



Financial Statements  
June 30, 2021

# Eden Area Regional Occupational Program

# Eden Area Regional Occupational Program

Table of Contents

June 30, 2021

---

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis .....	4
Government Wide Financial Statements	
Statement of Net Position .....	14
Statement of Revenues, Expenses and Changes in Net Position.....	15
Government Fund Financial Statements	
Balance Sheet - Governmental Funds.....	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds.....	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	19
Notes to Financial Statements.....	20
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund .....	53
Schedule of Changes in the EAROP’s Net OPEB Liability and Related Ratios .....	54
Schedule of the EAROP’s Proportionate Share of the Net Pension Liability .....	55
Schedule of the EAROP’s Contributions.....	56
Notes to Required Supplementary Information .....	57
Supplementary Information	
Local Education Agency Organization Structure.....	59
Reconciliation of Annual Financial and Budget Report with Adjusted Financial Statements .....	60
Schedule of Financial Trends and Analysis .....	61
Notes to Supplementary Information.....	62
Independent Auditor’s Reports	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	64
Schedule of Findings and Questioned Costs	
Summary of Auditor’s Results.....	66
Financial Statement Findings .....	67
State Awards Findings and Questioned Costs .....	68
Summary Schedule of Prior Audit Findings.....	69



## Independent Auditor's Report

To the Governing Board  
Eden Area Regional Occupational Program  
Hayward, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eden Area Regional Occupational Program (EAROP) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the EAROP's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Eden Area Regional Occupational Program as of June 30, 2021, 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.

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

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the EAROP's basic financial statements. The local education agency organization structure, reconciliation of annual financial and budget report with audited financial statements, and schedule of financial trends and analysis (supplementary information) listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 January 10, 2022, on our consideration of the EAROP'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 EAROP'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 EAROP's internal control over financial reporting and compliance.

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

San Ramon, California  
January 10, 2022

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

## **Overview of the Financial Statements**

### **The Financial Statements**

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

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

The *Fund Financial Statements* include statements for the governmental activities.

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

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

The Primary unit of the government is the Eden Area Regional Occupational Program (EAROP).

### **Financial Highlights of 2020-2021**

The General Fund revenues, including the Adult Education Fund (Fund 11) and Special Reserve Fund for Postemployment Benefits (Fund 20), reported as part of the General fund due to the requirements of GASB 54, were \$13,519,804, including on-behalf payment of \$327,316, for 2020-2021. EAROP receives approximately 58 percent of its revenue from funds provided by member districts from their Local Control Funding Formula. The remaining amount comes from Federal, State, and Local grants, donations, registration fees and interest income.

Salaries and benefits expenditures reflect the changes in staffing due to new grants received as well as annual step and column. The General Fund ending balance, including the consolidation of Funds 11 and 20, the Adult Education and Special Reserve Fund for Postemployment Benefits is \$7,545,446. The reserve for economic uncertainty of 6% percent has been met.

### **Reporting the EAROP as A Whole**

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

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

These two statements report the EAROP's net position and changes in it. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the EAROP's financial health, or financial position. Over time, increases or decreases in the EAROP's net position will serve as a useful indicator of whether the financial position of the EAROP is improving or deteriorating. Other factors to consider are changes in the EAROP's funding as a result of the member districts Local Control Funding Formula provisions that fund the EAROP based on 2012-13 funding levels.

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

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

**Governmental Activities** – All of the EAROP's services are reported in this category. This includes the education of high school Juniors and Seniors (or students who have reached the age of 16, with certain exceptions), adult education students, and the on-going effort to improve and maintain buildings and sites. The EAROP leases the buildings at the Hayward site. Property taxes, state income taxes, interest income, Federal, State, and local grants, finance these activities.

### **Reporting the EAROP's Most Significant Funds**

#### **Fund Financial Statements**

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

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

**The EAROP as a Whole**

**Net Position**

The EAROP's net position was \$6,242,141 for the fiscal year ended June 30, 2021 and \$6,032,765, as restated for GASB-84 implementation for the fiscal year ended June 30, 2020. Of this amount, \$3,122,757 and \$2,821,515 of net position on the full accrual basis was unrestricted for each respective year. 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 net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the EAROP's governmental activities.

**Table 1**

	<u>2021</u>	<u>(Restated) 2020</u>
Governmental Activities		
Current and Other Assets	\$ 15,934,263	\$ 11,720,018
Capital Assets	2,792,204	2,972,781
Total assets	<u>18,726,467</u>	<u>14,692,799</u>
Deferred Outflows of Resources	2,091,673	2,414,081
Current Liabilities	5,229,334	1,636,015
Long-term Debt	8,197,242	8,307,184
Total liabilities	<u>13,426,576</u>	<u>9,943,199</u>
Deferred Inflows of Resources	1,149,423	1,130,916
Net Position		
Net investment in capital assets	2,792,204	2,972,781
Restricted	327,180	238,469
Unrestricted	3,122,757	2,821,515
Total net position	<u>\$ 6,242,141</u>	<u>\$ 6,032,765</u>

The \$3,122,757 in unrestricted net position of governmental activities represents the accumulated results of all past year's operations and includes amounts that are assigned by the board for specific purposes but not restricted by external funding sources.

**Changes in Net Position**

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

**Table 2**

	Governmental Activities	
	2021	2020 *
Revenues		
Program revenues		
Charges for services	\$ 715,468	\$ 678,788
Operating grants and contributions	3,770,532	3,013,318
General revenues		
Federal and State aid not restricted to specific purposes	506,261	313,010
Interest and investment earnings	101,806	250,217
Interagency revenues	7,791,157	7,791,158
Other general revenues	775,655	483,032
	<u>13,660,879</u>	<u>12,529,523</u>
Total revenues		
Expenses		
Instruction	9,015,843	8,566,336
Instruction related activities	2,067,279	1,910,211
Pupil services	362,545	989,433
General administration	1,565,015	1,339,015
Plant services	440,528	511,114
Ancillary services	293	-
	<u>13,451,503</u>	<u>13,316,109</u>
Total expenses		
Change in Net Position	<u>\$ 209,376</u>	<u>\$ (786,586)</u>

\* The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

**Governmental Activities**

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$13,451,503. These costs were primarily funded through the State Regional Occupational Program apportionment received through member districts. The remainder was financed through other Federal and State Grant programs, fees, interest and other local sources.

In Table 3, we have presented the cost and net cost of each of the EAROP's largest functions: instruction, instruction related activities, pupil services, general administration, plant services and other outgo. As discussed above, the net cost represents the amount of expenditures that is funded through general revenues.

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2021	2020*	2021	2020*
Instruction-related	\$ 9,015,843	\$ 8,566,336	\$ (5,658,190)	\$ (5,678,759)
Instruction Related Activities	2,067,279	1,910,211	(1,189,885)	(1,245,459)
Pupil Services	362,545	989,433	(220,213)	(884,640)
General Administration	1,565,015	1,339,015	(1,489,681)	(1,339,015)
Plant Services	440,528	511,114	(407,241)	(476,130)
Ancillary services	293	-	(293)	-
<b>Total</b>	<b>\$ 13,451,503</b>	<b>\$ 13,316,109</b>	<b>\$ (8,965,503)</b>	<b>\$ (9,624,003)</b>

\* The total and net cost of services for fiscal year 2020 were not restated to show the effects of GASB for comparative purposes.

