

**MOUNT PLEASANT
ELEMENTARY SCHOOL DISTRICT**

FINANCIAL STATEMENTS
June 30, 2022

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

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WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Mount Pleasant Elementary School District
San Jose, California

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

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mount Pleasant Elementary School District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 16 and the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 54 to 59 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Pleasant Elementary School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022 on our consideration of the Mount Pleasant Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mount Pleasant Elementary School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mount Pleasant Elementary School District's internal control over financial reporting and compliance.

Crowe LLP
Crowe LLP

Sacramento, California
December 9, 2022

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

This Management's Discussion and Analysis (MD&A) section of the Mount Pleasant Elementary School District's 2021-22 annual financial report presents the management's view of the District's financial performance during the fiscal year ending June 30, 2022. This MD&A section should be read in conjunction with the District's financial statements, which immediately follow this section.

DISTRICT PROFILE

The Mount Pleasant Elementary School District (the "District") - established as an elementary school district in 1865 - is located in the midst of Santa Clara County's Silicon Valley. The District encompasses a seven square mile area and serves several portions of San Jose. The District maintains four elementary schools, one middle school, and a district office site. One of the four elementary schools was converted into a K-8 charter school in 2010-11. The Board of Trustees is the level of government, which has governance responsibilities over all activities related to the public school education in the District.

The Special Education Local Plan Area Administrative Unit (SELPA AU) is the agency through which funds pass from the California Department of Education to the districts within the SELPA. The SELPA AU is also the agency through which expenditures for County operated Special Education programs pass from the Santa Clara County Office of Education to the districts within the SELPA. The activities of the Southeast SELPA AU are under the direction of the Executive Council, which is represented equally by all districts within the SELPA. In Fiscal year 2011-12, change in accounting principle required a SELPA's financial activities to be held in a Special Reserve Fund entitled "Special Education Pass-Through Fund" (Fund-10). However, Southeast SELPA's operating general fund is still included in the District's General Fund total. It is identified as sub-fund 014.

This Management's Discussion and Analysis pertains to the District's operations for the fiscal year that ended on June 30, 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Basic Financial Statements

The basic financial statements presented herein include all of the activities of the Mount Pleasant Elementary School District (the District) and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board Codification Section (GASB Code Section) N50.118-121.

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

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary. The *governmental funds* statements tell how basic services like general and special education were financed in the short-term as well as what remains for future spending. The *fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong. The District used to report student body activities under the fiduciary funds in previous years. Under GASB 84 reporting requirements, the district has reported student body activities as a governmental fund, retrospectively, beginning with fiscal year 2020-21.

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

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

Figure A-1 summarizes the major features of the District's basic financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-1
Major Features of the District wide and Fund Financial Statements**

Type of Statements	District-wide	Governmental Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else.
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet. • Statement of revenues, expenditures & changes in fund balances • Reconciliation to government wide financial statements 	<ul style="list-style-type: none"> • Statement of fiduciary net assets. • Statement of changes in fiduciary net assets
Accounting basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; standard funds do not currently contain non-financial assets, though they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenue and expenses during the year, regardless of when cash is received or paid

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

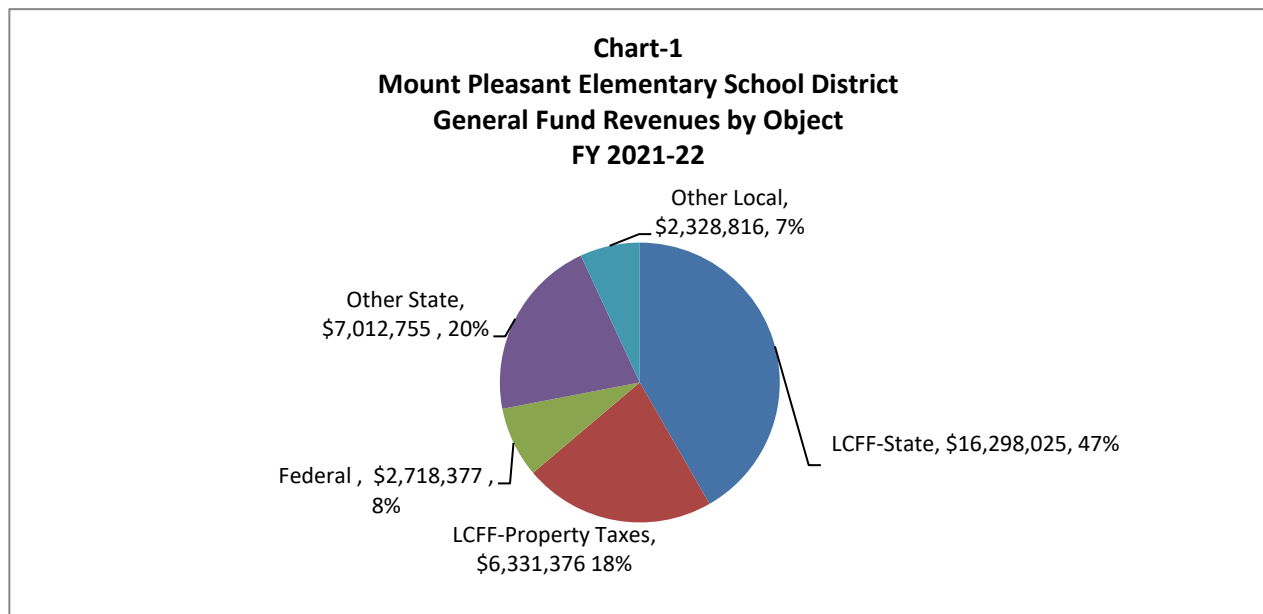
FINANCIAL HIGHLIGHTS OF THE PAST YEAR

Local Control Funding Formula (LCFF)

From fiscal year 1973-74 thru 2012-13, State school districts had operated under general-purpose Revenue Limits established by the State Legislature. In general, the Revenue Limits were calculated for each school district by multiplying (1) the actual daily attendance ("ADA") for each such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all State school districts of the same type.

LCFF (Local Control Funding Formula) was implemented in 2013-14 to replace the Revenue Limits and restore LEAs purchase power back to fiscal year 2008-09 prior to the recession. LCFF establishes 4 Target Base Grants per ADA rate. LEAs receive base grants by multiplied the ADA in each specific grade span to the rate. Supplemental and Concentration Grants provide additional funding for low income, English Learners, and foster children through additional percentages of the unduplicated percentage of enrollment/ADA for students in these three groups. During the implementation period, Gap Closure Percentage increases the annual revenues in order to meet the target of funding equalization for all school districts. In 2018-19, LCFF was considered as fully implemented as the funding gap had been 100% closed. That said, in the years to come, there will be COLA only for LCFF base grants funding increase.

In fiscal year 2021-22, the District received total \$34.7 general fund revenues. Of this total \$22.6 million from LCFF funding sources accounted for approximately 65% of General Fund revenues which included 18% of local property taxes and 47% of State apportionment (see Chart 1). Total LCFF revenue compared to the prior revenue was decreased by \$713 thousand from 2020-21. See chart below:



MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

THE DISTRICT AS A WHOLE

Net Position

The District's total assets were \$52.6 million for the fiscal year ended June 30, 2022 (see Table 1). Restricted net position of \$5.6 million are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. All District net assets are the result of governmental activities.

	2021-22 Governmental Activities	2020-21 Governmental Activities
Current and other assets	\$21.7	\$23.5
Capital assets	30.9	27.1
Total Assets	52.6	50.6
Deferred Outflows of Resources	6.3	9.4
Current liabilities	4.1	9.4
Long-term debt	62.1	74.8
Total Liabilities	66.2	84.2
Deferred Inflows of Resources	15.8	4.2
Net Position		
Invested in Capital Assets	4.2	5.2
Unrestricted	-32.9	-38.5
Restricted	5.6	4.9
Total Net Position	-\$23.1	-\$28.4

The long-term liabilities consist of: General Obligation Bonds, Accreted interest, Other Post-employment benefits, net pension liability, and compensated absences.

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

Changes in Net Position

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

In 2021-22 total revenues increased by \$1.5 million and expenditures decreased by \$2.8 million compared to 2020-21. The change in net position increased \$4.3 million in net assets.

Governmental Activities

Table 2 Mount Pleasant Elementary School District Governmental Activities excluding Pass-through Changes in net Position (in millions of dollars)		
	2021-22	2020-21
Revenues		
General Revenues:		
Federal and State Aid, unrestricted	15.7	14.6
Property taxes	10.4	10.0
Other general revenues	0.5	0.5
Total Revenues	\$ 26.6	\$ 25.1
Expenses		
Instructional related	13.4	16.7
Student support services	0.8	0.5
Administration	2.2	2.7
Maintenance and operations	3.4	3.0
Interest on long-term liabilities	1.5	1.2
Other Outgo	0.0	0.0
Total Expenses	\$ 21.3	\$ 24.1
Change in Net Position	\$ 5.3	\$ 1.0

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

The total cost of all our governmental activities this year was \$21.3 million. The District's expenses are predominantly related to educating and caring for students. The district also used the funds to coordinate the preparedness and response efforts related to COVID-19, including the support of student learning loss, purchase of personal protective equipment, access to school meals, professional development, technology, and mental health services and support.

