	633,951	-	-	633,951
Other assignments	672,466	-	-	672,466
Total assigned	1,306,417	-	-	1,306,417
Unassigned	909,401	(49,115)	-	860,286
Total Fund Balance	\$ 2,639,040	\$ (39,325)	\$ 182,644	\$ 2,782,359

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than six percent of General Fund expenditures and other financing uses.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Chualar Union School District’s defined benefit OPEB plan, Chualar Union School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

B. Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District’s governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

**CHUALAR UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Chualar Teachers Association (CTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, CTA, CSEA, and the unrepresented groups. For the measurement period, the District contributed \$51,473 to the Plan, all of which was used for current premiums.

D. Plan Membership

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	4
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	<u>28</u>
Total number of participants**	<u>32</u>

*Information not provided

**As of the June 30, 2021 valuation date

E. Total OPEB Liability

The Chualar Union School District’s total OPEB liability of \$809,825 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Economic assumptions:

Inflation	2.50%
Salary increases	2.75%
Discount rate	2.16%
Healthcare cost trend rates	4.00%

Non-economic assumptions:

Mortality:

Certificated	2020 CalSTRS Mortality Table
Classified	2017 CalPERS Active Mortality for Miscellaneous Employees Table

Retirement rates:

Certificated	2020 CalSTRS Retirement Rates Table
Classified	2017 CalPERS Retirement Rates for School Employees Table

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

F. Actuarial Assumptions and Other Inputs (continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on a review of plan experience during the period July 1, 2019 to June 30, 2021.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed 25 years.

G. Changes in Total OPEB Liability

	<u>June 30, 2022</u>
Total OPEB Liability	
Service cost	\$ 100,267
Interest on total OPEB liability	14,389
Difference between expected and actual experience	50,643
Changes of assumptions	69,758
Benefits payments	<u>(51,473)</u>
Net change in total OPEB liability	183,584
Total OPEB liability - beginning	<u>626,241</u>
Total OPEB liability - ending	<u>\$ 809,825</u>

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

The following presents the total OPEB liability of the Chualar Union School District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease	Valuation Discount Rate	1% Increase
	(1.16%)	(2.16%)	(3.16%)
Total OPEB liability	\$ 868,461	\$ 809,825	\$ 754,793

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Chualar Union School District, as well as what the District’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Valuation Trend Rate	1% Increase
	(3.00%)	(4.00%)	(5.00%)
Total OPEB liability	\$ 709,747	\$ 809,825	\$ 932,388

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Chualar Union School District recognized OPEB expense of \$113,406. At June 30, 2022, the Chualar Union School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 46,999	\$ 143,839
Changes in assumptions	116,438	9,960
District contributions subsequent to the measurement date	77,766	-
Total	<u>\$ 241,203</u>	<u>\$ 153,799</u>

The \$77,766 reported as 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 year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 13,132	\$ 14,382
2024	13,132	14,382
2025	13,132	14,382
2026	13,132	14,382
2027	13,132	14,382
Thereafter	97,777	81,889
Total	<u>\$ 163,437</u>	<u>\$ 153,799</u>

**CHUALAR UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 987,693	\$ 420,978	\$ 929,556	\$ 27,714
PERS Pension	1,118,504	295,962	503,229	115,404
Total	<u>\$ 2,106,197</u>	<u>\$ 716,940</u>	<u>\$ 1,432,785</u>	<u>\$ 143,118</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**CHUALAR UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2022, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2022 was 16.92% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$229,118 for the year ended June 30, 2022.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$139,582 to CalSTRS.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 987,693
State's proportionate share of the net pension liability associated with the District	496,980
Total	<u>\$ 1,484,673</u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2021, the District’s proportion was 0.002 percent, which was unchanged from its proportion measured as of June 30, 2020.