**The EAROP's Funds**

As the EAROP completed this year, our governmental funds reported a combined fund balance of \$10,704,929 which is an increase of \$620,926 from last year.

The General fund, including consolidated adult education and special reserve for postemployment benefit funds, ending balance is \$7,575,386 which is a net increase of \$557,703.

Special Reserve - Capital Outlay fund consists of the Capital outlay, capital equipment and Center operation. The fund increased \$63,223 from the prior year.

**General Fund Budgetary Highlights**

Over the course of the year, the EAROP revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 2, 2021. A schedule showing the EAROP's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

Any change in revenue from our original budget to our final adopted budget of \$4,430,042 can be attributed to a change in new and/or expanded state and local grants.

**Capital Asset and Debt Administration**

**Capital Assets**

At June 30, 2021, the EAROP had \$2,792,204 in a broad range of capital assets (net of depreciation), including buildings and improvements, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$180,577 (Table 4).

**Table 4**

	Governmental Activities	
	2021	2020
Buildings and Improvements	\$ 4,058,256	\$ 4,058,256
Furniture and Equipment	1,043,123	1,179,183
Total assets	5,101,379	5,237,439
Less total accumulated depreciation	(2,309,175)	(2,264,658)
Total assets after depreciation	\$ 2,792,204	\$ 2,972,781

Please refer to Note 4 for more detailed information.

**Long-Term Debt**

At the end of the year the EAROP had \$8,197,243 in long-term liabilities outstanding versus \$8,307,184 last year, a decrease of 1 percent. Those long-term liabilities consisted of:

**Table 5**

	Governmental Activities	
	2021	2020
Accumulated Vacation	\$ 53,795	\$ 55,657
Net OPEB Obligation	114,861	49,362
Aggregate Net Pension Obligation	8,028,586	8,202,165
Totals	\$ 8,197,242	\$ 8,307,184

## **Significant Accomplishments of Fiscal Year 2020-2021**

### **Educational Program Advancements**

#### *Student Organizations/Leadership Opportunities*

EAROP students demonstrate their leadership skills in a variety of ways. While we were operating in a distance learning format for the 20-21 school year, the state sponsored Career Technical Student Organizations (CTSO) were able to develop a virtual competition opportunity for students, some of which were able to take advantage of that opportunity. Additionally, teachers identified ways to weave in leadership opportunities to their virtual programs through the completion of group projects and the use of breakout rooms and Microsoft Notebook.

#### *Student Recognition*

EAROP served approximately 4,600 students during the 2020-2021 school year. We were able to convert our monthly student recognition program into a virtual format that recognized 3-4 students at each of our monthly board meetings. Our annual "Student of the Year" program was also held in a virtual format in which each instructor recognized up to two outstanding students from their classes.

#### *Center Tours and Open House*

Annual tours for prospective students were converted into a virtual format for the 2020-2021 school year. We were able to coordinate a time to present information regarding our programs and their benefits to the students from each of the schools we serve. The students were shown a video of each of the center programs and given information about how the programs work. This format enabled us to create a presentation in Spanish for our students whose primary language is Spanish.

Health orders in effect prohibited us from hosting our annual open house, but conditions in the spring did enable us to offer small cohort instruction to students in the spring. Given the schedules of our four partner districts, the only way we could make it work was to offer small group instruction after school. We ran a program from April-May and offered a summer program for students who were interested and unable to attend after school.

#### *Grants*

EAROP also serves as the fiscal lead for the grants focused on Career Technical Education. Applying as a collaborative with EAROP as the lead, demonstrates the commitment our member districts have, to the regional delivery CTE model and the economies of scale it provides.

During FY 2020-2021, EAROP served as the fiscal lead for the following CTE grants:

- CTE Incentive Grant—an annual grant based on student enrollment and progress toward meeting the 12 essential elements of a quality CTE program.

- Strong Workforce Program (SWP)—an annual competitive grant in which an LEA can submit up to three applications per year. The grant applications can have up to 30 months to implement the plan submitted in the application. EAROP served as the fiscal lead for five SWP grants on behalf of our partner districts during FY 2020-2021.

## **Business and Finance**

The 2020-2021 Financial Report includes the documentation of all fiscal transactions of the EAROP. It presents EAROP's financial position for the period July 1, 2020 through June 30, 2021. Following notes and comments compare and explain noteworthy fiscal observations and facts regarding FY 2020-2021.

Funding for the EAROP comes from three sources:

- Partner districts
- State grants
- Federal grants

### *Partner Districts*

The majority of the funding comes from our four partner districts: Castro Valley USD, Hayward USD, San Leandro USD and San Lorenzo USD. Under the old Average Daily Attendance (ADA) model, ADA generated by the students enrolled in EAROP was split between the districts and the EAROP. With the creation of the Local Control Funding Formula (LCFF), EAROP ADA funds were folded into the base allocation of the partner districts, and it was up to each district to decide how to use these funds. All four districts elected to continue funding the EAROP at the 2008-2009 level with the agreement to pass on any state COLA received to the EAROP. To provide additional support for the implementation of Career Technical Education (CTE) among the four member districts, the EAROP continued to identify and apply for grants in support of CTE.

### *State Grants*

State revenue is derived from four main sources:

#### **CTE Incentive Grant**

For FY 2020-2021, EAROP was approved for a grant of \$1,384,525 for Career Technical Education Incentive Grant (CTEIG) on behalf of partner districts.

#### **Workability**

EAROP continues to receive funding from Project Workability that supports students with learning needs, transitioning from schools to the workplace.

#### **K12 Strong Workforce Program (SWP)**

The K12 SWP is part of the Chancellor's Office Strong Workforce Program. As mentioned, EAROP served as the fiscal lead for five SWP grants on behalf of our partner districts during FY 2020-2021, three of which are to sunset in FY 2021-2022.

### **Direct Support Professional Program (DSP)**

The DSP program is a statewide training program required of adults working in assisted living facilities. EAROP has contracted with Fresno County Office of Education to continue the program that is now being managed by Adult Education.

### *Federal Grants*

Federal revenue is derived from two main sources:

#### **South Hayward Promise Neighborhood (HPN)**

Cal State East Bay has been the fiscal lead for both the first and second rounds of which continued into FY 2020-2021. HPN is a five year grant, allocated on a calendar year basis, that will continue through FY 2022-2023.

#### **Workforce Innovation Opportunity Act (WIOA)**

Alameda County Workforce Development Board granted EAROP to support the implementation of the WIOA program. This is a multiyear grant in the amount of \$261,958 that sunsetted in FY 2020-2021.

### **Adult Education Fund**

This is the fifth year of the Adult Education Fund. The EAROP assumed the (CCTC) Electrical Trainee Program on October 1, 2016. The assumption increased the Adult Programs enrollment by 500 students. The Electrical Trainee program is a fee-based program with two fee schedules: \$525 per trimester for the evening program, and \$5,700 for the 6 month Accelerated Day Program. CCTC was an approved provider for "the Electrical Trainee Program" School #109. Completion of this entire program satisfied the Division of Apprenticeship Standards Curriculum Standards in whole, and the Electrician Trainee becomes eligible to take the California General Electrician Exam. The Electrical Trainee Program is an excellent complement to the initial Adult Programs' course offerings: Clinical Medical Assisting (CMA), Dental Assisting, and Welding.