In Table 3, we have presented the cost of each of the District's ten largest functions – regular program instruction, guidance and counseling, school administration, student transportation services, school food services, other pupil services, district administration, maintenance and operations, interest on long-term liabilities, and others. Providing this information allows our community to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3 Mount Pleasant Elementary School District Total Cost of Services (in millions of dollars)		
	2021-22	2020-21
Instruction	\$11.2	\$13.7
Guidance and Instructional Media	0.8	1.4
School Administration	1.4	1.7
Pupil Transportation	.2	0.0
Food Services	-0.2	-0.4
All other Pupil Services	0.8	0.8
Administration	2.2	2.7
Maintenance and operations	3.4	3.0
Interest on Long-term Liabilities	1.5	1.2
Other Outgo	0.0	0.0
Total	<u><u>\$21.3</u></u>	<u><u>\$24.1</u></u>

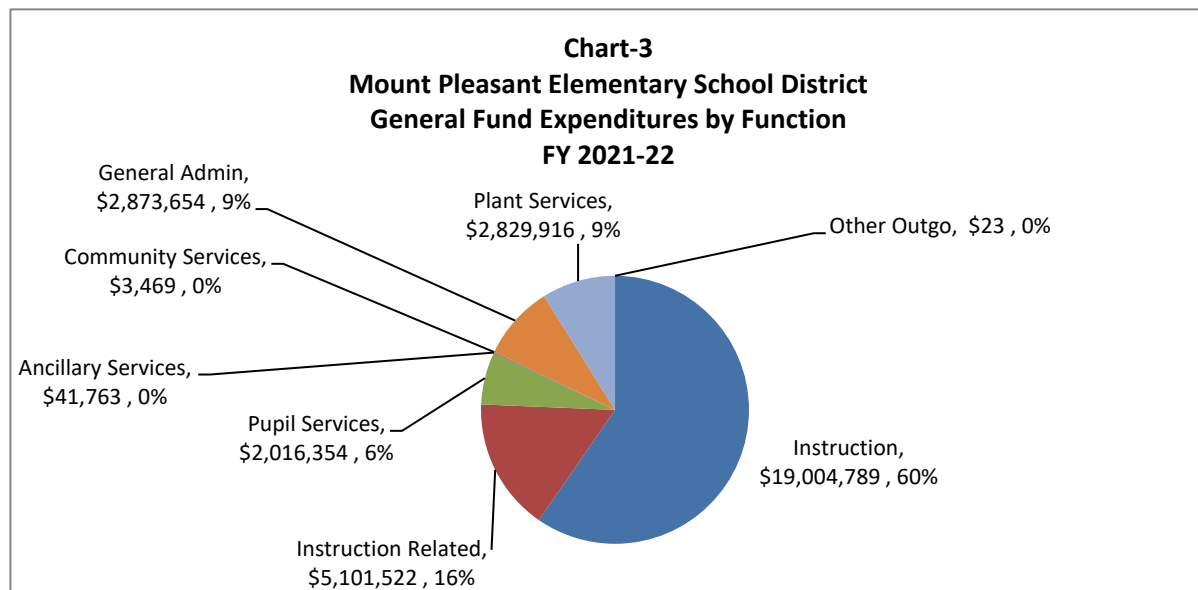
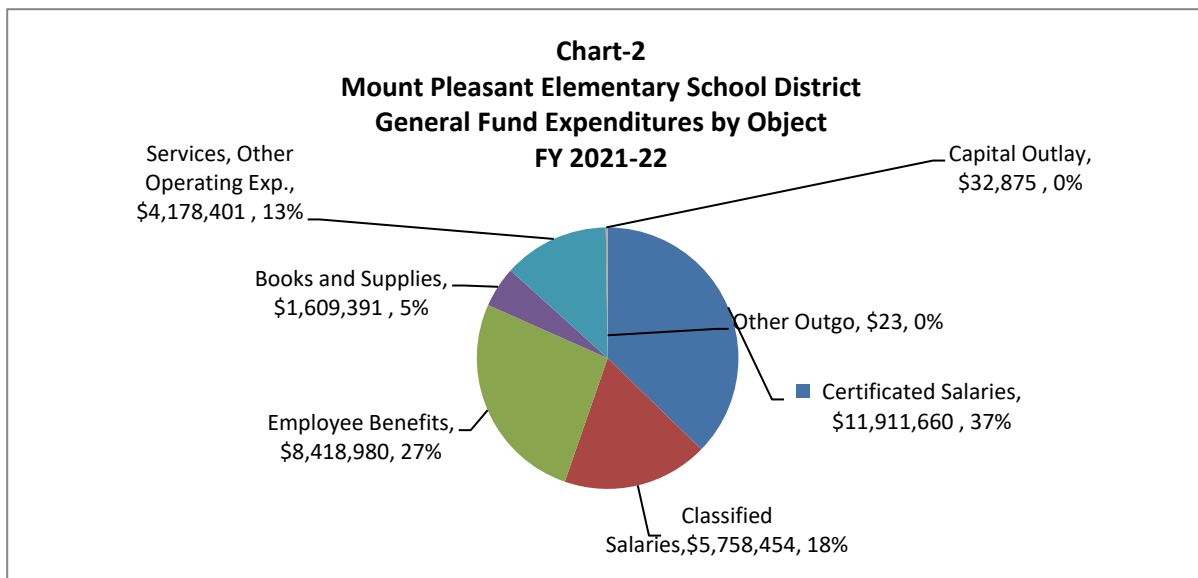
MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

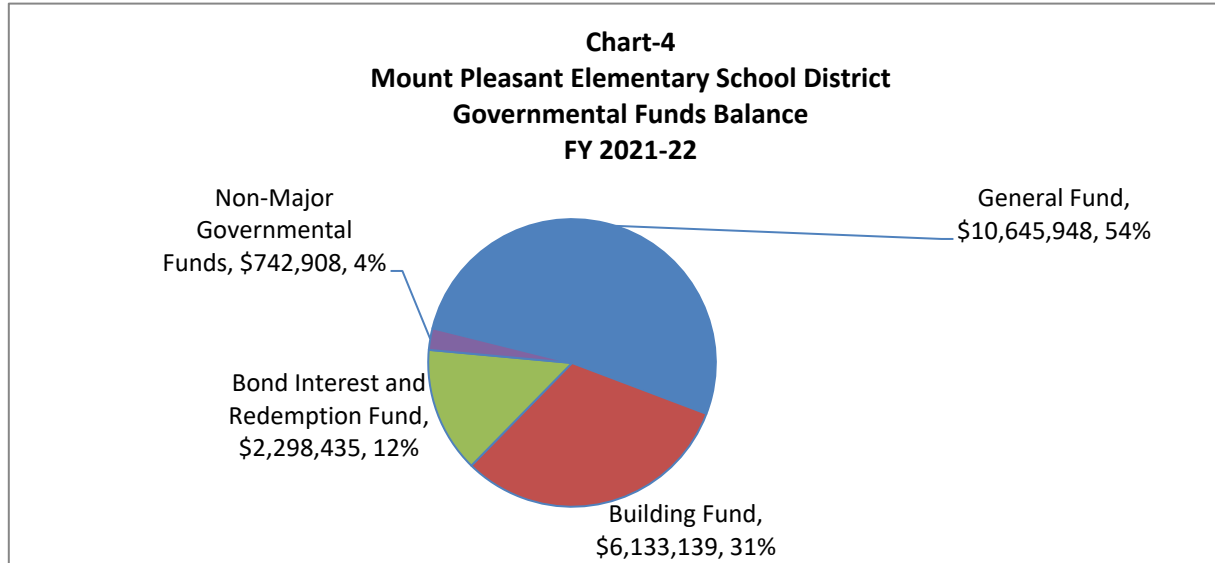
General Fund

Charts 2 and 3 provide a breakdown of the General Fund expenditures, both by Object code (Chart 2) and by Function (Chart 3). As is common with virtually all school districts, the majority of expenditures in the general fund are for salaries and benefits (approximately 82%). From a functional cost standpoint, Chart 3 shows that approximately 82.0% of total general fund expenditures go for instruction and instruction-related activities.



MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022



THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$19.8 million (see Table 4 and Chart 4). The District is required to maintain available reserves of 3% of total general fund expenditures for economic uncertainties. This 3% reserve of the 2021-22 Unaudited Actuals amounts to approximately \$1 million.

Table 4
**Mount Pleasant Elementary School District
Government Ending Fund Balance**
(in millions of dollars)

	2021-22 Total Governmental Funds	2020-21 Total Governmental Funds
General Fund	10.7	\$ 7.8
Building Fund	6.1	6.0
Bond Interest and Redemption Fund	2.3	1.8
Non-Major Governmental Funds	0.7	0.3
Total Fund Balances	\$ 14.9	\$ 15.9

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

General Fund Budgetary Highlights

The original Adopted Budget projected the general fund deficit of approximately \$0.34 million. The year-end Actual presented an excess balance \$3.5 million. The district received one-time COVID-19 funds from Federal State and Local Revenues. See Table 5.

Table 5
Mount Pleasant Elementary School District
General Fund Budget to Actuals Comparison
(in millions of dollars)

	<u>2021-22 Adopted Budget</u>	<u>2021-22 Final Budget</u>	<u>2021-22 Actuals</u>
Beginning Fund Balance	\$ 7,828,093	\$ 7,828,093	7,828,093
Total Revenues and Transfers-in	30,824,212	33,310,862	34,727,639
Total Expenditures and Other Outgo	<u>(30,966,278)</u>	<u>(31,898,537)</u>	<u>(31,909,784)</u>
Net Increase/(Decrease) Fund Bal.	\$ (142,066)	\$ 1,412,365	\$ 2,817,855
Ending Fund Balance, General Fund	<u>\$ 7,686,027</u>	<u>\$ 9,240,415</u>	<u>10,645,948</u>
Restricted			\$ 4,197,275
Reserve for Economic Uncertainties			1,000,000
Undesignated fund balance			2,453,962
Assigned			2,892,494
Non-spendable			102,217
			<u>\$</u>
			<u>10,645,948</u>

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the District had \$30.9 million in a broad range of capital assets (net of accumulated depreciation) including land, buildings, furniture and equipment. See Table-6. This amount represents a net increase (including additions, deductions and depreciation) of \$3.8 million from 2020-21. Land is accounted for at purchase cost, not market value, and is not depreciated. Our school sites have low values for today's market because the District acquired the land many decades ago. School buildings and site improvements are valued at their historical construction cost less accumulated depreciation.

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Table 6 Mount Pleasant Elementary School District Capital Assets as of June 30, 2022 (Net of Accumulated Depreciation) (in millions of dollars)		
	2021-22 Governmental Activities	2020-21 Governmental Activities
Land	\$0.5	\$0.5
Work In-Progress *	\$2.9	\$1.0
Buildings	\$23.7	\$20.7
Equipment	\$3.6	\$3.9
Improvements of Sites	\$0.2	\$0.8
Totals	\$30.9	\$27.1

* Work In-Progress in 2021-22 including the fencing project for district wide; and the architectural fees for several projects such as: restrooms renovation at Ida Jew, track & soccer field at August Boeger, the parking lot alterations at Mount Pleasant, the roof at August Boeger and Robert Sander.

Long-Term Liabilities

At the end of this year, the District had \$31.7 million in bonds outstanding, with \$1.7 million due within one year. All G.O. Bonds funds are set aside for school sites improvements as needed and approved by the Board of Trustees.

The District had issued all of the \$12,000,000 bonds that were authorized by voters in April 1998, and had substantially completed construction and modernization projects relating to this issuance.

- On October 2015 the District issued \$2,265,000 General Obligation Refunding Bonds to refund the outstanding principal amount of the Prior Bonds as “qualified tax-exempt obligations” refunding bonds.

On November 2012 voters authorized the General Obligation (GO) Bonds, Measure-L in the maximum amount of \$25,000,000.

- On April 30, 2013 the District issued the first series of Measure-L in the principal amount of \$12,000,000 for purposes of upgrading school site classrooms and restrooms, and built a new Gymnasium at the middle school – August Boeger.
- On December 3, 2014 the District issued Series B of Measure-L in the principal amount of \$3,500,000 for the purpose of repairing, upgrading, acquisition, construction and equipping the District site and facilities. The District had substantially completed construction and modernization projects relating the first two issuances.