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

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

For the year ended June 30, 2022, the District recognized pension expense of \$27,714. In addition, the District recognized pension expense and revenue of \$(86,623) for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 781,291
Differences between expected and actual experience	2,474	105,111
Changes in assumptions	139,945	-
Changes in proportion and differences between District contributions and proportionate share of contributions	49,441	43,154
District contributions subsequent to the measurement date	229,118	-
Total	<u>\$ 420,978</u>	<u>\$ 929,556</u>

The \$229,118 reported as 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 year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 80,969	\$ 242,257
2024	73,198	221,593
2025	10,099	206,863
2026	10,296	234,992
2027	10,527	13,369
2028	6,771	10,482
Total	<u>\$ 191,860</u>	<u>\$ 929,556</u>

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each 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 expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2021, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%
	100%	

*20-year geometric average

**CHUALAR UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’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 the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 2,010,590	\$ 987,693	\$ 138,709

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2022 was 22.91% of annual payroll. Contributions to the plan from the District were \$195,940 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$1,118,504 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2021, the District's proportion was 0.006 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2020.

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

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

For the year ended June 30, 2022, the District recognized pension expense of \$115,404. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 429,248
Differences between expected and actual experience	33,390	2,637
Changes in proportion and differences between District contributions and proportionate share of contributions	66,632	71,344
District contributions subsequent to the measurement date	195,940	-
Total	<u>\$ 295,962</u>	<u>\$ 503,229</u>

The \$195,940 reported as 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 year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 56,865	\$ 146,249
2024	26,142	133,507
2025	17,015	104,091
2026	-	119,382
Total	<u>\$ 100,022</u>	<u>\$ 503,229</u>

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from 1997 through 2015.

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. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial Assumptions (continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	100.0%		

*An expected inflation of 2.00% used for this period.

**An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District’s proportionate share of the net pension liability	\$ 1,885,954	\$ 1,118,504	\$ 481,355

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2022.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Self Insured Schools of California (SISC III), Monterey and San Benito Counties Schools Liability/Property JPA (MSBCSLP), and Monterey Educational Risk Management Authority (MERMA) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found in Note 11. At June 30, 2022, total deferred outflows related to pensions was \$716,940 and total deferred inflows related to pensions was \$1,432,785.

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found in Note 10. At June 30, 2022, total deferred outflows related to other postemployment benefits was \$241,203 and total deferred inflows related to other postemployment benefits was \$153,799.

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 15 – RESTATEMENT OF NET POSITION AND FUND BALANCE

The beginning net position of Governmental Activities and the beginning fund balance for the Bond Interest and Redemption Fund have been restated in order to more accurately reflect the substance of transactions that occurred in the prior year.

The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	\$ (1,731,753)
Restatement	379,656
Net Position - Beginning, as Restated	<u>\$ (1,352,097)</u>

The effect on beginning fund balance is presented as follows:

	Bond Interest and Redemption Fund
Fund Balance - Beginning, as Previously Reported	\$ 170,063
Restatement	228
Fund Balance - Beginning, as Restated	<u>\$ 170,291</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CHUALAR UNION SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 3,497,021	\$ 3,526,181	\$ 3,645,565	\$ 119,384
Federal sources	221,563	514,000	473,157	(40,843)
Other state sources	383,909	822,822	727,839	(94,983)
Other local sources	33,865	661,340	886,545	225,205
Total Revenues	4,136,358	5,524,343	5,733,106	208,763
EXPENDITURES				
Certificated salaries	1,244,206	1,369,047	1,366,276	2,771
Classified salaries	801,188	907,672	901,288	6,384
Employee benefits	1,285,812	1,377,344	1,383,127	(5,783)
Books and supplies	240,774	304,093	244,688	59,405
Services and other operating expenditures	608,992	653,460	572,282	81,178
Capital outlay	110,762	470,574	470,574	-
Other outgo				
Excluding transfers of indirect costs	360,923	290,770	228,617	62,153
Transfers of indirect costs	(4,134)	(4,134)	(11,200)	7,066
Total Expenditures	4,648,523	5,368,826	5,155,652	213,174
Excess (Deficiency) of Revenues Over Expenditures	(512,165)	155,517	577,454	421,937
Other Financing Sources (Uses)				
Transfers in	154,787	225,447	-	(225,447)
Transfers out	(26,103)	(55,024)	(67,716)	(12,692)
Net Financing Sources (Uses)	128,684	170,423	(67,716)	(238,139)
NET CHANGE IN FUND BALANCE	(383,481)	325,940	509,738	183,798
Fund Balance - Beginning	1,587,351	1,587,351	1,587,351	-
Fund Balance - Ending	\$ 1,203,870	\$ 1,913,291	\$ 2,097,089	\$ 183,798

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- The amounts on that schedule include the financial activity of the Special Reserve for Post-Employment Benefits Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.
- Audit adjustments and reclassifications are not reflected in the schedule above.