The adult Apprenticeship Program revenue continues to increase and EAROP also continues to partner with Associated Builders and Contractors. In 2018-2019, EAROP added another partner, Northern California Elevator Industry Joint Apprenticeship and Training Committee to distribute the additional RSI hours given by the State. The State increased the rate and per hour funding for this program. This program was transferred to the Adult Education fund in FY 2016-2017 because this caters to the adult education population.

### **Economic Factors and Next Year's Budgets and Rates**

In considering EAROP's budget for FY 2021-2022, the Governing Board and administration incorporates the assumptions:

#### *Revenue*

- Members of the JPA from the four partner districts have agreed to continue to fund EAROP at the same level, plus any COLA given by the State.
- HPN federal grant continues to fund EAROP until FY 2022-2023.
- Sixth year of CTEIG grant continues to fund EAROP until FY 2022-2023.
- New on-going CTEIG funding per Governor's approved budget.
- New on-going workforce development funding through California Community Colleges per Governor's approved budget.
- Calculated interest per ACOE report in investments.

#### *Expenditures*

- CalSTRS and CalPERS increases as projected by School Services of California.
- Increase in transportation costs for students to/from partner districts.
- Salaries and benefits projections driven by Board approved COLA and step & column increases.
- Sub agreements with partner districts and CTEIG grants work based learning.

### **Contacting the EAROP's Financial Management**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the EAROP's finances and to show the EAROP's accountability for the money it receives. If you have questions about this report or need any additional financial information, please contact EAROP's Fiscal Services Administrator Mr. Anthony Oum at 26316 Hesperian Blvd, Hayward, California. 94545, or at [aoum@edenrop.org](mailto:aoum@edenrop.org).

## Eden Area Regional Occupational Program

## Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
Assets	
Deposits and investments	\$ 13,062,455
Receivables	2,871,808
Capital assets, net of accumulated depreciation	<u>2,792,204</u>
Total assets	<u>18,726,467</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	80,877
Deferred outflows of resources related to pensions	<u>2,010,796</u>
Total deferred outflows of resources	<u>2,091,673</u>
Liabilities	
Accounts payable	1,267,748
Unearned revenue	3,961,586
Noncurrent portion of long-term obligations other than pensions	53,795
Noncurrent portion of net other post employment benefit plan liability	114,861
Noncurrent portion of aggregate net pension liability	<u>8,028,586</u>
Total liabilities	<u>13,426,576</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	8,027
Deferred inflows of resources related to pensions	<u>1,141,396</u>
Total deferred inflows of resources	<u>1,149,423</u>
Net Position	
Net investment in capital assets	2,792,204
Restricted for	
Educational programs	327,180
Unrestricted	<u>3,122,757</u>
Total net position	<u>\$ 6,242,141</u>

Eden Area Regional Occupational Program  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2021

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction	\$ 9,015,843	\$ 322,699	\$ 3,034,954	\$ (5,658,190)
Instruction-related services				
Supervision of instruction	840,985	85,432	345,277	(410,276)
Instructional library, media, and technology	14,627	4,393	1,025	(9,209)
School site administration	1,211,667	278,005	163,262	(770,400)
Pupil services				
Home-to-school transportation	75,939	-	33,930	(42,009)
All other pupil services	286,606	-	108,402	(178,204)
General administration				
Centralized data processing	264,563	-	-	(264,563)
All other general administration	1,300,452	-	75,334	(1,225,118)
Plant services	440,528	24,939	8,348	(407,241)
Ancillary services	293	-	-	(293)
Total governmental activities	<u>\$ 13,451,503</u>	<u>\$ 715,468</u>	<u>\$ 3,770,532</u>	<u>(8,965,503)</u>
General Revenues and Subventions				
Federal and State aid not restricted to specific purposes				506,261
Interest and investment earnings				101,806
Interagency revenues				7,791,157
Miscellaneous				775,655
Subtotal, general revenues				<u>9,174,879</u>
Change in Net Position				209,376
Net Position - Beginning, as restated				<u>6,032,765</u>
Net Position - Ending				<u><u>\$ 6,242,141</u></u>

Eden Area Regional Occupational Program

Balance Sheet - Governmental Funds

June 30, 2021

	Major Funds		Total Governmental Funds
	General Fund	Special Reserve Capital Outlay Fund	
<b>Assets</b>			
Deposits and investments	\$ 9,939,149	\$ 3,123,306	\$ 13,062,455
Receivables	2,865,571	6,237	2,871,808
<b>Total assets</b>	<b>\$ 12,804,720</b>	<b>\$ 3,129,543</b>	<b>\$ 15,934,263</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,267,748	\$ -	\$ 1,267,748
Unearned revenue	3,961,586	-	3,961,586
<b>Total liabilities</b>	<b>5,229,334</b>	<b>-</b>	<b>5,229,334</b>
<b>Fund Balances</b>			
Nonspendable	15,000	-	15,000
Restricted	327,180	-	327,180
Assigned	5,943,391	3,129,543	9,072,934
Unassigned	1,289,815	-	1,289,815
<b>Total fund balances</b>	<b>7,575,386</b>	<b>3,129,543</b>	<b>10,704,929</b>
<b>Total liabilities and fund balances</b>	<b>\$ 12,804,720</b>	<b>\$ 3,129,543</b>	<b>\$ 15,934,263</b>

Eden Area Regional Occupational Program  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2021

---

Total Fund Balance - Governmental Funds \$ 10,704,929

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

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

The cost of capital assets is	\$ 5,101,379
Accumulated depreciation is	<u>(2,309,175)</u>

Net capital assets	<u>2,792,204</u>
--------------------	------------------

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

Deferred outflows of resources amounted to and related to

Other postemployment benefits (OPEB)	80,877
Net pension liability	<u>2,010,796</u>

Total deferred outflows of resources	<u>2,091,673</u>
--------------------------------------	------------------

Deferred inflows of resources represent an acquisition of net position  
 that applies to a future period and is not reported in the governmental funds.