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

- On July 12, 2017 the District issued Series C of Measure-L in the principal amount of \$2,000,000 for the purpose of replace/repair HV AC, roofing, plumbing, gas, water, and concrete repair to reduce trip hazards.

On November 2018 voters authorized the General Obligation (GO) Bonds, Measure JJ in the principal amount of \$27,500,000 for the purpose of the acquisition, construction, modernization and equipping of District sites and facilities, and to pay the costs of issuing the Bonds.

- On December 19, 2019 the District issued series-A of Measure-JJ in the principal amount of \$10,000,000 for the purpose of district and sites improvements

On November 2020 voters authorized the General Obligation (GO) Bonds, Measure Q in the principal amount of \$12,000,000 to acquire equipment and improve instructional technology to keep pace with today's learning standards, renovate heating/cooling systems, aging restroom and upgrade school safety and emergency preparedness.

- On July 7, 2021 the District issued series-A of Measure-Q in the principal amount of \$5,800,000 for the purpose technology upgrade, restrooms renovation, playground improvement, shade structures installation, parking lots modification, and other safety renovations.

Other obligations include compensated absences payable, other post-employment benefits (including health benefits for retirees) and other long-term liabilities.

Currently the District is paying other post-employment benefits out of the General Fund and the Cafeteria Fund using a "Pay as you go" approach based on actual expenses incurred annually. See Table 7 below for Retirees statistic.

Table 7
Mount Pleasant Elementary School District
Other Post-Employment Benefits (OPEB) Obligations

Group	Number of Retirees	FTE's	2021-22 Expenditures	Funding Source
Certificated	78	78.00	\$427,759	General Fund
Classified	40	32.81	\$194,589	G/F and Cafeteria
Management	13	13.00	\$106,587	General Fund
Total Retirees with benefits	131	123.81	\$728,935	

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

The District's net OPEB liability is approximately \$14.4 million as of June 30, 2022. GASB75 new accounting rule requires the district must account for the entire OPEB liability (see table 8). The actuarial report does not give the District credit for money set aside in Fund 20 since the funds are not in an irrevocable trust. However, the unfunded actuarial accrued liability would be \$13.7 million if the fund 20 balance of \$.68 million is taken into consideration as shown below:

Table 8	
Mount Pleasant Elementary School District	
Unfunded Post-employment Benefits Obligations	
	2021-22
Post-employment Benefits Obligations, beginning balance	\$14,805,537
Post-employment Benefits Obligations, June 30, 2022	\$14,450,116
Fund 20 Ending Fund Balance, June 30, 2022	<u>-\$678,895</u>
Unfunded Obligations	<u>\$13,771,221</u>

We present more detailed information regarding our long-term liabilities in Note 5 and 6 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2022-23 year, the District Board and management used the following criteria.

Key assumptions in the 2022-23 budget projections as of June 2022:

1. LCFF (Local Control Funding Formula) had been projected with 6.56% COLA
2. As the LCFF funding formula was implemented in 2013-14, majority of state categorical programs have combined into the new LCFF model and no longer funded on an individual basis. When the COVID-19 impacted in 2020, State and Federal have released many new categorical resources and COVID-19 funds to support public education since 2020. In fiscal year 2022-23 the district estimated a \$1.5 million carry forward from these funds. These balances have been budgeted according to the allowable uses and timelines to spend of each fund in budget and future years.
3. Average Daily Attendance (ADA) projected at 10% declined enrollment, estimated 1,081.33 for regular schools and 354.90 for Ida Jew Charter School.

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

4. 2022-23 ADA & Enrollment Forecasts:

Grade Level	Regular Sites	Charter School	Total District Wide
ADA - Grade TK-3	463.02	145.36	608.38
ADA - Grade Four through Six	357.90	123.53	481.43
ADA - Grades Seven through Eight	246.66	86.01	332.67
ADA- NPS, NPA	2.41	-	2.41
ADA - COE Operated	11.34	-	11.34
Total Estimated ADA	1,081.33	354.90	1,436.23
Total Estimated Enrollment	1,155	390	1,545

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Office, Mount Pleasant Elementary School District, at 3434 Marten Avenue, San Jose, California, 95148.

BASIC FINANCIAL STATEMENTS

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 18,340,122
Receivables	3,226,477
Prepaid expenses	79,217
Stores inventory	7,886
Non-depreciable capital assets (Note 4)	3,435,247
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>27,539,760</u>
Total assets	<u>52,628,709</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	4,820,516
Deferred outflows of resources- OPEB (Note 6)	<u>1,455,513</u>
Total deferred outflows of resources	<u>6,276,029</u>
LIABILITIES	
Accounts payable	1,666,314
Unearned revenue	686,659
Long-term liabilities (Note 5):	
Due within one year	1,714,233
Due after one year	<u>62,144,644</u>
Total liabilities	<u>66,211,850</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	14,633,000
Deferred inflows of resources - OPEB (Note 6)	<u>1,121,099</u>
Total deferred inflows of resources	<u>15,754,099</u>
NET POSITION	
Net investment in capital assets	4,239,772
Restricted:	
Legally restricted programs	3,261,345
Capital projects	69,009
Debt service	2,298,435
Unrestricted	<u>(32,929,772)</u>
Total net position	<u>\$ (23,061,211)</u>

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

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

		Program Revenues				Net (Expense) Revenues and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:						
Instruction	\$ 20,371,135	\$ 18,338	\$ 9,130,520	\$ -	\$ -	(11,222,277)
Instruction-related services:						
Supervision of Instruction	2,629,992	164	2,157,507	-	-	(472,321)
Instructional library, media and technology	341,719	33	25,432	-	-	(316,254)
School site administration	1,479,851	12	86,351	-	-	(1,393,488)
Pupil services:						
Home-to-school transportation	361,147	-	208,229	-	-	(152,918)
Food services	1,134,514	1,830	1,343,827	-	-	211,143
All other pupil services	1,416,276	720	590,694	-	-	(824,862)
General administration:						
Data processing	232,075	-	-	-	-	(232,075)
All other general administration	2,575,929	82	619,069	-	-	(1,956,778)
Plant services	3,910,761	596	532,790	-	-	(3,377,375)
Ancillary services	66,637	93	26,859	-	-	(39,685)
Community services	13,703	11	596	-	-	(13,096)
Enterprise activities	1,890	3	2,405	-	-	518
Interest on long-term liabilities	1,460,077	-	-	-	-	(1,460,077)
Other outgo	23	7,132	-	-	-	7,109
	<u>\$ 35,995,729</u>	<u>\$ 29,014</u>	<u>\$ 14,724,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(21,242,436)</u>
General revenues:						
Taxes and subventions:						
Taxes levied for general purposes						7,360,455
Taxes levied for debt service						2,554,380
Taxes levied for other specific purposes						477,573
Federal and state aid not restricted to specific purposes						15,685,337
Interest and investment earnings						87,050
Miscellaneous						420,746
						<u>26,585,541</u>
Total general revenues						26,585,541
Change in net position						5,343,105
Net position, June 30, 2021						<u>(28,404,316)</u>
Net position, June 30, 2022						<u>\$ (23,061,211)</u>

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

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 9,276,589	\$ 6,303,301	\$ 2,295,136	\$ 408,984	\$ 18,284,010
Cash on hand and in banks	-	-	-	356	356
Cash in revolving fund	23,000	-	-	100	23,100
Cash awaiting deposit	29,162	-	-	3,494	32,656
Receivables	2,837,099	19,436	3,299	352,193	3,212,027
Prepaid expenditures	79,217	-	-	-	79,217
Due from other funds	71	14,379	-	-	14,450
Stores inventory	-	-	-	7,886	7,886
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 12,245,138</u>	<u>\$ 6,337,116</u>	<u>\$ 2,298,435</u>	<u>\$ 773,013</u>	<u>\$ 21,653,702</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 898,152	\$ 203,977	\$ -	\$ 30,034	\$ 1,132,163
Due to other funds	14,379	-	-	71	14,450
Unearned revenue	686,659	-	-	-	686,659
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,599,190</u>	<u>203,977</u>	<u>-</u>	<u>30,105</u>	<u>1,833,272</u>
Fund balances:					
Nonspendable	102,217	-	-	7,986	110,203
Restricted	4,197,275	6,133,139	2,298,435	734,922	13,363,771
Assigned	2,892,494	-	-	-	2,892,494
Unassigned	3,453,962	-	-	-	3,453,962
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>10,645,948</u>	<u>6,133,139</u>	<u>2,298,435</u>	<u>742,908</u>	<u>19,820,430</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 12,245,138</u>	<u>\$ 6,337,116</u>	<u>\$ 2,298,435</u>	<u>\$ 773,013</u>	<u>\$ 21,653,702</u>

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

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2022

Total fund balances - Governmental Funds \$ 19,820,430

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$55,285,830 and the accumulated depreciation is \$24,310,823 (Note 4). 30,975,007

In governmental funds, interest on long-term debt is not recognized until the period in which it mature and it paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. (519,701)

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 June 30, 2022 consisted of (Note 5):

General Obligation Bonds	\$ (31,784,482)	
Unamortized premiums	(1,083,892)	
Accreted interest	(1,058,935)	
Total OPEB liability (Note 6)	(14,450,116)	
Net pension liability (Notes 8 and 9)	(15,463,000)	
Compensated absences	<u>(18,452)</u>	
		<u>(63,858,877)</u>

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8 and 9).