**CHUALAR UNION SCHOOL DISTRICT
CAFETERIA FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Federal sources	\$ 211,940	\$ 211,940	\$ 275,162	\$ 63,222
Other state sources	16,677	16,677	12,384	(4,293)
Other local sources	9,700	9,700	535	(9,165)
Total Revenues	238,317	238,317	288,081	49,764
EXPENDITURES				
Classified salaries	103,830	103,830	113,739	(9,909)
Employee benefits	82,572	82,572	84,707	(2,135)
Books and supplies	51,554	51,554	53,603	(2,049)
Services and other operating expenditures	28,415	28,415	44,717	(16,302)
Capital outlay	-	-	43,270	(43,270)
Other outgo				
Transfers of indirect costs	4,134	4,134	11,200	(7,066)
Total Expenditures	270,505	270,505	351,236	(80,731)
Excess (Deficiency) of Revenues Over Expenditures	(32,188)	(32,188)	(63,155)	(30,967)
Other Financing Sources (Uses):				
Transfers in	26,103	26,103	67,716	41,613
Net Financing Sources (Uses)	26,103	26,103	67,716	41,613
NET CHANGE IN FUND BALANCE	(6,085)	(6,085)	4,561	10,646
Fund Balance - Beginning	5,229	5,229	5,229	5,229
Fund Balance - Ending	\$ (856)	\$ (856)	\$ 9,790	\$ 15,875

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance because audit adjustments and reclassifications are not reflected in the schedule above.

**CHUALAR UNION SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability					
Service cost	\$ 100,267	\$ 79,702	\$ 63,781	\$ 65,367	\$ 63,618
Interest on total OPEB liability	14,389	18,605	24,304	22,152	17,864
Difference between expected and actual experience	50,643	(213)	(183,936)	-	-
Changes of assumptions	69,758	53,314	7,900	(13,720)	-
Benefits payments	<u>(51,473)</u>	<u>(34,011)</u>	<u>(21,805)</u>	<u>(10,902)</u>	<u>(10,483)</u>
Net change in total OPEB liability	183,584	117,397	(109,756)	62,897	70,999
Total OPEB liability - beginning	<u>626,241</u>	<u>508,844</u>	<u>618,600</u>	<u>555,703</u>	<u>484,704</u>
Total OPEB liability - ending	<u>\$ 809,825</u>	<u>\$ 626,241</u>	<u>\$ 508,844</u>	<u>\$ 618,600</u>	<u>\$ 555,703</u>
Covered-employee payroll	N/A*	N/A*	N/A*	N/A*	N/A*
District's total OPEB liability as a percentage of covered-employee payroll	N/A*	N/A*	N/A*	N/A*	N/A*