Deferred inflows of resources amount to and related to

Other postemployment benefits (OPEB)	(8,027)
Net pension liability	<u>(1,141,396)</u>

Total deferred inflows of resources	<u>(1,149,423)</u>
-------------------------------------	--------------------

Long-term liabilities are not due and payable in the current period and,  
 therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Compensated absences (vacations)	(53,795)
Other postemployment benefits (OPEB)	(114,861)
Net aggregate pension liability	<u>(8,028,586)</u>

Total long-term liabilities	<u>(8,197,242)</u>
-----------------------------	--------------------

Total net position - governmental activities	<u><u>\$ 6,242,141</u></u>
----------------------------------------------	----------------------------

Eden Area Regional Occupational Program  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds  
Year Ended June 30, 2021

	Major Funds		Total Governmental Funds
	General Fund	Special Reserve Capital Outlay Fund	
<b>Revenues</b>			
Federal sources	\$ 423,915	\$ -	\$ 423,915
Other state sources	2,589,225	-	2,589,225
Other local sources	10,506,664	63,223	10,569,887
<b>Total revenues</b>	<b>13,519,804</b>	<b>63,223</b>	<b>13,583,027</b>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	8,688,150	-	8,688,150
Instruction-related activities			
Supervision of instruction	806,254	-	806,254
Instructional library, media and technology	4,793	-	4,793
School site administration	1,154,044	-	1,154,044
Pupil services			
Home-to-school transportation	73,290	-	73,290
All other pupil services	270,799	-	270,799
General administration			
Data processing	258,772	-	258,772
All other general administration	1,244,041	-	1,244,041
Plant services	461,665	-	461,665
Ancillary services	293	-	293
<b>Total expenditures</b>	<b>12,962,101</b>	<b>-</b>	<b>12,962,101</b>
<b>Net Change in Fund Balances</b>	<b>557,703</b>	<b>63,223</b>	<b>620,926</b>
Fund Balances - Beginning, as restated	7,017,683	3,066,320	10,084,003
<b>Fund Balances - Ending</b>	<b>\$ 7,575,386</b>	<b>\$ 3,129,543</b>	<b>\$ 10,704,929</b>

## Eden Area Regional Occupational Program

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

---

Total Net Change in Fund Balances - Governmental Funds	\$	620,926
<p>This is the amount by which depreciation exceeds capital outlays in the period.</p>		
Depreciation expense	\$	(215,291)
Capital outlays		<u>53,909</u>
Net expense adjustment		(161,382)
Loss on disposal of assets		(19,195)
<p>In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.</p>		
		1,862
<p>In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.</p>		
		(164,532)
<p>In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.</p>		
		<u>(68,303)</u>
Change in net position of governmental activities	\$	<u><u>209,376</u></u>

**Note 1 - Summary of Significant Accounting Policies****Financial Reporting Entity**

The Eden Area Regional Occupational Program (EAROP) was formed in 1971 under the laws of the State of California. The EAROP was formed by a joint powers agreement among the following School districts: Castro Valley Unified School District, San Leandro Unified School District, and San Lorenzo Unified School District. Hayward Unified School District joined the EAROP on January 1, 1991. The purpose of the EAROP is to provide career preparation and training to youths and adults residing in the member districts that formed the joint powers entity.

The EAROP is funded by each participating member district. The EAROP has the responsibility to develop, oversee and evaluate the course material presented.

The EAROP is governed by an appointed board and maintains its own paid operational staff. The board is comprised of one member selected by each participating district's governing board. The EAROP is fiscally responsible for its own operation, major financing arrangements and contracts. Its significant accounting policies, as detailed below, are the same as for any independent California local educational agency.

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 EAROP consists of all funds, departments, boards, and agencies that are not legally separate from EAROP. For EAROP, this includes general operations and student related activities of EAROP.

**Basis of Presentation - Fund Accounting**

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

Governmental funds are those through which most governmental functions typically are financed.

Governmental fund reporting focuses on the sources, uses, and balances of current financial resources.

Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the EAROP's major funds:

**Major Governmental Funds**

**General Fund** The General Fund is the chief operating fund for all Local Education Agencies (LEAs). It is used to account for the ordinary operations of the EAROP. All transactions except those accounted for in another fund are accounted for in this fund.

Two funds currently defined as a special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically Fund 11, Adult Education Fund and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase in fund balance of \$523,667.

**Capital Project Funds** The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds). The EAROP maintains the following capital project fund:

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

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

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

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

**Fund Financial Statements** Fund financial statements report detailed information about the EAROP. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. All of the EAROP funds are presented as major funds.

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

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the EAROP receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. The EAROP considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

### **Unearned Revenue**

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

### **Expenses/Expenditures**

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

### **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 pool are determined by the program sponsor.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the EAROP. The EAROP maintains a capitalization threshold of \$5,000. The EAROP does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 9 years; equipment and furniture, 5 to 20 years.

**Compensated Absences**

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

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

**Accrued Liabilities and Long-Term Liabilities**

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

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

**Deferred Outflows/Inflows of Resources**

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

**Pensions**

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

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the EAROP Plan and additions to/deductions from the EAROP Plan have been determined on the same basis as they are reported by the EAROP Plan. For this purpose, the EAROP Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

**Fund Balances - Governmental Funds**

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

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

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

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

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

**Unassigned** - all other spendable amounts.

**Spending Order Policy**

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

**Minimum Fund Balance Policy**

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

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The EAROP has no capital asset related debt outstanding as of June 30, 2021. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the EAROP or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The EAROP first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$327,180 of restricted net position.

**Interfund Activity**

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. 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 column of the Statement of Activities.

**Estimates**

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

**Property Tax**

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

**Change in Accounting Principles****Implementation of GASB Statement No. 84**

As of July 1, 2020, the EAROP adopted GASB Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the EAROP resulted in a reclassification of the EAROP's student body activities from fiduciary funds to governmental funds. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 15.

**Note 2 - Deposits and Investments****Summary of Deposits and Investments**

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

Governmental Activities	<u>\$ 13,062,455</u>
-------------------------	----------------------

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

Cash on Hand and in Banks	\$ 300,347
Cash in Revolving	15,000
Investments	<u>12,747,108</u>
Total deposits and investments	<u>\$ 13,062,455</u>

**Policies and Practices**

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

Investment in County Treasury - The EAROP is considered to be an involuntary participant in an external investment pool as the EAROP is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code Section 41001*). The fair value of the EAROP's investment in the pool is reported in the accounting financial statements at amounts based upon the EAROP'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 Treasury, which is recorded on the amortized cost basis.

### General Authorizations

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

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The EAROP manages its exposure to interest rate risk by investing in the County Pool and/or having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**Weighted Average Maturity**

The EAROP monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the EAROP's portfolio is presented in the following schedule:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
County Investment Pool	<u>\$ 12,747,108</u>	593 Days

**Credit Risk**

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

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, EAROP's deposits may not be returned to it. EAROP does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letter of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposit. As of June 30, 2021, EAROP's bank balance was not exposed to custodial credit risk.

**Note 3 - Receivables**

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

	General Fund	Special Reserve Capital Outlay Fund	Total
Federal Government			
Categorical aid	\$ 179,247	\$ -	\$ 179,247
State Government			
Categorical aid	569,696	-	569,696
Local Government			
Other local sources	2,116,628	6,237	2,122,865
	<u>2,116,628</u>	<u>6,237</u>	<u>2,122,865</u>
Total	<u>\$ 2,865,571</u>	<u>\$ 6,237</u>	<u>\$ 2,871,808</u>

**Note 4 - Capital Assets**

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

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital Assets Being Depreciated				
Buildings and improvements	\$ 4,058,256	\$ -	\$ -	\$ 4,058,256
Furniture and equipment	1,179,183	53,909	(189,969)	1,043,123
	<u>5,237,439</u>	<u>53,909</u>	<u>(189,969)</u>	<u>5,101,379</u>
Total Capital Assets Being Depreciated	<u>5,237,439</u>	<u>53,909</u>	<u>(189,969)</u>	<u>5,101,379</u>
Less Accumulated Depreciation				
Buildings and improvements	(1,390,089)	(176,418)	-	(1,566,507)
Furniture and equipment	(874,569)	(38,873)	170,774	(742,668)
	<u>(2,264,658)</u>	<u>(215,291)</u>	<u>170,774</u>	<u>(2,309,175)</u>
Total accumulated depreciation	<u>(2,264,658)</u>	<u>(215,291)</u>	<u>170,774</u>	<u>(2,309,175)</u>
Total capital asset, net	<u>\$ 2,972,781</u>	<u>\$ (161,382)</u>	<u>\$ (19,195)</u>	<u>\$ 2,792,204</u>