Deferred outflows of resources relating to pensions	\$ 4,820,516	
Deferred inflows of resources relating to pensions	<u>(14,633,000)</u>	

In governmental funds, deferred outflow and inflows relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows relating to OPEB are reported (Note 6) (9,812,484)

Deferred outflows of resources relating to pensions	\$ 1,455,513	
Deferred inflows of resources relating to pensions	<u>(1,121,099)</u>	

334,414

Total net position - governmental activities \$ (23,061,211)

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

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCES - GOVERNMENTAL FUNDS
For the year Ended June 30, 2022

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 16,298,025	\$ -	\$ -	\$ -	\$ 16,298,025
Local sources	<u>6,331,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,331,376</u>
Total LCFF	<u>22,629,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,629,401</u>
Federal sources	2,718,377	-	-	1,423,397	4,141,774
Other state sources	7,012,755	-	16,505	112,625	7,141,885
Other local sources	<u>2,328,816</u>	<u>77,463</u>	<u>2,800,906</u>	<u>91,081</u>	<u>5,298,266</u>
Total revenues	<u>34,689,349</u>	<u>77,463</u>	<u>2,817,411</u>	<u>1,627,103</u>	<u>39,211,326</u>
Expenditures:					
Current:					
Certificated salaries	11,911,660	-	-	-	11,911,660
Classified salaries	5,758,454	44,482	-	347,058	6,149,994
Employee benefits	8,418,980	24,521	-	194,090	8,637,591
Books and supplies	1,609,391	5,296	-	461,071	2,075,758
Contract services and operating expenditures	4,178,401	345,377	-	169,990	4,693,768
Other outgo	23	-	-	-	23
Capital outlay	32,875	5,417,005	-	-	5,449,880
Debt service:					
Principal retirement	-	-	1,163,131	-	1,163,131
Interest	<u>-</u>	<u>-</u>	<u>1,292,110</u>	<u>-</u>	<u>1,292,110</u>
Total expenditures	<u>31,909,784</u>	<u>5,836,681</u>	<u>2,455,241</u>	<u>1,172,209</u>	<u>41,373,915</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,779,565</u>	<u>(5,759,218)</u>	<u>362,170</u>	<u>454,894</u>	<u>(2,162,589)</u>
Other financing sources (uses):					
Transfers in	38,290	-	254,921	-	293,211
Transfers out	-	(254,921)	-	(38,290)	(293,211)
Premium on the issuance of bonds	-	300,821	-	-	300,821
Proceeds from sale of bonds	<u>-</u>	<u>5,800,000</u>	<u>-</u>	<u>-</u>	<u>5,800,000</u>
Total other financing sources (uses)	<u>38,290</u>	<u>5,845,900</u>	<u>254,921</u>	<u>(38,290)</u>	<u>6,100,821</u>
Net change in fund balances	2,817,855	86,682	617,091	416,604	3,938,232
Fund balances, July 1, 2021	<u>7,828,093</u>	<u>6,046,457</u>	<u>1,681,344</u>	<u>326,304</u>	<u>15,882,198</u>
Fund balances, June 30, 2022	<u>\$ 10,645,948</u>	<u>\$ 6,133,139</u>	<u>\$ 2,298,435</u>	<u>\$ 742,908</u>	<u>\$ 19,820,430</u>

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

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES – GOVERNMENTAL FUNDS – TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Net change in fund balances - Total Governmental Funds \$ 3,938,232

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

Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	\$ 5,449,879
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(1,579,225)
Accreted interest is an expense that is not recorded in the governmental funds (Note 5).	(166,494)
Premiums on debt issuance are recognized as revenue in the governmental funds, but are reported as adjustments to the related debt in the statement of net position (Note 5).	(283,474)
Proceeds from debt are recognized as other financing sources. In government-wide statements, proceeds from debt are reported as increases in liabilities (Note 5).	(5,800,000)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	1,163,131
In the governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the prior that it is incurred.	12,530
In the governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 8 and 9).	2,857,154
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	12,566
In the statement of activities, expenses related to other post-employment benefits are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	(261,194) <u>1,404,873</u>

Change in net position of governmental activities \$ 5,343,105

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

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
June 30, 2022

	Special Education Pass-Through Fund
ASSETS	
Cash in County Treasury (Note 2)	\$ 461,800
Receivables	<u>153,349</u>
Total assets	<u>\$ 615,149</u>
LIABILITIES	
Accounts Payable	<u>615,149</u>
Total liabilities	<u>\$ 615,149</u>

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

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
CUSTODIAL FUND
For the Year Ended June 30, 2022

	Special Education Pass-Through Fund
Revenues:	
Federal sources	\$ 20,832,628
Other state sources	<u>31,301,273</u>
Total revenues	<u>52,133,901</u>
Expenditures:	
Transfers to other Local Education Agencies	<u>\$ 52,133,901</u>

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

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mount Pleasant Elementary School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity: The Board of Trustees is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The District receives funding from local, state, and federal governmental sources and must comply with all the requirements of these funding source entities.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations; financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on long-term liabilities is considered an indirect expense and is reported separately in the Statement of Activities.

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. For financial reporting purposes, the current year activity and year end balances of the Special Reserve for Other Than Capital Outlay Projects and Special Reserve for Postemployment Benefits Funds are combined with the General Fund.

Building Fund - The Building Fund is a capital projects fund used to account for the proceeds from the sale of bonds and may not be used for any other purposes other than those for which the bonds were issued. The fund balance is generally restricted for the acquisition or construction of major capital facilities and other capital assets.

Bond Interest and Redemption Fund – The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

B - Other Funds

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This includes the Student Activity and Cafeteria Funds.

Capital Facilities Fund - The Capital Facilities Fund is a capital projects fund used to account for financial resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities and other capital assets.

Special Education Pass-Through Fund - The Special Education Pass-Through Fund is a Custodial Fund which is used to account for special education revenue passed through to other member Local Education Agencies. The Special Education Pass-Through Fund is presented as a Custodial Fund as the District does not monitor recipient districts for compliance with program requirements, determine eligibility of the recipient districts, nor does it use any discretion in determining how pass-through funds are allocated.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual: Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting: By state law, the Board of Trustees must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Trustees complied with these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2022.

Stores Inventory: Stores inventory in the Cafeteria Fund consists mainly of consumable supplies and is valued at average cost. Inventory is recorded as an expenditure at the time individual inventory items are transferred from the warehouse to the schools.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 50 years depending on asset types.

Interfund Activity: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods, and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized deferred outflows of resources related to the recognition of the net pension liability and total OPEB liability.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized deferred inflows of resources related to the recognition of the net pension liability and total OPEB liability.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is a summary of pension amounts in aggregate:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 3,094,209	\$ 1,726,307	\$ 4,820,516
Deferred inflows of resources	\$ 11,198,000	\$ 3,435,000	\$ 14,633,000
Net pension liability	\$ 7,788,000	\$ 7,675,000	\$ 15,463,000
Pension expense	\$ 512,170	\$ 900,962	\$ 1,413,132

Compensated Absences: Compensated absences in the amount of \$18,452 are recorded as a liability of the District. The liability is for the earned but unused benefits. The amount to be provided by future operations represents the total amount that would be required to be provided from the general operating revenues of the District if all benefits were to be paid.

Accumulated Sick Leave: Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRP and PERF B employees when the employee retires.

Unearned Revenue: Revenues from federal, state and local special projects and programs are recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Net Position: Net position is displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. It is the District's policy to use restricted net position first when allowable expenditures are incurred.
- Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide and fiduciary fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Trustees is required to remove any commitment from any fund balance. At June 30, 2022, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. While the Board of Trustees has empowered members of management to suggest individual amounts to be assigned, as of June 30, 2022 no formal designation of assignment authority has occurred and the Board of Trustees retains ultimate authority for assigning fund balance.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements if they have been adopted by the Board of Trustees. At June 30, 2022, the District has not established a minimum fund balance policy, nor has it established a stabilization arrangement.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Santa Clara bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncements: In June 2017, the GASB issued GASB Statement No. 87, *Leases*. GASB Statement No. 87 required the recognition of certain assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement a lease is required to be recognized as a lease liability and an intangible right to use lease asset and the lessor is required to recognize a lease receivable and deferred inflow of resources. This statement was originally effective for fiscal years beginning after December 15, 2019, but due to the adoption of GASB Statement No. 95, the implementation date was extended to reporting periods beginning after June 15, 2021. There was no impact to the financial statements of the District based on the implementation of GASB Statement No 87.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2022 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Pooled Funds		
Cash in County Treasury	\$ 18,284,010	\$ 461,800
Deposits:		
Cash on hand and in banks	356	-
Cash awaiting deposit	32,656	-
Revolving cash fund	<u>23,100</u>	<u>-</u>
Total	<u>\$ 18,340,122</u>	<u>\$ 461,800</u>

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest-bearing Santa Clara County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's prorata 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, which is recorded on the fair value basis.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2022, both the carrying amount and bank balances of the District's accounts totaled \$56,112, all of which were fully insured by the FDIC.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2022, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2022, the District had no concentration of credit risk.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District for goods and services are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2022 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 71	\$ 14,379
Building Fund	14,379	-
Non Major Fund:		
Cafeteria Fund	-	71
	<u>\$ 14,450</u>	<u>\$ 14,450</u>

Transfers: Transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Transfers for the 2021-2022 fiscal year were as follows:

Transfer from the Building Fund to the Bond Interest and Redemption Fund for bond activity.	\$ 254,921
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	<u>\$ 38,290</u>
	<u>\$ 293,211</u>

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2022 is shown below:

	Balance July 1, <u>2021</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2022</u>
Non-depreciable:				
Land	\$ 531,951	\$ -	\$ -	\$ 531,951
Work-in-process	1,032,621	2,903,296	(1,032,621)	2,903,296
Depreciable:				
Improvement of sites	3,392,487	142,818	-	3,535,305
Buildings	37,767,793	2,173,006	1,015,729	40,956,528
Equipment	<u>7,111,099</u>	<u>230,759</u>	<u>16,892</u>	<u>7,358,750</u>
Totals, at cost	<u>49,835,951</u>	<u>5,449,879</u>	<u>-</u>	<u>55,285,830</u>
Less accumulated depreciation:				
Improvements of sites	(2,497,215)	(883,899)	-	(3,381,114)
Buildings	(17,039,289)	(179,858)	-	(17,219,147)
Equipment	<u>(3,195,094)</u>	<u>(515,468)</u>	<u>-</u>	<u>(3,710,562)</u>
Total accumulated depreciation	<u>(22,731,598)</u>	<u>(1,579,225)</u>	<u>-</u>	<u>(24,310,823)</u>
Capital assets, net	<u>\$ 27,104,353</u>	<u>\$ 3,870,654</u>	<u>\$ -</u>	<u>\$ 30,975,007</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 413,514
Supervision and administration	264
Library, media and technology	18,334
School site administration	3,381
Food services	7,077
Community Services	10,234
General administration	83,631
Plant services	<u>1,042,790</u>
Total depreciation expense	<u>\$ 1,579,225</u>

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 - LONG-TERM LIABILITIES

Election of 2012, Series A General Obligation Bonds: On April 30, 2013 the District issued Election of 2012 General Obligation Bonds (Series A) totaling \$12,000,000 to finance the repair, upgrading, acquisition, construction and equipping the District's sites and facilities. The Bonds mature through August 2047. The Bonds bear interest at rates ranging from 2.00% to 4.05%.

Election of 2012, Series B General Obligation Bonds: On December 3, 2014 the District issued General Obligation Bonds (Series B) totaling of \$3,458,070 to finance the repair, upgrading, acquisition, construction and equipping the District site and facilities. The Bonds comprise \$1,785,000 in Current Interest Bonds, \$906,126 in Capital Appreciation Term Bonds, and \$766,944 in Capital Appreciation Serial Bonds. The Current Interest Bonds bear interest at rates ranging from 2.0% to 4.10% and mature during succeeding years through August 2042. The Capital Appreciation Term Bonds bear interest at 4.95%, and mature during succeeding years through August 2034. The Capital Appreciation Serial Bonds bear interest at rates ranging from 5.0% to 5.14%, and mature during succeeding years through August 2039.