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

**CHUALAR UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.002%	0.002%	0.002%	0.002%	0.002%	0.002%	0.002%	0.002%
District's proportionate share of the net pension liability	\$ 987,693	\$ 2,038,222	\$ 1,877,524	\$ 1,919,959	\$ 1,939,726	\$ 1,839,206	\$ 1,513,458	\$ 1,279,307
State's proportionate share of the net pension liability associated with the District	496,980	1,050,704	1,024,315	1,099,266	1,147,526	1,047,027	800,453	772,501
Total	<u>\$ 1,484,673</u>	<u>\$ 3,088,926</u>	<u>\$ 2,901,839</u>	<u>\$ 3,019,225</u>	<u>\$ 3,087,252</u>	<u>\$ 2,886,233</u>	<u>\$ 2,313,911</u>	<u>\$ 2,051,808</u>
District's covered payroll	\$ 1,204,142	\$ 1,117,368	\$ 1,149,939	\$ 1,147,526	\$ 1,131,200	\$ 1,140,764	\$ 1,053,491	\$ 965,867
District's proportionate share of the net pension liability as a percentage of its covered payroll	82.0%	182.4%	163.3%	167.3%	171.5%	161.2%	143.7%	132.5%
Plan fiduciary net position as a percentage of the total pension liability	87.2%	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**CHUALAR UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.006%	0.005%	0.006%	0.005%	0.005%	0.006%	0.006%	0.006%
District's proportionate share of the net pension liability	\$ 1,118,504	\$ 1,612,933	\$ 1,642,561	\$ 1,440,192	\$ 1,271,145	\$ 1,169,339	\$ 869,207	\$ 638,837
District's covered payroll	\$ 798,043	\$ 763,014	\$ 793,489	\$ 698,493	\$ 823,949	\$ 894,032	\$ 596,118	\$ 590,378
District's proportionate share of the net pension liability as a percentage of its covered payroll	140.2%	211.4%	207.0%	206.2%	154.3%	130.8%	145.8%	108.2%
Plan fiduciary net position as a percentage of the total pension liability	81.0%	70.0%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**CHUALAR UNION SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 229,118	\$ 194,469	\$ 191,070	\$ 187,210	\$ 165,588	\$ 142,305	\$ 122,404	\$ 93,550
Contributions in relation to the contractually required contribution*	(229,118)	(194,469)	(191,070)	(187,210)	(165,588)	(142,305)	(122,404)	(93,550)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,358,750	\$ 1,204,142	\$ 1,117,368	\$ 1,149,939	\$ 1,147,526	\$ 1,131,200	\$ 1,140,764	\$ 1,053,491
Contributions as a percentage of covered payroll	16.86%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%

*Amounts do not include on-behalf contributions

**CHUALAR UNION SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 195,940	\$ 165,195	\$ 150,474	\$ 143,320	\$ 108,483	\$ 114,430	\$ 105,916	\$ 70,169
Contributions in relation to the contractually required contribution*	(195,940)	(165,195)	(150,474)	(143,320)	(108,483)	(114,430)	(105,916)	(70,169)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 853,799	\$ 798,043	\$ 763,014	\$ 793,489	\$ 698,493	\$ 823,949	\$ 894,032	\$ 596,118
Contributions as a percentage of covered payroll	22.95%	20.70%	19.72%	18.06%	15.53%	13.89%	11.85%	11.77%

*Amounts do not include on-behalf contributions

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation.

Changes in Assumptions

The discount rate assumption changed from 2.21% to 2.16%. Assumed rates of retirement, termination, and mortality have been updated to align with those currently being used by the statewide pension systems.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2022, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Employee benefits	\$ 1,377,344	\$ 1,383,127	\$ 5,783
Special Revenue Fund			
Classified salaries	\$ 103,830	\$ 113,739	\$ 9,909
Employee benefits	\$ 82,572	\$ 84,707	\$ 2,135
Books and supplies	\$ 51,554	\$ 53,603	\$ 2,049
Services and other operating expenditures	\$ 28,415	\$ 44,717	\$ 16,302
Capital outlay	\$ -	\$ 43,270	\$ 43,270
Other outgo			
Transfers of indirect costs	\$ 4,134	\$ 11,200	\$ 7,066

SUPPLEMENTARY INFORMATION

**CHUALAR UNION SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
 FOR THE YEAR ENDED JUNE 30, 2022**

	Second Period Report	Revised Second Period Report	Annual Report	Revised Annual Report
	Data ID		Data ID	
	402DAB98	N/A*	955E104C	N/A*
SCHOOL DISTRICT				
TK/K through Third				
Regular ADA	112.01	111.20	112.64	111.83
Total TK/K through Third	112.01	111.20	112.64	111.83
Fourth through Sixth				
Regular ADA	82.15	82.15	82.23	82.23
Total Fourth through Sixth	82.15	82.15	82.23	82.23
Seventh through Eighth				
Regular ADA	57.55	57.55	57.36	57.36
Total Seventh through Eighth	57.55	57.55	57.36	57.36
TOTAL SCHOOL DISTRICT	251.71	250.90	252.23	251.42

*There is no certificate number associated with the revised attendance reports as the amounts are derived from a finding. See Finding #2022-005 for additional information.