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

Governmental Activities	
Instruction	\$ 144,171
Supervision of instruction	13,208
Instructional library, media, and technology	82
School site administration	19,153
Home-to-school transportation	1,249
Data Processing Services	4,410
All other pupil services	4,304
All other general administration	20,868
Plant Maintenance and Operations	<u>7,846</u>
 Total depreciation expenses governmental activities	 <u><u>\$ 215,291</u></u>

#### Note 5 - Accounts Payable

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

	<u>General Fund</u>
Vendor Payables	\$ 1,068,850
Salaries and Benefits	<u>198,898</u>
 Total	 <u><u>\$ 1,267,748</u></u>

#### Note 6 - Unearned Revenue

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

	<u>General Fund</u>
State Awards	\$ 3,960,786
Local Awards	<u>800</u>
 Total	 <u><u>\$ 3,961,586</u></u>

**Note 7 - Long-Term Liabilities Other than OPEB and Pensions****Summary**

The changes in the EAROP's long-term liabilities at June 30, 2021 consisted of the following:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Accumulated Vacation - Net	\$ 55,657	\$ -	\$ 1,862	\$ 53,795

Payments of accumulated vacation are paid by the funds for which the employees worked.

**Note 8 - Net Other Post Employment Benefit (OPEB) Liability**

For the fiscal year ended June 30, 2021, the EAROP reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plan:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
EAROP Plan	\$ 114,861	\$ 80,877	\$ 8,027	\$ 68,303

The details of each plan are as follows:

**EAROP Plan****Plan Administration**

The EAROP provides healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. The EAROP's policy regarding the allocation of the plan's invested assets is established and may be amended by EAROP management. The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth in the investment guidelines.

**Plan Membership**

At July 1, 2019, membership consisted of 8 inactive plan members or beneficiaries currently receiving benefit payments and 23 active plan members.

### Benefits Provided

Employees who become eligible for retirement under CalPERS or CalSTRS are eligible to continue on the EAROP's medical plans under PEMHCA. The EAROP contribution towards retirees is the minimum employer contribution under the unequal method. The minimum employer contribution for 2020 and 2021 is \$139 and \$143, respectively. The unequal method is used to phase in benefit payments. The percentage of benefit paid is increased by 5% each year until the total benefit amount is reached, after 20 years. The EAROP currently pays 95% of the minimum employer contribution for 2020.

### Contributions

The contribution requirements of Plan members and the EAROP are established and amended by the EAROP. The required contribution is based on projected pay-as-you-go financing requirements. The EAROP has an irrevocable trust account with CERBT (an agent-multi-employer plan).

### Net OPEB Liability of the EAROP

The EAROP's Net OPEB Liability was measured as of June 30, 2020 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2019. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

### Actuarial Assumptions

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age, Level Percent of Pay
Valuation of fiduciary net position	Fair value of assets
Recognition of deferred inflows and outflows of resources	Closed period equal to the average of the expected remaining service lives of all employees provided with OPEB
Inflation rate	3.0 percent
Salary increases	3.0 percent
Investment rate of return	6.0 percent, net of OPEB plan investment expense
Health care cost trend rates	5.9 percent for 2020 and decreasing 0.10 percent per year to 5.00 percent for 2029 and later years
Preretirement Mortality	RP-2014 Employee Mortality, without projection
Postretirement Mortality	RP-2014 Healthy Annuitant Mortality, fully generational

Actuarial assumptions used in the July 1, 2019 valuation were based on a review of plan experience during the period July 1, 2017 to June 30, 2019.

## Eden Area Regional Occupational Program

Notes to Financial Statements

June 30, 2021

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

Asset Class	Target Allocation	Real Rate of Return
Global ex-U.S. equity	40%	5.5%
U.S. fixed	43%	1.5%
Treasury inflation protected securities (TIPS)	5%	1.2%
Real estate investment trusts	8%	3.7%
Commodities	4%	0.6%

### Discount Rate

The discount rate used to measure the total OPEB liability was 6 percent. The projection of cash flows used to determine the discount rate assumed that the EAROP contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

### Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2019	\$ 794,895	\$ 745,533	\$ 49,362
Service Cost	53,663	-	53,663
Interest	51,888	-	51,888
Employer Contributions	-	18,661	(18,661)
Differences between expected and actual experience	25,438	-	25,438
Expected investment income	-	47,199	(47,199)
Administrative expense	-	(370)	370
Benefit payments	(18,661)	(18,661)	-
Net change in total OPEB liability	112,328	46,829	65,499
Balance at June 30, 2020	\$ 907,223	\$ 792,362	\$ 114,861

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the EAROP, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (5.00%)	\$ 219,150
Current discount rate (6.00%)	114,861
1% increase (7.00%)	27,755

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

The following presents the net OPEB liability of the EAROP, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease (4.9%)	\$ 14,450
Current healthcare cost trend rate (5.9%)	114,861
1% increase (6.9%)	235,798

**OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2021, EAROP recognized OPEB expense of \$68,303. At June 30, 2021, EAROP reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$20,706.

At June 30, 2021, EAROP reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Intflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 20,706	\$ -
Differences between Expected and actual experience	56,315	-
Differences between projected and actual return investments	-	8,027
Changes in assumptions	3,856	-
	<u>\$ 80,877</u>	<u>\$ 8,027</u>
Total	<u>\$ 80,877</u>	<u>\$ 8,027</u>

# Eden Area Regional Occupational Program

Notes to Financial Statements

June 30, 2021

---

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended, June 30	Deferred Outflows (Inflows) of Resources
2022	\$ 21,984
2023	23,426
2024	5,947
2025	787
Total	<u>\$ 52,144</u>

**Note 9 - Fund Balances**

	General Fund	Special Reserve Capital Outlay Fund	Total
Nonspendable			
Revolving cash	\$ 15,000	\$ -	\$ 15,000
Total nonspendable	15,000	-	15,000
Restricted			
Legally restricted programs	327,180	-	327,180
Total restricted	327,180	-	327,180
Assigned			
Technology	350,000	-	350,000
Facilities	300,000	-	300,000
Cash flow reserve for program operation	3,156,105	-	3,156,105
Maintenance update and facilities improvement	200,000	-	200,000
Safety protection-supplies & protective gears	350,000	-	350,000
Distant Learning supplies & service	300,000	-	300,000
Increase bus routes-transportation	600,000	-	600,000
STRS & PERS increases	83,000	-	83,000
Instructional materials	150,000	-	150,000
Other	454,286	3,129,543	3,583,829
Total assigned	5,943,391	3,129,543	9,072,934
Unassigned			
Reserve for economic uncertainties	1,289,815	-	1,289,815
Total unassigned	1,289,815	-	1,289,815
Total	<u>\$ 7,575,386</u>	<u>\$ 3,129,543</u>	<u>\$ 10,704,929</u>

**Note 10 - Risk Management****Property and Liability**

The EAROP is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, the EAROP contracted with East Bay Schools Insurance Group (EBSIG) for property and liability insurance coverage, which EBSIG goes through Northern California Regional Liability Fund (Nor-Cal ReLIEF) for excess coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

### Workers' Compensation

For fiscal year 2021, the EAROP participated in the Alameda County School Insurance Group (ACSIG), an insurance purchasing pool. The intent of the ACSIG is to achieve the benefit of a reduced premium for the EAROP by virtue of its grouping and representation with other participants in the ACSIG. The workers' compensation experience of the participating member is calculated as one experience and a common premium rate is applied to all members in the ACSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall savings percentage of each participating school agency. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ACSIG.