2015 General Obligation Refunding Bonds: On September 23, 2015 the District issued 2015 General Obligation Refunding Bonds totaling \$2,265,000, for the purpose of refunding, on a current basis, all of the District's outstanding Election of 1998, 2005 Series D General Obligation Bonds. The 2015 GO Bonds mature during succeeding years through December 2024 and were issued at interest rates ranging from 4.13% to 5.50%.

Election of 2012, Series C General Obligation Bonds: On July 12, 2017 the District issued General Obligation Bonds (Series C) totaling of \$1,999,121 to finance the repair, modernization, acquisition, construction and equipping the District site and facilities. The Bonds comprise \$830,000 in Current Interest Serial Bonds, and \$1,169,121 in Capital Appreciation Serial Bonds. The Current Interest Bonds bear interest at rates ranging from 2.0% to 4.50% and mature during succeeding years through August 2042. The Capital Appreciation Serial Bonds bear interest at rates ranging from 1.8% to 4.31%, and mature during succeeding years through August 2042.

Election of 2018, Series A General Obligation Bonds: On December 5, 2019 the District issued General Obligation Bonds (Series A) totaling of \$10,000,000 to finance the repair, modernization, acquisition, construction and equipping the District site and facilities. The Current Interest Bonds bear interest at rates ranging from 3.0% to 4.00% and mature during succeeding years through August 2049.

Election of 2020, Series A General Obligation Bonds: On July 7, 2021 the District issued General Obligation Bonds (Series A) totaling of \$5,800,000 to finance the repair, modernization, acquisition, construction and equipping the District site and facilities. The Current Interest Bonds bear interest at rates ranging from 2.125% to 2.250% and mature during succeeding years through August 2046.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the General Obligation Bonds payable and outstanding follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,687,389	\$ 1,089,518	\$ 2,776,907
2024	616,994	1,025,690	1,642,684
2025	459,642	1,015,747	1,475,389
2026	378,140	1,018,522	1,396,662
2027	460,187	1,025,074	1,485,261
2028-2032	3,158,165	5,242,190	8,400,355
2033-2037	4,826,660	5,495,147	10,321,807
2038-2042	7,959,162	4,851,015	12,810,177
2043-2047	9,273,143	1,635,868	10,909,011
2048-2050	2,965,000	153,575	3,118,575
	<u>\$ 31,784,482</u>	<u>\$ 22,552,346</u>	<u>\$ 54,336,828</u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2022 is shown as follows:

	Balance June 30, 2021	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2022	Amount Due Within One Year
<u>Debt:</u>					
General Obligation Bonds	\$ 27,147,613	\$ 5,800,000	\$ 1,163,131	\$ 31,784,482	\$ 1,687,389
Unamortized premiums	800,418	300,821	17,347	1,083,892	26,844
Accreted interest	892,441	167,565	1,071	1,058,935	-
<u>Other long-term liabilities:</u>					
Total OPEB liability (Note 7)	14,805,537	-	355,421	14,450,116	-
Net pension liability (Notes 9 and 10)	32,354,000	-	16,891,000	15,463,000	-
Compensated absences	31,018	-	12,566	18,452	-
	<u>\$ 76,031,027</u>	<u>\$ 6,268,386</u>	<u>\$ 18,440,536</u>	<u>\$ 63,858,877</u>	<u>\$ 1,714,233</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the other post-employment benefits, net pension liability, and compensated absences are made from the fund for which the related employee worked.

(Continued)

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

General Information about the Other Postemployment Benefits Plan

Plan Description: The District provides healthcare benefits to eligible employees who retire from the District, as part of a single-employer defined benefit postemployment health care plan (the "Plan"). The Plan is administered by the District and allows employees who retire after having achieved retirement eligibility requirements to continue receiving medical coverage. The Board of Education has the authority to establish or amend the benefit terms offered by the Plan, and also retains the authority to establish the requirements for paying for the Plan's benefits as they come due. As of June 30, 2022, the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's total OPEB liability, and the plan does not issue separate financial statements.

Benefits Provided: In accordance with contracts between the District and the respective employee groups, eligible employees are entitled to receive certain medical, dental and vision benefits through the Plan. Benefits are prorated if the employee worked less than 100% full-time. Employees who work less than 50% of full-time, or any employee who was not enrolled in the District's group medical plan in the year preceding retirement, are not eligible for postretirement benefits through the Plan.

Eligibility requirements and benefits provided through the Plan vary depending on employee group, hire date, and years of service to the District:

Certificated Employees - For certificated employees hired before July 1, 1997, who retire after June 30, 1998 having reached age 50 with at least 15 years of service, the District provides lifetime medical coverage. For certificated employees hired after July 1, 1997 and before June 30, 2004, who retire having reached age 55 with at least 15 years of service, the District provides medical coverage until age 65.

Classified Employees - For classified employees hired before July 1, 1997, who retire after age 50 having reached at least 15 years of service, the District provides lifetime medical coverage. For classified employees hired after July 1, 1997, and before June 30, 2004, who retire having reached age 50 with at least 15 years of service, the District provides medical coverage until age 65.

Confidential Employees - For confidential employees hired before July 1, 1997, who retire after age 55 having reached at least 10 years of service and certain salary schedule minimums, the District provides lifetime medical coverage. For confidential employees hired after July 1, 1997, and before June 30, 2004, who retire having reached age 55 with at least 10 years of service and certain salary schedule minimums, the District provides medical coverage until age 65.

Management Employees - For management employees hired before July 1, 1997, who retire after age 55 having reached at least 10 years of service, the District provides lifetime medical coverage. For management employees hired after July 1, 1997, and before June 30, 2004, who retire having reached age 55 with at least 10 years of service and certain salary schedule minimums, the District provides medical coverage until age 65.

The District-paid monthly medical premiums ("maximum benefit") will not exceed the District's cap at the time of retirement. The District's current medical premium cap is \$11,500. District employees hired after June 30, 2004 and retire with 10 years of service may participate in the plan through age 65, by paying 100% of the premiums under the District's group medical plan.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2022:

	<u>Number of Participants</u>
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	133
Active employees	<u>52</u>
Total	<u><u>185</u></u>

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the District's Governing Board. Contributions to the Plan from the District were \$812,718 for the year ended June 30, 2022. Employees are not required to contribute to the OPEB plan.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB liability in Mount Pleasant Elementary School District's actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Valuation Date</u>	June 30, 2021
<u>Actuarial Method</u>	Entry Age actuarial cost method.
<u>Discount Rate</u>	2.16%.
<u>Inflation Rate</u>	2.75% per year
<u>Health Care Increases</u>	Medical insurance premiums are assumed to increase by 5.50% annually. Dental and vision premiums are assumed to increase by 5% annually.
<u>Mortality Rates</u>	Mortality rates are taken from the 2014 CalPERS OPEB Assumptions Model (for classified and confidential employees) and from the 2016 valuation of STRS (for certificated employees).
<u>Health Plan Coverage Elections</u>	100% of eligible employees hired on or before June 30, 2004 are assumed to elect coverage upon retirement, and to remain covered under District plans for life. Current employees are assumed to have the same medical plan and family status after retirement that they have as current employees. Employees with no medical coverage as of the actuarial valuation were assumed to elect single employee Kaiser HMO coverage.
<u>Retirement Rates</u>	Retirement rates are taken from the most recent experience studies for CalPERS (2017) and CalSTRS (2016).

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Termination Rates Termination rates are taken from the most recent experience studies for CalPERS (2017) for classified and confidential employees and CalSTRS (2016) for certificated and management employees.

Medical Claims Medical claims were estimated based on the true per person costs of coverage during the year ended June 30, 2018. The age-specific rates were developed to reproduce the same aggregate premiums that would be paid to the carriers for all current employee and retirees

<u>Age</u>	<u>Cost</u>
50	\$ 9,407
55	\$ 11,098
60	\$ 13,539
62	\$ 14,922
64	\$ 16,681

Salary Increases 3.00% per year

Discount Rate: Given the District's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 2.16%. The municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond General Obligation Index as published by the Federal Reserve.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2021	\$ 14,805,537
Changes for the year:	
Interest	318,222
Service Cost	63,790
Changes of benefit terms	-
Differences between actual and expected experience	-
Changes in assumptions	75,285
Benefit payments	<u>(812,718)</u>
Net change	<u>(355,421)</u>
Balance at June 30, 2022	<u>\$ 14,450,116</u>

The changes in assumptions include a change in the discount rate from 2.21% in the prior valuation, to 2.16% in the current valuation. Differences between actual and expected experience resulted from a combination of demographic related changes such as terminations, resignations and deaths. There were no changes between the measurement date and the year ended June 30, 2022 which had a significant effect on the District's total OPEB liability.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 16,100,539	\$ 14,450,116	\$ 13,057,542

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (4.50%)	Healthcare Cost Trend Rates Rate (5.50%)	1% Increase (6.50%)
Total OPEB liability	\$ 14,059,306	\$ 14,450,116	\$ 14,821,227

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2022, the District recognized OPEB expense of \$733,514. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 660,036	\$ 671,420
Differences between actual and expected experience	-	449,679
Benefits paid subsequent to measurement date	795,477	-
Total	\$ 1,455,513	\$ 1,121,099

\$795,477 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending <u>June 30,</u>	
2023	\$ 83,606
2024	\$ (197,074)
2025	\$ (203,919)
2026	\$ (176,181)
2027	\$ 32,505

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 7 - FUND BALANCES

Fund balances, by category, at June 30, 2022 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:					
Revolving cash fund	\$ 23,000	\$ -	\$ -	\$ 100	\$ 23,100
Stores inventory	-	-	-	7,886	7,886
Prepaid expenditures	<u>79,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,217</u>
Subtotal nonspendable	<u>102,217</u>	<u>-</u>	<u>-</u>	<u>7,986</u>	<u>110,203</u>
Restricted:					
Legally restricted:					
Grants	4,197,275	-	2,298,435	643,591	7,139,301
Student activities	-	-	-	22,322	22,322
Cafeteria	-	-	-	-	-
Capital projects	-	6,133,139	-	69,009	6,202,148
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal restricted	<u>4,197,275</u>	<u>6,133,139</u>	<u>2,298,435</u>	<u>734,922</u>	<u>13,363,771</u>
Assigned:					
Maintenance, technology, and instructional materials	2,213,599	-	-	-	2,213,599
Other postemployment benefits	<u>678,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>678,895</u>
Subtotal assigned	<u>2,892,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,892,494</u>
Unassigned:					
Designated for economic uncertainty	1,000,000	-	-	-	1,000,000
Undesignated	<u>2,453,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,453,962</u>
Subtotal unassigned	<u>3,453,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,453,962</u>
Total fund balances	<u>\$ 10,645,948</u>	<u>\$ 6,133,139</u>	<u>\$ 2,298,435</u>	<u>\$ 742,908</u>	<u>\$ 19,820,430</u>

(Continued)

NOTE 8 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit (DB) Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor up to the 2.4 percent maximum.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for any 36 consecutive months of credited service.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill required portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2021–21, respectively. The remaining portion of the contribution, approximately \$1.6 billion, was allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program.