**CHUALAR UNION SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2022**

Grade Level	Minutes Requirement	2021-22 Actual Minutes	Number of Days	Status
Kindergarten	36,000	58,360	180	Complied
Grade 1	50,400	55,080	180	Complied
Grade 2	50,400	55,080	180	Complied
Grade 3	50,400	55,080	180	Complied
Grade 4	54,000	55,080	180	Complied
Grade 5	54,000	55,080	180	Complied
Grade 6	54,000	57,300	180	Complied
Grade 7	54,000	57,300	180	Complied
Grade 8	54,000	57,300	180	Complied

**CHUALAR UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

	2023 (Budget)	2022	2021	2020
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 4,840,523	\$ 5,733,106	\$ 4,788,235	\$ 4,234,828
Expenditures And Other Financing Uses	5,096,205	5,223,368	4,546,378	4,301,024
Net change in Fund Balance	<u>\$ (255,682)</u>	<u>\$ 509,738</u>	<u>\$ 241,857</u>	<u>\$ (66,196)</u>
Ending Fund Balance	<u>\$ 1,841,407</u>	<u>\$ 2,097,089</u>	<u>\$ 1,587,351</u>	<u>\$ 1,345,494</u>
Available Reserves*	<u>\$ 991,438</u>	<u>\$ 909,401</u>	<u>\$ 1,259,172</u>	<u>\$ 1,229,635</u>
Available Reserves As A Percentage Of Outgo	<u>19.45%</u>	<u>17.41%</u>	<u>27.70%</u>	<u>28.59%</u>
Long-term Liabilities	<u>\$ 6,096,265</u>	<u>\$ 6,228,242</u>	<u>\$ 7,268,862</u>	<u>\$ 7,104,351</u>
Average Daily Attendance At P-2***	<u>255</u>	<u>252</u>	<u>283</u>	<u>283</u>

The General Fund ending fund balance has increased by \$751,595 over the past two years. The fiscal year 2022-23 budget projects a decrease in fund balance of \$255,682. For a District this size, the State recommends available reserves of at least 4% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2022-23 fiscal year. Total long-term obligations have decreased by \$876,109 over the past two years.

Average daily attendance has decreased by 31 ADA over the past two years. However, an increase of 3 ADA is anticipated during the 2022-23 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve for Post-Employment Benefits Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54. In addition, audit adjustments and reclassifications are not reflected in the schedule above.

***Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.

**CHUALAR UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund	Cafeteria Fund	Special Reserve for Post- Employment Benefits Fund	Capital Facilities Fund	Bond Interest and Redemption Fund
June 30, 2022, annual financial and budget report fund balance	\$ 2,097,089	\$ 9,790	\$ 633,951	\$ 6,985	\$ 180,837
Adjustments and reclassifications:					
Increase (decrease) in total fund balances:					
Fair value adjustment (GASB 31)	(92,000)	-	-	(193)	(4,985)
Accounts receivable adjustment	-	(49,115)	-	-	-
Fund balance transfer (GASB 54)	633,951	-	(633,951)	-	-
Net adjustments and reclassifications	541,951	(49,115)	(633,951)	(193)	(4,985)
June 30, 2022, audited financial statement fund balance	\$ 2,639,040	\$ (39,325)	\$ -	\$ 6,792	\$ 175,852

See accompanying note to supplementary information.

**CHUALAR UNION SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 JUNE 30, 2022**

	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
ASSETS			
Cash and investments	\$ 6,792	\$ 175,852	\$ 182,644
Total Assets	\$ 6,792	\$ 175,852	\$ 182,644
FUND BALANCES			
Restricted	\$ 6,792	\$ 175,852	\$ 182,644
Total Fund Balances	6,792	175,852	182,644
Total Liabilities and Fund Balances	\$ 6,792	\$ 175,852	\$ 182,644

**CHUALAR UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2022**

	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
REVENUES			
Federal sources	\$ -	\$ -	\$ -
Other state sources	-	281	281
Other local sources	(171)	224,442	224,271
Total Revenues	<u>(171)</u>	<u>224,723</u>	<u>224,552</u>
EXPENDITURES			
Current			
Debt service			
Principal	-	90,000	90,000
Interest and other	-	129,162	129,162
Total Expenditures	<u>-</u>	<u>219,162</u>	<u>219,162</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(171)</u>	<u>5,561</u>	<u>5,390</u>
NET CHANGE IN FUND BALANCE	(171)	5,561	5,390
Fund Balance - Beginning, as Restated	6,963	170,291	177,254
Fund Balance - Ending	<u>\$ 6,792</u>	<u>\$ 175,852</u>	<u>\$ 182,644</u>

See accompanying note to supplementary information.