### Employee Medical Benefits

The EAROP has contracted with CalPERS and administered through Alameda County Office of Education to provide employee health benefits. Rates are set through an annual calculation process. The EAROP pays an annual stipend, spread over monthly, to eligible employees, to pay for menu items of medical plans and dependent coverage, each of which has its own cost. If an employee enrolls into a plan that exceeds the monthly stipend, it is deducted from an employee's gross pay. Employees can also waive the medical benefits if they have coverage elsewhere and keep the stipends.

### Note 11 - Employee Retirement Systems

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

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflow of Resources	Collective Deferred Inflow of Resources	Collective Pension Expense
CalSTRS	\$ 5,610,464	\$ 1,536,540	\$ 331,372	\$ 818,515
CalPERS	2,418,122	474,256	810,024	162,579
Total	\$ 8,028,586	\$ 2,010,796	\$ 1,141,396	\$ 981,094

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

#### **Plan Description**

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

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

<http://www.calstrs.com/member-publications>.

#### **Benefits Provided**

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

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

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

## Eden Area Regional Occupational Program

Notes to Financial Statements

June 30, 2021

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

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

### Contributions

Required member, EAROP and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the EAROP's total contributions were \$521,442.

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

At June 30, 2021, the EAROP reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the EAROP. The amount recognized by the EAROP 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 EAROP were as follows:

Total net pension liability, including State share:	
ROP's proportionate share of net pension liability	\$ 5,610,464
State's proportionate share of the net pension liability associated with the ROP	2,892,195
Total	\$ 8,502,659

The net pension liability was measured as of June 30, 2020. The EAROP's proportion of the net pension liability was based on a projection of the EAROP's long-term share of contributions to the pension plan relative to the projected contributions of all participating members and the State, actuarially determined. The EAROP's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.0058 percent and 0.0058 percent, resulting in no change in the proportionate share.

## Eden Area Regional Occupational Program

Notes to Financial Statements

June 30, 2021

For the year ended June 30, 2021, the EAROP recognized pension expense of \$818,515. In addition, the EAROP recognized pension expense and revenue of \$405,168 for support provided by the State. At June 30, 2021, the EAROP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 521,442	\$ -
Change in proportionate share of net pension liability	324,826	173,147
Difference between projected and actual earnings on pension plan investments	133,272	-
Differences between expected and actual experience in the measurement of the total pension liability	9,900	158,225
Changes of assumptions	547,100	-
Total	\$ 1,536,540	\$ 331,372

The deferred outflows/(inflows) of resources related to pensions resulting from EAROP contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (81,323)
2023	45,408
2024	90,595
2025	78,592
Total	\$ 133,272

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 208,524
2023	180,013
2024	189,970
2025	21,324
2026	(49,209)
Thereafter	<u>(168)</u>
Total	<u>\$ 550,454</u>

#### Actuarial Methods and Assumptions

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

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

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

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public equity	42%	4.80%
Real estate	15%	3.60%
Private equity	13%	6.30%
Fixed income	12%	1.30%
Absolute Return/Risk Mitigating Strategies	10%	1.80%
Inflation sensitive	6%	3.30%
Cash/liquidity	2%	-0.40%

#### Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 8,476,629
Current discount rate (7.10%)	\$ 5,610,464
1% increase (8.10%)	\$ 3,244,041

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

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

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

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

**Benefits Provided**

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

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

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.700%	20.700%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The EAROP is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total EAROP contributions were \$295,121.

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

As of June 30, 2021, the EAROP reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$2,418,122. The net pension liability was measured as of June 30, 2020. The EAROP's proportion of the net pension liability was based on a projection of the EAROP's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The EAROP's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.0079 percent and 0.0103 percent, resulting in a net decrease in the proportionate share of 0.0024 percent.

## Eden Area Regional Occupational Program

Notes to Financial Statements

June 30, 2021

For the year ended June 30, 2021, the EAROP recognized pension expense of \$162,579. At June 30, 2021, the EAROP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Inflows of Resources
Pension contributions subsequent to measurement date	\$ 295,121	\$ -
Net change in proportionate share of net pension liability	-	810,024
Difference between projected and actual earnings on pension plan investments	50,337	-
Differences between expected and actual experience in the measurement of the pension liability	119,932	-
Changes of assumptions	8,866	-
Total	\$ 474,256	\$ 810,024

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (18,837)
2023	16,803
2024	29,205
2025	23,166
Total	\$ 50,337

## Eden Area Regional Occupational Program

Notes to Financial Statements

June 30, 2021

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (308,099)
2023	(201,757)
2024	(156,249)
2025	(15,121)
Total	\$ (681,226)

### Actuarial Methods and Assumptions

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

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

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

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

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

### Discount Rate

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

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 3,476,491
Current discount rate (7.15%)	\$ 2,418,122
1% increase (8.15%)	\$ 1,539,728

**Tax Deferred Annuity/Social Security**

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

**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the EAROP. These payments consist of State General Fund contributions to CalSTRS in the amount of \$327,316 (10.328 percent of annual payroll).

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

**Note 12 - Related Parties**

The EAROP is operated under a Joint Power Agreement between the Castro Valley Unified School District, Hayward Unified School District, San Leandro Unified School District, and the San Lorenzo Unified School District. Revenues are based on the annual average daily attendance of the participants from these districts multiplied by the appropriate revenue apportionment per ADA. Upon receipt of the revenues, the districts make transfers to the EAROP. The total revenues transferred from the districts were \$7,791,157 for 2021. In addition, the EAROP contracts with Hayward Unified School District for the lease of its facilities. The lease term renewed on July 1, 2017 for a period of five years from July 1, 2017 to June 30, 2022 and the lease payment is 1 percent per prior year's LCFF revenue. The lease payment that EAROP paid to Hayward Unified School District for 2021 was approximately \$75,000.

Future minimum lease payments under this agreement are estimated as follows:

Year Ending June 30,	Lease Payment
2022	\$ 77,912

**Note 13 - Commitments and Contingencies****Grants**

The EAROP 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 EAROP at June 30, 2021.

**Litigation**

The EAROP is not currently a party to any legal proceedings.

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

The EAROP is a member of the Alameda County School Insurance Group (ACSIG), and the East Bay School Insurance Group (EBSIG) public entity risk pools. The EAROP pays an annual premium to each entity for its workers' compensation, property and liability coverage. The relationships between the EAROP and the public entity risk pools are such that they are not component units of the EAROP 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 EAROP are included in these statements. Audited financial statements are generally available from the respective entities.