California Assembly Bill 84, Chapter 16, Statutes of 2020, (AB 84) was signed into law in June 2020 and revised certain provisions of Teachers' Retirement Law enacted by SB 90. Specifically, AB 84 repurposed the aforementioned \$1.6 billion contribution originally intended to reduce employers' long-term liabilities, to further supplant employer contributions through fiscal year 2021–22. Pursuant to AB 84, employers will remit contributions to CalSTRS based on a rate that is 2.95 percent less than the statutory rate for fiscal year 2020–21 and 2.18 percent less than the rate set by the board for fiscal year 2021–22. Any remaining amounts must be allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program. The rate reduction for fiscal year 2019-20 under SB 90 was not changed by AB 84. The employer contribution rates set in statute and the board's authority to adjust those rates starting in fiscal year 2021–22 under the CalSTRS Funding Plan were not changed by the passage of SB 90 or AB 84.

In addition, the CalSTRS board's rate-setting authority for the state contribution rate was suspended for fiscal year 2020–21 by AB 84. Although the CalSTRS board exercised its authority in May 2020 to increase the state contribution rate by 0.50 percent effective July 1, 2020, the rate increase did not go into effect. Instead, the state rate remained at the 2019–20 level of 7.828 percent.

A summary of statutory contribution rates and other sources of contributions to the DB Program pursuant to the CalSTRS Funding Plan, SB 90 and AB 84, are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.250 percent of applicable member earnings for fiscal year 2021-2022.

Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2021-22. According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2019, valuation adopted by the board in May 2020, the increase in normal cost was less than 1 percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2020.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 8 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

Employers – 16.920 percent of applicable member earnings. This rate reflects the original employer contribution rate of 19.10 percent resulting from the CalSTRS Funding Plan and subsequently reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB 90 and AB 84.

The CalSTRS Funding Plan, which was enacted in June 2014 with the passage of California Assembly Bill (AB) 1469, required that employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation gave the CalSTRS board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

The CalSTRS employer contribution rates effective for fiscal year 2021-22 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>Rate Adjustment Per Special Legislation</u>	<u>Total</u>
July 1, 2021	8.250%	10.850%	(2.180%)	16.920%
July 1, 2022 to June 30, 2046	8.250%	(1)	N/A	(1)
July 1, 2046	8.250%	Increase from AB 1469 rate ends in 2046-47		

(1) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down by up to 1% each year, but no higher than 20.250% total and no lower than 8.250%.

The District contributed \$1,925,209 to the plan for the fiscal year ended June 30, 2022.

State – 10.828 percent of the members' calculated based on creditable compensation from two fiscal years prior.

The state's base contribution to the DB Program is calculated based on creditable compensation from two fiscal years prior. As a result of the CalSTRS Funding Plan, the state is required to make additional contributions to pay down the unfunded liabilities associated with the benefit structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions. The additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in subdivision (b) of Education Code section 22955.1. The increased contributions end as of fiscal year 2045-46. Pursuant to AB 84, the state contribution rate remained at to 5.811% for fiscal year 2021-22.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2021-2022 and beyond are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>SBMA Funding⁽¹⁾</u>	<u>Total</u>
July 01, 2021	2.017%	6.311%	2.50%	10.828%
July 01, 2022 to June 30, 2046	2.017%	(2)	2.50%	(2)
July 01, 2046	2.017%	(3)	2.50%	(3)

- (1) The SBMA contribution rate excludes the \$72 million that is reduced from the required contribution in accordance with Education Code section 22954.
- (2) The board has limited authority to adjust the state contribution rate annually through June 2046 in order to eliminate the remaining unfunded actuarial obligation. The board cannot increase the supplemental rate by more than 0.5% in a fiscal year, and if there is no unfunded actuarial obligation, the supplemental contribution rate imposed would be reduced to 0%.
- (3) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining unfunded actuarial obligation.

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

District's proportionate share of the net pension liability	\$ 7,788,000
State's proportionate share of the net pension liability associated with the District	<u>4,634,000</u>
Total	<u>\$ 12,422,000</u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2021, the District's proportion was 0.017 percent, which was a decrease of 0.004 from its proportion measured as of June 30, 2020.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

For the year ended June 30, 2022, the District recognized pension expense of \$512,170 and revenue of \$1,301,770 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 20,000	\$ 829,000
Changes of assumptions	1,104,000	-
Net differences between projected and actual earnings on investments	-	6,161,000
Changes in proportion and differences between District contributions and proportionate share of contributions	45,000	4,208,000
Contributions made subsequent to measurement date	<u>1,925,209</u>	<u>-</u>
Total	<u>\$ 3,094,209</u>	<u>\$ 11,198,000</u>

\$1,925,209 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2023	\$ (1,992,933)
2024	\$ (1,878,933)
2025	\$ (2,340,434)
2026	\$ (2,521,100)
2027	\$ (729,600)
2028	\$ (566,000)

Differences between expected and actual experience and changes in proportion are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2021 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB
Not applicable for DBS/CBB	

Discount Rate: The discount rate used to measure the total pension liability was 7.1 percent, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the 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 the total pension liability.

Mortality: 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 investment staff and investment consultants as inputs to the process.

The actuarial investment rate of return assumption was adopted by the CalSTRS board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Public Equity	42%	4.8%
Real Estate Assets	15	3.6
Private Equity	13	6.3
Fixed Income	12	1.3
Risk Mitigating Strategies	10	1.8
Inflation Sensitive	6	3.3
Cash / Liquidity	2	(0.4)

* 20-year geometric average

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.1 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.1 percent) or 1-percentage-point higher (8.1 percent) than the current rate:

	1% Decrease <u>(6.10%)</u>	Current Discount <u>Rate (7.10%)</u>	1% Increase <u>(8.10%)</u>
District's proportionate share of the net pension liability	<u>\$ 15,855,000</u>	<u>\$ 7,788,000</u>	<u>\$ 1,094,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

(Continued)

NOTE 9 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at:

<https://www.calpers.ca.gov/docs/forms-publications/cafr-2021.pdf>.

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when districts first join PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2022 were as follows:

Members - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2021-22.

Employers - The employer contribution rate was 22.91 percent of applicable member earnings.

The District contributed \$1,497,307 to the plan for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the District reported a liability of \$7,675,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2021, the District's proportion was 0.038 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2020.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 9 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

For the year ended June 30, 2022, the District recognized pension expense of \$900,962. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 229,000	\$ 18,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	2,945,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	472,000
Contributions made subsequent to measurement date	<u>1,497,307</u>	<u>-</u>
Total	<u>\$ 1,726,307</u>	<u>\$ 3,435,000</u>

\$1,497,307 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2023	\$ (759,583)
2024	\$ (809,583)
2025	\$ (818,083)
2026	\$ (818,751)

Differences between expected and actual experience, changes in proportion and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2021 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 9 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	July 1, 1997 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of Scale MP 2016. For more details on this table, please refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

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

	Long-Term* Assumed Allocation	Expected Real Rate of Return Years 1-10 ⁽¹⁾	Expected Real Rate of Return Years 11+ ⁽²⁾
Global Equity	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate	13	3.75	4.93
Liquidity	1	-	(0.92)

* 10-year geometric average

(1) An expected inflation rate of 2.00% used for this period

(2) An expected inflation rate of 2.92% used for this period

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

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 9 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the 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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
District's proportionate share of the net pension liability	<u>\$ 12,941,000</u>	<u>\$ 7,675,000</u>	<u>\$ 3,303,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 10 - JOINT POWERS AUTHORITIES

Santa Clara County Schools Insurance Group: The District participates in a Joint Powers Agreement with Santa Clara County Schools Insurance Group (SCCSIG).

SCCSIG arranges for and provides workers' compensation, property and liability, dental and vision insurance for its members. SCCSIG is governed by a board consisting of a representative from each member district. The board controls the operations of SCCSIG, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and the deficits proportionately to its participation in SCCSIG. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior year.

The following is a summary of audited financial information of SCCSIG at June 30, 2021 (the most recent information available):

Total assets	\$ 27,080,897
Deferred outflows	\$ 210,723
Total liabilities	\$ 6,814,219
Deferred inflows	\$ 74,414
Net position	\$ 20,402,987
Total revenues	\$ 40,818,801
Total expenditures	\$ 38,972,090
Change in net position	\$ 1,846,711

The District's share of year-end assets, liabilities, or net position has not been calculated by SCCSIG.

East Valley Schools Transportation Agency: The District is a member with other school districts of a Joint Powers Authority, East Valley Schools Transportation Agency, for the operation of transportation services. Each member district has two representatives on the Governing Board. Each member of that Board has equal voting rights. The Governing Board has decision-making authority which includes the power to designate management and the ability to significantly influence operations.

The following is a summary of audited financial information of East Valley Schools Transportation Agency Joint Powers Authority at June 30, 2021 (the most recent information available):

Total assets	\$ 744,378
Total liabilities	\$ 418,613
Net position	\$ 325,765
Total revenues	\$ 2,602,709
Total expenses	\$ 2,602,709
Change in net position	\$ -

The relationship between Mount Pleasant Elementary School District and the Joint Powers Authorities is such that the Joint Powers Authorities are not component units of the District for financial reporting purposes.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 - CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

Also, the District has received federal and state funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

REQUIRED SUPPLEMENTARY INFORMATION

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2022

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula:				
State apportionment	\$ 14,324,706	\$ 13,873,469	\$ 16,298,025	\$ 2,424,556
Local sources	<u>7,530,549</u>	<u>7,360,455</u>	<u>6,331,376</u>	<u>(1,029,079)</u>
Total Local Control Funding Formula	<u>21,855,255</u>	<u>21,233,924</u>	<u>22,629,401</u>	<u>1,395,477</u>
Federal sources	2,190,713	2,718,377	2,718,377	-
Other state sources	5,401,002	7,012,755	7,012,755	-
Other local sources	<u>1,377,242</u>	<u>2,345,806</u>	<u>2,328,816</u>	<u>(16,990)</u>
Total revenues	<u>30,824,212</u>	<u>33,310,862</u>	<u>34,689,349</u>	<u>1,378,487</u>
Expenditures:				
Current:				
Certificated salaries	12,479,744	11,911,660	11,911,660	-
Classified salaries	5,336,604	5,758,454	5,758,454	-
Employee benefits	8,493,496	8,418,980	8,418,980	-
Books and supplies	832,876	1,634,516	1,609,391	25,125
Contract services and operating expenditures	3,829,672	4,180,322	4,178,401	1,921
Other outgo	(41,114)	(5,392)	23	(5,415)
Capital outlay	<u>35,000</u>	<u>-</u>	<u>32,875</u>	<u>(32,875)</u>
Total expenditures	<u>30,966,278</u>	<u>31,898,540</u>	<u>31,909,784</u>	<u>(11,244)</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(142,066)</u>	<u>1,412,322</u>	<u>2,779,565</u>	<u>1,367,243</u>
Other financing sources:				
Transfers in	1,315,000	-	38,290	38,290
Transfers out	<u>(1,315,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>38,290</u>	<u>38,290</u>
Net change in fund balance	(142,066)	1,412,322	2,817,855	1,405,533
Fund balance, July 1, 2021	<u>7,828,093</u>	<u>7,828,093</u>	<u>7,828,093</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ 7,686,027</u>	<u>\$ 9,240,415</u>	<u>\$ 10,645,948</u>	<u>\$ 1,405,533</u>