**CHUALAR UNION SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2022**

The Chualar Union School District was established in 1908 and is comprised of an area of approximately 70 square miles located in Monterey County. There were no changes in the boundaries of the District during the current year. The District is operating one elementary school.

GOVERNING BOARD

Member	Office	Term Expires
Martha Gallegos	President	2024
Esperanza Rangel	Clerk	2022
Ray Lopez	Member	2024
Dulce Maria Neri Garcia	Member	2022

DISTRICT ADMINISTRATORS

Robert Rios
Superintendent/Principal

Luz Rascon
Senior Manager

**CHUALAR UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 1 – PURPOSE OF SCHEDULES

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

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

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.

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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

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.

OTHER INDEPENDENT AUDITORS' REPORTS

**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**Independent Auditors' Report

Governing Board
Chualar Union School District
Chualar, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chualar Union School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Chualar Union School District's basic financial statements, and have issued our report thereon dated March 23, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chualar Union 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 Chualar Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Chualar Union 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding #2022-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chualar Union 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 statement. 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*.

Chualar Union School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Chualar Union School District's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Questioned Costs. Chualar Union School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Christy White, Inc." in a cursive script.

San Diego, California
March 23, 2023

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

Governing Board
Chualar Union School District
Chualar, California

Report on State Compliance***Opinion on State Compliance***

We have audited Chualar Union School District's compliance with the types of compliance requirements described in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Chualar Union School District's state programs for the fiscal year ended June 30, 2022, as identified below.

In our opinion, Chualar Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the applicable state programs for the year ended June 30, 2022.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Chualar Union 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 audit opinion on state compliance. Our audit does not provide a legal determination of Chualar Union 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 the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Chualar Union School District's state programs.

Auditor’s Responsibilities for the Audit of State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Chualar Union 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 generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance 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. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Chualar Union School District's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgement 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 Chualar Union School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Chualar Union 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 K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Chualar Union School District's internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine Chualar Union School District's compliance with the state laws and regulations related to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable

Auditor’s Responsibilities for the Audit of State Compliance (continued)

PROGRAM NAME	PROCEDURES PERFORMED
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
In-Person Instruction Grant	Yes
Charter Schools	
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because program ADA was not material. The term “Not Applicable” is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

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 or material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings #2022-002, #2022-003, #2022-004, and #2022-005. Our opinion on state compliance is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Chualar Union School District’s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Chualar Union School District’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 state 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 state 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 State Compliance section 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. 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 K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
March 23, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CHUALAR UNION SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>Yes</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

The District was not subject to Uniform Guidance Single Audit for the year ended June 30, 2022 because federal award expenditures did not exceed \$750,000.

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2021-22 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**CHUALAR UNION SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

FINDING #2022-001: INTERNAL CONTROL OVER FINANCIAL REPORTING – MATERIAL WEAKNESS (30000)

Criteria: Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting entries, reclassifying entries, and conversion entries used in the preparation of the District’s financial statements. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition: During our audit, we found a deficiency in internal control over financial reporting. The District did not appropriately accrue the cafeteria program meal service reimbursement claims and adjustments during the year-end closing process. This resulted in a material audit adjustment to be posted to the financial statements.

Repeat Finding: This is not a repeat finding.

Cause: The conditions appeared to be due to general oversight and turnover in management and staffing.

Effect: Audit adjustments were required due to material misstatements within the unaudited financial statements prepared by the District.

Recommendation: The District should implement procedures to ensure that accruals are properly recorded such as reviewing all payments and receipts after June 30 during the closing process to determine any expenditures or revenues that were incurred or earned but not yet paid or received.