The EAROP has appointed one board member and alternate to the governing board of East Bay Schools Insurance Group and ACSIG.

During the year ended June 30, 2021, the EAROP made payments of \$84,947 and \$46,003 to ACSIG and EBSIG, public entity risk pools, respectively.

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

As of July 1, 2020, the Eden Area Regional Occupational Program adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, The EAROP has reclassified its associated student body activity previously reported as fiduciary funds into the general fund. The following table describes the effects of the implementation on beginning fund balance/net position.

	General Fund	Total Governmental Funds
Beginning fund balance previously reported at June 30, 2020	\$ 6,968,619	\$ 10,034,939
Reclassification of student activity funds from agency funds to general fund	<u>49,064</u>	<u>49,064</u>
Fund Balance - Beginning as Restated June 30, 2020	<u>\$ 7,017,683</u>	<u>\$ 10,084,003</u>
Beginning Governmental Activities Net Position previously reported at June 30, 2020		\$ 5,983,701
Reclassification of student activity funds from agency funds to general fund		<u>49,064</u>
Net Position - Beginning as Restated June 30, 2020		<u>\$ 6,032,765</u>



Required Supplementary Information  
June 30, 2021

# Eden Area Regional Occupational Program

Eden Area Regional Occupational Program

Budgetary Comparison Schedule – General Fund

June 30, 2021

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive (Negative)
				Final to Actual
Revenues				
Federal sources	\$ 429,839	\$ 429,839	\$ 423,915	\$ (5,924)
Other state sources	2,405,006	2,557,724	2,589,225	31,501
Other local sources	10,228,270	14,505,594	10,506,664	(3,998,930)
Total revenues	13,063,115	17,493,157	13,519,804	(3,973,353)
Expenditures				
Current				
Certificated salaries	3,414,427	3,591,355	3,496,019	95,336
Classified salaries	1,240,056	1,793,976	1,327,654	466,322
Employee benefits	2,026,905	2,282,577	1,734,249	548,328
Books and supplies	378,617	720,814	710,267	10,547
Services and operating expenditures	6,669,868	9,813,519	5,646,502	4,167,017
Capital outlay	33,053	47,410	47,410	-
Total expenditures	13,762,926	18,249,651	12,962,101	5,287,550
Other Financing Sources (Uses)				
Transfers in	508,800	508,800	-	(508,800)
Transfers out	(33,800)	(33,800)	-	33,800
Net Financing Sources (Uses)	475,000	475,000	-	(475,000)
Net Changes in Fund Balances	(224,811)	(281,494)	557,703	839,197
Fund Balances - Beginning of Year	7,017,683	7,017,683	7,017,683	-
Fund Balances - End of Year	\$ 6,792,872	\$ 6,736,189	\$ 7,575,386	\$ 839,197

Eden Area Regional Occupational Program  
Schedule of Changes in the EAROP's Net OPEB Liability and Related Ratios  
Year Ended June 30, 2021

	2021	2020	2019	2018
Service Cost	\$ 53,663	\$ 47,249	\$ 15,775	\$ 15,775
Interest	51,888	41,311	37,032	37,032
Difference between expected and actual experience	25,438	72,108	-	-
Changes of assumptions	-	7,528	-	-
Benefit payments	(18,661)	(28,734)	(28,734)	(28,734)
 Net change in total OPEB liability	 112,328	 139,462	 24,073	 24,073
 Total OPEB Liability - beginning	 794,895	 655,433	 631,360	 631,360
 Total OPEB Liability - ending	 <u>\$ 907,223</u>	 <u>\$ 794,895</u>	 <u>\$ 655,433</u>	 <u>\$ 655,433</u>
 Plan fiduciary net position				
Contributions - employer	\$ 18,661	\$ 28,734	\$ 28,734	\$ 28,734
Net investment income	47,199	50,064	44,412	44,412
Benefit payments	(18,661)	(28,734)	(28,734)	(28,734)
Administrative expense	(370)	(150)	(534)	(534)
 Net change in plan fiduciary net position	 46,829	 49,914	 43,878	 43,878
 Plan fiduciary net position - beginning	 745,533	 695,619	 611,126	 611,126
 Plan fiduciary net position - ending (b)	 <u>\$ 792,362</u>	 <u>\$ 745,533</u>	 <u>\$ 655,004</u>	 <u>\$ 655,004</u>
 ROP's net OPEB (asset) - ending (a) - (b)	 <u>\$ 114,861</u>	 <u>\$ 49,362</u>	 <u>\$ 429</u>	 <u>\$ 429</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 <u>87%</u>	 <u>94%</u>	 <u>100%</u>	 <u>100%</u>
 Covered payroll	 <u>\$ 1,885,403</u>	 <u>\$ 2,089,892</u>	 <u>\$ 924,703</u>	 <u>\$ 924,703</u>
 EAROP's net OPEB liability as a percentage of covered payroll	 <u>6%</u>	 <u>2%</u>	 <u>0%</u>	 <u>0%</u>
 Measurement Date	 June 30, 2020	 June 30, 2019	 June 30, 2018	 June 30, 2017

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

Eden Area Regional Occupational Program  
Schedule of the EAROP's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>							
EAROP's proportion of the net pension liability	0.0058%	0.0058%	0.0057%	0.0055%	0.0054%	0.0053%	0.0052%
EAROP's proportionate share of the net pension liability	\$ 5,610,464	\$ 5,211,110	\$ 5,280,664	\$ 5,097,295	\$ 4,273,797	\$ 3,583,085	\$ 3,049,843
State's proportionate share of the net pension liability associated with EAROP	2,892,195	2,843,008	3,023,427	3,015,517	2,489,924	1,895,057	1,841,627
Total	\$ 8,502,659	\$ 8,054,118	\$ 8,304,091	\$ 8,112,812	\$ 6,763,721	\$ 5,478,142	\$ 4,891,470
EAROP's covered payroll	\$ 3,188,170	\$ 3,119,425	\$ 3,020,765	\$ 2,979,284	\$ 2,751,410	\$ 2,516,783	\$ 2,336,680
EAROP's proportionate share of the net pension liability as a percentage of its covered payroll	175.98%	167.05%	174.81%	171.09%	155.33%	142.37%	130.52%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
<b>CalPERS</b>							
EAROP's proportion of the net pension liability	0.0079%	0.0103%	0.0116%	0.0132%	0.0115%	0.0112%	0.0175%
EAROP's proportionate share of the net pension liability	\$ 2,418,122	\$ 2,991,055	\$ 3,098,031	\$ 3,141,608	\$ 2,278,383	\$ 1,644,780	\$ 1,982,343
EAROP's covered payroll	\$ 1,301,939	\$ 1,390,747	\$ 1,421,823	\$ 1,354,391	\$ 1,090,408	\$ 894,803	\$ 768,293
EAROP's proportionate share of the net pension liability as a percentage of its covered payroll	185.73%	215.07%	217.89%	231.96%	208.95%	183.81%	258.02%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Eden Area Regional Occupational Program  
Schedule of the EAROP's Contributions  
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>							
Contractually required contribution	\$ 521,442	\$ 545,177	\$ 507,396	\$ 432,505	\$ 369,498	\$ 294,666	\$ 214,498
Contributions in relation to the contractually required contribution	(521,442)	(545,177)	(507,396)	(432,505)	(369,498)	(294,666)	(214,498)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EAROP's covered payroll	\$ 3,228,743	\$ 3,188,170	\$ 3,119,425	\$ 3,020,765	\$ 2,979,284	\$ 2,751,410	\$ 2,516,782
Contributions as a percentage of covered payroll	16.15%	17.10%	16.27%	14.32%	12.40%	10.71%	8.52%
<b>CalPERS</b>							
Contractually required contribution	\$ 295,121	\$ 256,755	\$ 238,020	\$ 220,790	\$ 178,393	\$ 125,221	\$ 106,867
Contributions in relation to the contractually required contribution	(295,121)	(256,755)	(238,020)	(220,790)	(178,393)	(125,221)	(106,867)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EAROP's covered payroll	\$ 1,327,654	\$ 1,301,939	\$ 1,390,747	\$ 1,421,823	\$ 1,354,391	\$ 1,090,408	\$ 894,803
Contributions as a percentage of covered payroll	20.70%	19.72%	17.11%	15.53%	13.17%	11.48%	11.94%