See Note to Required Supplementary Information

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2022

	Last 10 Fiscal Years				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total OPEB liability					
Service cost	\$ 98,005	\$ 86,854	\$ 40,439	\$ 45,039	\$ 318,222
Interest	437,561	500,440	489,066	445,747	63,790
Changes of benefit terms	-	-	-	69,793	-
Change in assumptions	(1,100,989)	(359,975)	434,894	2,693,651	75,285
Difference in experience	-	(721,783)	-	(751,634)	-
Benefit payments	<u>(790,684)</u>	<u>(826,988)</u>	<u>(866,910)</u>	<u>(865,362)</u>	<u>(812,718)</u>
Net change in total OPEB liability	(1,356,107)	(1,321,452)	97,489	1,637,234	(355,421)
Total OPEB liability - beginning of year	<u>15,748,373</u>	<u>14,392,266</u>	<u>13,070,814</u>	<u>13,168,303</u>	<u>14,805,537</u>
Total OPEB liability, end of year	<u>\$ 14,392,266</u>	<u>\$ 13,070,814</u>	<u>\$ 13,168,303</u>	<u>\$ 14,805,537</u>	<u>\$ 14,450,116</u>
Covered-employee payroll	\$ 18,086,998	\$ 18,733,844	\$ 18,726,676	\$ 17,389,503	\$ 17,930,444
Total OPEB liability as a percentage of covered-employee payroll	79.57%	69.77%	70.32%	85.14%	80.59%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior. All years prior to 2018 are not available.

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2022

	State Teachers' Retirement Plan Last 10 Fiscal Years							
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of the net pension liability	0.024%	0.024%	0.024%	0.023%	0.023%	0.022%	0.021%	0.017%
District's proportionate share of the net pension liability	\$ 14,015,000	\$ 15,845,000	\$ 19,468,000	\$ 21,429,000	\$ 20,897,000	\$ 20,176,000	\$ 20,323,000	\$ 7,788,000
State's proportionate share of the net pension liability associated with the District	<u>8,463,000</u>	<u>8,380,000</u>	<u>11,084,000</u>	<u>12,677,000</u>	<u>11,964,000</u>	<u>11,008,000</u>	<u>11,106,000</u>	<u>4,634,000</u>
Total net pension liability	<u>\$ 22,478,000</u>	<u>\$ 24,225,000</u>	<u>\$ 30,552,000</u>	<u>\$ 34,106,000</u>	<u>\$ 32,861,000</u>	<u>\$ 31,184,000</u>	<u>\$ 31,429,000</u>	<u>\$ 12,422,000</u>
District's covered payroll	\$ 10,682,000	\$ 10,924,000	\$ 11,996,000	\$ 12,281,000	\$ 12,103,000	\$ 12,145,000	\$ 12,036,000	\$ 9,588,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	174.49%	172.66%	168.02%	179.48%	84.73%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%	87.21%

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

All years prior to 2015 are not available.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2022

	Public Employer's Retirement Fund B Last 10 Fiscal Years							
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of the net pension Liability	0.041%	0.062%	0.057%	0.040%	0.041%	0.040%	0.039%	0.038%
District's proportionate share of the net pension liability	\$ 4,624,000	\$ 9,144,000	\$ 11,301,000	\$ 9,602,000	\$ 10,860,000	\$ 11,716,000	\$ 12,031,000	\$ 7,675,000
District's covered payroll	\$ 4,276,000	\$ 6,686,000	\$ 6,865,000	\$ 5,128,000	\$ 5,372,000	\$ 7,020,000	\$ 5,648,000	\$ 6,700,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.03%	187.25%	202.16%	210.42%	213.01%	141.74%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%	70.00%	80.97%

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

All years prior to 2015 are not available.

See Note to Required Supplementary Information.

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2022

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 970,062	\$ 1,287,121	\$ 1,544,925	\$ 1,770,130	\$ 1,977,182	\$ 2,058,319	\$ 1,831,400	\$ 1,925,209
Contributions in relation to the contractually required contribution	<u>(970,062)</u>	<u>(1,287,121)</u>	<u>(1,544,925)</u>	<u>(1,770,130)</u>	<u>(1,977,182)</u>	<u>(2,058,319)</u>	<u>(1,831,400)</u>	<u>(1,925,209)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 10,924,000	\$ 11,996,000	\$ 12,281,000	\$ 12,103,000	\$ 12,145,000	\$ 12,036,000	\$ 9,588,000	\$ 10,080,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10% *	16.15%**	16.92%***

* This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB 90.

All years prior to 2015 are not available.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2022

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 808,395	\$ 813,259	\$ 712,229	\$ 1,079,376	\$ 1,267,975	\$ 1,384,321	\$ 1,386,962	\$ 1,497,307
Contributions in relation to the contractually required contribution	<u>(808,395)</u>	<u>(813,259)</u>	<u>(712,229)</u>	<u>(1,079,376)</u>	<u>(1,267,975)</u>	<u>(1,384,321)</u>	<u>(1,386,962)</u>	<u>(1,497,307)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,686,000	\$ 6,865,000	\$ 5,128,000	\$ 5,372,000	\$ 7,020,000	\$ 5,648,000	\$ 6,700,000	\$ 6,536,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%	22.91%

All years prior to 2015 are not available.

See Note to Required Supplementary Information.

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2022

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule: The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Changes in Total Other Postemployment Benefits (OPEB) liability: The Schedule of Changes in Total OPEB Liability is presented to illustrate the elements of the District's total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's total OPEB liability.

C - Schedule of the District's Proportionate Share of the Net Pension Liability: The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of the District's Contributions: The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E - Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions: The discount rates used for the total OPEB liability were 3.87, 3.50, 2.21 and 2.16 percent at the June 30, 2018, June 30, 2019, June 30, 2020 and June 30, 2021 measurement dates, respectively.

The discount rate for Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020 actuarial reports, respectively.

The following are the assumptions for the State Teachers' Retirement Plan:

<u>Assumption</u>	<u>Measurement Period</u>						
	As of June 30, <u>2021</u>	As of June 30, <u>2020</u>	As of June 30, <u>2019</u>	As of June 30, <u>2018</u>	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2022

	Student Activity Fund	Cafeteria Fund	Capital Facilities Fund	Total
ASSETS				
Cash in County Treasury	\$ 22,205	\$ 321,359	\$ 65,420	\$ 408,984
Cash on hand and in banks	-	356	-	356
Cash in revolving fund	-	100	-	100
Cash awaiting deposit	57	-	3,437	3,494
Receivables	60	351,981	152	352,193
Stores inventory	-	7,886	-	7,886
	<u>-</u>	<u>7,886</u>	<u>-</u>	<u>7,886</u>
Total assets	<u>\$ 22,322</u>	<u>\$ 681,682</u>	<u>\$ 69,009</u>	<u>\$ 773,013</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 30,034	\$ -	\$ 30,034
Due to other funds	-	71	-	71
	<u>-</u>	<u>71</u>	<u>-</u>	<u>71</u>
Total liabilities	<u>-</u>	<u>30,105</u>	<u>-</u>	<u>30,105</u>
Fund balances:				
Nonspendable	-	7,986	-	7,986
Restricted	22,322	643,591	69,009	734,922
	<u>22,322</u>	<u>643,591</u>	<u>69,009</u>	<u>734,922</u>
Total fund balances	<u>22,322</u>	<u>651,577</u>	<u>69,009</u>	<u>742,908</u>
Total liabilities and fund balances	<u>\$ 22,322</u>	<u>\$ 681,682</u>	<u>\$ 69,009</u>	<u>\$ 773,013</u>

See accompanying notes to supplementary information.

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGE IN FUND BALANCES - ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2022

	Student Activity Fund	Cafeteria Fund	Capital Facilities Fund	Total
Revenues:				
Federal sources	\$ -	\$1,423,397	\$ -	\$1,423,397
Other state sources	-	112,625	-	112,625
Other local sources	<u>16,995</u>	<u>46,567</u>	<u>27,519</u>	<u>91,081</u>
Total revenues	<u>16,995</u>	<u>1,582,589</u>	<u>27,519</u>	<u>1,627,103</u>
Expenditures:				
Classified salaries	-	347,058	-	347,058
Employee benefits	-	194,090	-	194,090
Books and supplies	25,125	435,946	-	461,071
Contract services and operating expenditures	<u>1,922</u>	<u>168,068</u>	<u>-</u>	<u>169,990</u>
Total expenditures	<u>27,047</u>	<u>1,145,162</u>	<u>-</u>	<u>1,172,209</u>
(Deficiency) excess of revenue (under) over expenditures	<u>(10,052)</u>	<u>437,427</u>	<u>27,519</u>	<u>454,894</u>
Other financing uses:				
Transfers out	<u>-</u>	<u>(38,290)</u>	<u>-</u>	<u>(38,290)</u>
Total other financing (uses) sources	<u>-</u>	<u>(38,290)</u>	<u>-</u>	<u>(38,290)</u>
Net change in fund balances	(10,052)	399,137	27,519	416,604
Fund balance, July 1, 2021	<u>32,374</u>	<u>252,440</u>	<u>41,490</u>	<u>326,304</u>
Fund balance, June 30, 2022	<u>\$ 22,322</u>	<u>\$ 651,577</u>	<u>\$ 69,009</u>	<u>\$ 742,908</u>

-

See accompanying notes to supplementary information.

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
June 30, 2022

Mount Pleasant Elementary School District was established in 1865 and is comprised of an area of approximately seven square miles located in Santa Clara County. There were no changes in the boundaries of the District during the current year. The District is currently operating three elementary schools, one charter school and one middle school.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Brenda Serrano	President	December 2022
Derek Gratsy	Clerk	December 2024
Melissa Got-Lopez	Vice President	December 2024
Robert Ramirez	Member	December 2022
Betty Martinez	Member	December 2022

ADMINISTRATION

Dr. Elida MacArthur
Superintendent

Alice De La Rosa
Executive Admin. Manager

Tracy Huynh
Chief Business Officer

Kevin Hutchings
Chief of Maintenance & Operations

See accompanying notes to supplementary information.