Corrective Action Plan: The District will implement the following procedure to ensure efficiency in internal financial reporting:

- The Cafeteria Manager will be required to submit the claims to the California Child Nutrition Information & Payment System in the first week of each following month. The Cafeteria Manager also needs to send the copy of submission to the Business Manager for reviewing. The Business Manager will record and verify the reimbursement amounts to ensure the claims match with reimbursement checks received.
- The Cafeteria Manager meets with the Business Manager monthly to review the claims, reports as well as meal accountability record.

**CHUALAR UNION SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related and Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

FINDING #2022-002: COMPREHENSIVE SCHOOL SAFETY PLAN (40000)

Criteria: Pursuant to California Education Code Sections 32280 - 32289, all California public schools kindergarten and grades one through twelve must develop a Comprehensive School Safety Plan (CSSP) approved by the board of directors by March 1 of the current school year. Additionally, if the District does not develop and approve a comprehensive school safety plan by October 15, a letter must be submitted to the State Superintendent of Public Instruction.

Condition: In testing the comprehensive school safety plans for Chualar Elementary, we were unable to confirm that a CSSP was developed and adopted for the 2021-2022 school year.

Cause: Administrative oversight.

Effect: The District is not in compliance with applicable sections of Education Code.

Questioned Costs: None.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District implement procedures to ensure that a CSSP is developed and adopted by March 1 of each school year.

Corrective Action Plan: The Comprehensive Safety Plan for the school year 2022-23 has been approved by the Board on March 22, 2023. The President of the Board of Trustees along with the Superintendent will meet the annual requirements of the plan submission by doing the following procedures:

- Establish the School Safety Committee to include parents, staff, administration, and faculty.
- The committee will review and update the safety plan on annual basis.
- The plan will be submitted for approval at the February meeting of the Board of Trustees.
- The approved plan will be submitted to the Monterey County Office of Education immediately the day after approval date.

**CHUALAR UNION SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING #2022-003: PROPER EXPENDITURE OF EDUCATION PROTECTION ACCOUNT FUNDS (40000)

Criteria: Funds provided from the Education Protection Account (EPA) must be properly expended as required by Article XIII, Section 36, Subdivision (e), Paragraph (6) of the California Constitution. Specifically, EPA funds may not be used for salaries or benefits of administrators or any other administrative costs.

Condition: Based on our review of expenditures charged to the EPA resource for the year ended June 30, 2022, the District expended \$21,971 for administrative purposes.

Effect: The District was not in compliance with the requirements for proper expenditure of EPA funds.

Cause: Administrative oversight.

Questioned Costs: \$21,971, which totals the amount of EPA funds expended for administrative purposes.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend reviewing and utilizing CDE guidance regarding the proper uses of EPA funds in order to ensure compliance in future years.

Corrective Action Plan: The District Superintendent will meet with the Business Officer on a schedule basic to review the financial reports to ensure that all expenditures align with their budget and funds requirement. The Business Manager will also review the CDE guidelines to ensure the accuracy in using the EPA funds. The district Superintendent along with the Business Manager will schedule to present the First and Second Interim reports to the Board of Trustee to make sure the funds are expended properly.

FINDING #2022-004: INSTRUCTIONAL MATERIALS (70000)

Criteria: California Education Code Section 60119 requires the governing board of each local education agency (LEA) to hold a public hearing and make a determination through a resolution, as to whether each pupil has sufficient textbooks or instructional materials on or before the end of the eighth week from the first day of school for that year. In addition, this section requires the LEA to post notices of public hearing at least ten days prior to the hearing in three public places.

Condition: During our compliance testing of this area, we determined the District did not post the notice of public hearing regarding the sufficiency of instructional materials a minimum of ten days prior to the public hearing. The documentation provided to auditors indicated that the public notice was posted on October 1, 2021, while the public hearing took place at the board meeting held on October 6, 2021.

Effect: The District is not in compliance with Education Code Section 60119.

Cause: Administrative oversight.

Questioned Costs: None. There is no funding directly related to the sufficiency of instructional materials public hearing and board resolution.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District implement procedures to ensure compliance with Education Code requirements regarding the sufficiency of instructional materials public hearing notice.