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

**Note 1 - Purpose of Schedules****Budgetary Comparison Schedule**

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

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

**Schedule of Changes in the EAROP's Net OPEB Asset and Related Ratios**

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

- Changes in Benefit Terms – There were no changes in benefit terms since the previous valuation.
- Changes in Assumptions – There were no changes in assumptions from the previous valuation.

**Schedule of the EAROP's Proportionate Share of the Net Pension Liability**

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

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

**Schedule of EAROP Contributions**

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



Supplementary Information  
June 30, 2021

# Eden Area Regional Occupational Program

**Organization**

The Eden Area Regional Occupational Program was established in 1971 and was formed by a joint powers agreement among the following school districts: Castro Valley Unified School District, San Leandro Unified School District, and San Lorenzo Unified School District. Hayward Unified School District joined the EAROP on January 1, 1991. The EAROP operates one school in the leased site from Hayward Unified School District at 26316 Hesperian Blvd, Hayward, California.

**Governing Board**

Member	Office	Term Expires
Juan Campos	President	2021
Dot Theodore	Vice President	2022
Gabriel Chaparro	Member	2021
James Aguilar	Member	2022

**Administration**

NAME	TITLE
Linda Granger	Superintendent/Clerk

Eden Area Regional Occupational Program  
 Reconciliation of Annual Financial and Budget Report with Adjusted Financial Statements  
 Year Ended June 30, 2021

---

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

	General Fund	Special Reserve For Capital Project
Fund Balance		
Balance, June 30, 2021, Unaudited Actuals	\$ 7,290,538	\$ 3,097,294
Increase in		
Accounts receivables	155,945	6,244
Student activity cash	48,774	-
County cash fair market value adjustments	80,129	26,005
Balance, June 30, 2021, Audited Financial Statements	\$ 7,575,386	\$ 3,129,543

Eden Area Regional Occupational Program  
 Schedule of Financial Trends and Analysis  
 Year Ended June 30, 2021

	(Budget) 2022 <sup>1</sup>	2021	2020	2019
General Fund				
Revenues	\$ 13,034,823	\$ 13,519,804	\$ 12,222,919	\$ 12,970,557
Expenditures	12,457,626	12,962,101	12,317,109	14,266,383
Increase (Decrease) in Fund Balance	<u>\$ 577,197</u>	<u>\$ 557,703</u>	<u>\$ (94,190)</u>	<u>\$ (1,295,826)</u>
Ending Fund Balance	<u>\$ 8,152,583</u>	<u>\$ 7,575,386</u>	<u>\$ 7,017,683</u>	<u>\$ 7,111,873</u>
Available Reserves <sup>2</sup>	<u>\$ 1,139,313</u>	<u>\$ 1,289,815</u>	<u>\$ 685,807</u>	<u>\$ 791,550</u>
Available Reserves as a Percentage of Total Outgo	<u>9.15%</u>	<u>9.95%</u>	<u>5.57%</u>	<u>5.55%</u>
Long Term Liabilities	<u>N/A</u>	<u>\$ 8,197,242</u>	<u>\$ 8,307,184</u>	<u>\$ 8,421,312</u>
K-12 Average Daily Attendance at Annual	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>

The General Fund balance has increased by \$463,513 over the past two years. The fiscal year 2021-2022 budget projects a further increase of \$577,197 (8 percent). For the EAROP this size, the State recommends available reserves of at least six percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The EAROP has incurred operating deficits in the past two years and anticipates incurring an operating surplus during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$224,070 over the past two years.

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

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

**Note 1 - Purpose of Schedules**

**Local Education Agency Organization Structure**

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

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

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

**Schedule of Financial Trends and Analysis**

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



Independent Auditor's Reports  
June 30, 2021

# Eden Area Regional Occupational Program



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

Governing Board  
Eden Area Regional Occupational Program  
Hayward, 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 and each major fund information of Eden Area Regional Occupational Program (the EAROP) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Eden Area Regional Occupational Program's basic financial statements, and have issued our report thereon dated January 10, 2022.

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

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

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the EAROP’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 the EAROP’s internal control. Accordingly, we do not express an opinion on the effectiveness of the EAROP’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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

**Compliance and Other Matters**

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

**The EAROP's Response to Findings**

The EAROP's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The EAROP's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of This Report**

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

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

San Ramon, California  
January 10, 2022

**Financial Statements**

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

**Federal Awards**

Not applicable

**State Awards**

Not applicable

The following finding represents a material weakness related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2021-001      Material Audit Adjustments (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.

Condition

As auditors, we were requested to draft the financial statements and accompanying notes. The EAROP did not accrued revenues noted below which resulted in audit adjustments:

- Services provided to third parties before the fiscal year ended
- Fourth quarter interest income
- State on-behalf payments for STRS

Effect

Management has posted the correcting journal entries noted above.

Cause

Material audit adjustments were necessary to present the financial statements in accordance with Generally Accepted Accounting Principles.

Recommendation

We recommend that management perform reconciliation review of the activities near the fiscal year end to ensure all transactions are recorded in the proper fiscal year.

Repeat Finding (Yes or No)

No.

Corrective Action Plan and Views of Responsible Officials

Eden Area Regional Occupational Program agreed with the finding and will ensure revenues are properly recorded.

None reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

**Financial Statement Findings**

2020-001      Restatement of Fiduciary Fund Beginning Net Position (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 also include consideration for the proper presentation of fund types as defined by Governmental Accounting Standards Board (GASB) Codification Section 1300 *Fund Account*.

Condition

The prior year financial statements contained certain errors that were discovered during the current year. The prior year financial statements incorrectly included an agent-multi-employer defined benefit other postemployment benefits plan as a trust fund. Accordingly, the beginning net position of the fiduciary fund financial statements has been restated to remove the trust fund.

Effect

Material audit adjustments were necessary to present the financial statements in accordance with Generally Accepted Accounting Principles.

Cause

The OPEB plan was incorrectly identified as a single employer plan rather than an agent multi-employer plan.

Repeat Finding (Yes or No)

No

Recommendation

We recommend that management improve controls over the financial statement preparation process to ensure all activities presented are correct.

Current status

Implemented.