**CHUALAR UNION SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING #2022-004: INSTRUCTIONAL MATERIALS (70000) (continued)

Corrective Action Plan: Upon the completion of the Williams Act instructional materials and facility review the administration of the Chualar Union School District will do the following:

- Schedule public hearing.
- Schedule the upcoming Board Meeting.
- The Board will adopt the resolution indicating whether the student has sufficient textbooks or instructional materials.
- The Superintendent will ensure that the scheduled meeting of the Governing Board will be held prior to the end of eight week from the first day of school.
- The Superintendent will ensure that the notice of public hearing will be posted at least 10 days prior to the public hearing and at three difference places.
- The Superintendent will also ensure that all social media sources availed to the District will be utilized to inform to the community.

FINDING #2022-005: KINDERGARTEN CONTINUANCE (40000)

Criteria: Pupils enrolled in kindergarten for consecutive years should have a signed parental agreement to continue form, approved in form and content by the California Department of Education. For a pupil who begins kindergarten mid-year, one school year of kindergarten is completed on the last day prior to the anniversary of the pupil’s first day of kindergarten per sections 14502.1, 14503 and 41020 of California Education Code.

Condition: During our review of kindergarten students enrolled at Chualar Elementary School that turned six years old prior to September 1, 2021, we noted one student that attended kindergarten in 2020-2021 and continued kindergarten in 2021-22 that did not have a completed kindergarten continuance form on file.

Effect: The District is noncompliant with the criteria outlined above. A total of 0.81 ADA generated by the student during the 2021-2022 school year will be disallowed.

Cause: Administrative oversight.

Questioned Costs: \$10,513, based on disallowed ADA in the amount of 0.81 for the K-3 grade span. The calculation of this amount is shown below. The District has not revised its attendance reports to reflect the disallowed ADA.

Derived Value of ADA	\$	12,978.53
Disallowed ADA		0.81
	\$	10,513.00

Repeat Finding: This is not a repeat finding.

Recommendation: The District should implement procedures to ensure that all students enrolled in kindergarten for consecutive years are required to have a completed and signed parental agreement form in their cumulative file in order for the pupil to continue kindergarten.

**CHUALAR UNION SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING #2022-005: KINDERGARTEN CONTINUANCE (40000) (continued)

Corrective Action Plan: The District will review the Kindergarten Continuance policy (40000) with the parents of the child considered for retention. The District will review the following policy sections as follows.

- Schedule the meeting with the family in question with sufficiency advance notice to ensure that the parents attend.
- The Administration will review the following policy section in detail. They are 14502.1, 14503, and 4100 of the California Education Code.
- The Administration, the Teacher of Record, and any other personnel that can provide assessment result will do so at a scheduled Student Study Team meeting.
- Should the family agree to the recommended retention, they will be asked to sign the Parental Agreement to Continue form.
- The District will provide the parents the necessary copy for their file.
- The District will retain the signed parental agreement form as well as any other documents pertaining to this decision into the student file.

**CHUALAR UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING #2021-001: CLASSROOM TEACHER SALARIES (61000)

Criteria: Education Code Section 41372 requires that the payment of classroom teacher salaries and benefits meet or exceed 60 percent (for elementary districts) of total expenditures of the District.

Condition: The District spent 47.05 percent of their current expense of education (\$3,716,063.72) on classroom teacher salaries and benefits.

Questioned Costs: The deficiency was calculated to be \$481,230.25.

Cause: Due to COVID-19, additional Federal funding was received, and it reduced the allowable reductions.

Effect: The deficiency amount was determined to be \$481,230.25; therefore, the District is out of compliance with Education Code Section 41372.

Repeat Finding: Yes, this is a repeat of Finding #2020-001.

Recommendation: We recommend the District continue to work on this requirement and apply for a waiver of the requirement from the Monterey County Office of Education.

District Response: The District will be applying for a waiver with Monterey County Superintendent of Schools in December 2021. The District will make progress and continue working on aligning school resources towards meeting the CEA minimum requirement in 2020-2021.

Current Status: Implemented. The District has determined that it is exempt under Education Code Section 41374.