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 June 30, 2022

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT

	Second Period Report <u>(Original)</u>	Second Period Report <u>(Audited)*</u>	Annual Report
Certificate #:	891957B4	F3D444F	661BD57D
Transitional Kindergarten through Third	490	490	494
Four through Six	394	394	395
Seven and Eight	276	276	276
Special Education	<u>33</u>	<u>33</u>	<u>33</u>
Subtotal District	<u>1,193</u>	<u>1,193</u>	<u>1,198</u>

IDA JEW ACADEMIES CHARTER SCHOOL (CLASSROOM-BASED)

	Second Period Report <u>(Original)</u>	Annual Report
Certificate #	359F7387	3C8F3AA8
Transitional Kindergarten through Third	158	159
Four through Six	140	141
Seven and Eight	<u>98</u>	<u>97</u>
Subtotal Charter School (Classroom- Based)	<u>396</u>	<u>397</u>
District Totals	<u><u>1,589</u></u>	<u><u>1,595</u></u>

*Reflects revisions made by the District subsequent to the submission of the original Second Period Report of Attendance, based on an internal review of the records.

See accompanying notes to supplementary information.

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2022

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2021-2022 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT</u>				
Kindergarten	36,000	48,775	180	In Compliance
Grade 1	50,400	52,610	180	In Compliance
Grade 2	50,400	52,610	180	In Compliance
Grade 3	50,400	52,610	180	In Compliance
Grade 4	54,000	54,400	180	In Compliance
Grade 5	54,000	54,400	180	In Compliance
Grade 6	54,000	54,395	180	In Compliance
Grade 7	54,000	55,670	180	In Compliance
Grade 8	54,000	55,670	180	In Compliance
<u>IDA JEW ACADEMICS CHARTER SCHOOL (CLASSROOM-BASED)</u>				
Kindergarten	36,000	48,775	180	In Compliance
Grade 1	50,400	52,610	180	In Compliance
Grade 2	50,400	52,610	180	In Compliance
Grade 3	50,400	52,610	180	In Compliance
Grade 4	54,000	54,400	180	In Compliance
Grade 5	54,000	54,400	180	In Compliance
Grade 6	54,000	54,775	180	In Compliance
Grade 7	54,000	55,670	180	In Compliance
Grade 8	54,000	55,670	180	In Compliance

See accompanying notes to supplementary information.

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2022

<u>Assistance Listing Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through</u>			
<u>California Department of Education</u>			
	Special Education Cluster:		
84.027	Basic Local Assistance Entitlement, Part B, Section 611	13379	\$ 392,354
84.173	Special Education Preschool Local Entitlement Part B, Sec 611	13430	16,143
84.027A	Special Education IDEA Mental Health Part B	15197	26,620
84.173A	Special Education Preschool Staff Development	13431	<u>125</u>
	Subtotal Special Education Cluster		<u>435,242</u>
	COVID-19 - Education Stabilization Fund Programs:		
84.425	COVID-19: Elementary and Secondary School Emergency Relief (ESSER I) Fund	15536	33
84.425	COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	15547	518,112
84.425C	COVID-19: Governor's Emergency Education Relief Fund: Learning Loss Mitigation	15517	134,798
84.425	COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	15559	773,850
84.425U	COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	10155	<u>262,049</u>
	Subtotal COVID-19: ESF Programs		<u>1,688,842</u>
	Title III Programs:		
84.365	ESSA: Title III, Immigrant Student Program	15146	8,348
84.365	ESSA: Title III, English Learner Student Program	14346	<u>19,731</u>
	Subtotal Title III Programs		<u>28,079</u>
84.424	ESEA (ESSA) Title IV, Part A, Student	15396	<u>6,425</u>
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	<u>547,918</u>
	Total U.S. Department of Education		<u>2,706,506</u>
<u>U.S. Department of Agriculture - Passed through</u>			
<u>California Department of Education</u>			
10.555	National School Lunch Program	13755	<u>1,183,453</u>
	Total Federal Program Expenditures		<u>\$ 3,889,959</u>

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

	<u>General Fund</u>
June 30, 2022 Unaudited Actual Financial Reporting Ending Fund Balance	\$ 9,250,472
Management proposed entry to record additional apportioned revenue	<u>1,395,476</u>
June 30, 2022 Audited Financial Statement Ending Fund Balance	<u>\$ 10,645,948</u>

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2022
(UNAUDITED)

	(Budget) <u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 29,936,639	\$ 34,727,639	\$ 34,953,873	\$ 31,816,097
Expenditures	30,628,470	31,909,784	31,466,358	32,481,510
Other uses and transfers out	-	-	-	200,000
Total outgo	<u>30,628,470</u>	<u>31,909,784</u>	<u>31,466,358</u>	<u>32,681,510</u>
Change in fund balance	<u>\$ (691,831)</u>	<u>\$ 2,817,855</u>	<u>\$ 3,487,515</u>	<u>\$ (865,413)</u>
Ending fund balance	<u>\$ 9,954,117</u>	<u>\$ 10,645,948</u>	<u>\$ 7,828,093</u>	<u>\$ 4,340,578</u>
Available reserves	<u>\$ 3,113,088</u>	<u>\$ 3,453,962</u>	<u>\$ 1,312,402</u>	<u>\$ 1,015,250</u>
Designated for economic uncertainties	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 944,000</u>	<u>\$ 1,000,000</u>
Undesignated fund balance	<u>\$ 2,113,088</u>	<u>\$ 2,453,962</u>	<u>\$ 368,402</u>	<u>\$ 15,250</u>
Available reserves as percentages of total outgo	<u>10.16%</u>	<u>10.82%</u>	<u>4.17%</u>	<u>3.11%</u>
<u>Total Funds</u>				
Total long-term liabilities	<u>\$ 62,144,644</u>	<u>\$ 63,858,877</u>	<u>\$ 76,031,027</u>	<u>\$ 74,891,950</u>
Average daily attendance at P-2, excluding Charter	<u>1,204</u>	<u>1,193</u>	<u>1,459</u>	<u>1,459</u>

The combined fund balance of the General Fund, which includes the Special Reserve for Other than Capital Outlay Projects and the Special Reserve for Postemployment Benefits Funds, has increased by \$4,044,481 over the past three fiscal years. The District projects a decrease of \$691,831 for the fiscal year ending June 30, 2023. For a district this size, the State of California recommends available reserves to be maintained of at least 3 percent of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2022, the District was in compliance with this requirement.

The District has incurred an operating surplus in two of the past three years, and anticipates an operating deficit during the fiscal year ending June 30, 2023.

Total long-term liabilities have decreased by \$11,033,073 over the past two years.

Average daily attendance (excluding Ida Jew Academies Charter School) has decreased by 266 over the past two years. The District anticipates an increase of 11 ADA during the fiscal year ending June 30, 2023.

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2022

Charter Schools Chartered by District

1243 - Ida Jew Academies Charter

Included in District
Financial Statements, or
Separate Report

Included in District Financial
Statements

See accompanying notes to supplementary information.

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

NOTE 1 - PURPOSE OF SCHEDULES

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

Schedule of Instructional Time: The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

Schedule of Expenditure of Federal Awards: The Schedule of Expenditure of Federal Awards includes the federal award activity of Mount Pleasant Elementary School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements: This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

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

Schedule of Charter Schools: This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14503 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2022, the District did not adopt this program.

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
Mount Pleasant Elementary School District
San Jose, California

Report on Compliance with State Laws and Regulations

Opinion on Compliance with State Laws and Regulations

We have audited Mount Pleasant Elementary School District's compliance with the types of compliance requirements described in the State of California's *2021-22 Guide for Annual Audits of K12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2022.

<u>Description</u>	<u>Procedures Performed</u>
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
Immunizations	No, see below
Educator Effectiveness	Yes

(Continued)

Expanded Learning Opportunities (ELO-G)	Yes
Career Technical Education Incentive Grant	No, see below
In-Person Instruction Grant	Yes
Charter Schools – Attendance	Yes
Charter Schools – Mode of Instruction	Yes
Charter Schools – Nonclassroom-Based Instruction/Independent Study	No, see below
Charter Schools – Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter Schools - Annual Instructional Minutes-Classroom Based	Yes
Charter Schools – Charter School Facility Grant Program	No, see below

The District did not offer an Continuation Education Program; therefore, we did not perform any procedures related to this program.

The District did not offer an Early Retirement Incentive Program; therefore, we did not perform any procedures related to this program.

The District did not operate any Juvenile Court Schools; therefore, we did not perform any procedures related to this program.

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

The District did not report any applicable hours for Apprenticeship – Related and Supplemental Instruction Program; therefore, we did not perform any procedures related to this program.

The District is not included on the District of Choice listing provided by the California Department of Education for the audit year; therefore, we did not perform any procedures related to this program.

The District did not have any new Clean Energy Jobs projects in the current audit year; therefore, we did not perform any procedures related to this program.

The District did not offer Independent Study - Course Based Program during the audit year; therefore, we did not perform any procedures related to this program.

The District did not have any schools that did not submit immunization assessments, therefore, we did not perform any procedures related to this program.

The District did receive any funds from the Career Technical Education Incentive Grant, therefore, we did not perform any procedures related to this program.

We did not perform any procedures related to Nonclassroom-Based Instruction/Independent Study, for charter schools or Determination of Funding for Nonclassroom-Based Instruction, for charter schools because the District's charter school is classroom-based.

The District did not participate in the Charter School Facility Grant Program; therefore, we did not perform any procedures related to this program.

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, Mount Pleasant Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2022.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

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

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

As described in Finding 2022-001 in the accompanying Schedule of Audit Findings and Questioned Costs, Mount Pleasant Elementary School District did not comply with the requirements regarding Comprehensive School Safety Plans. Compliance with such requirements is necessary, in our opinion, for Mount Pleasant Elementary School District to comply with the requirements applicable to the state laws and regulations referred to above.

Other Matter

Mount Pleasant Elementary School District's responses to the findings identified in our audit are included in the accompanying Schedule of Audit findings and Questioned Costs. Mount Pleasant Elementary School District's responses were not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

(Continued)

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

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

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

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose

Crowe LLP
Crowe LLP

Sacramento, California
December 9, 2022

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

Board of Trustees
Mount Pleasant Elementary School District
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mount Pleasant Elementary School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Mount Pleasant Elementary School District's basic financial statements, and have issued our report thereon dated December 9, 2022.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP
Crowe LLP

Sacramento, California
December 9, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE AS REQUIRED BY UNIFORM GUIDANCE

Board of Trustees
Mount Pleasant Elementary School District
San Jose, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mount Pleasant Elementary School District's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Mount Pleasant Elementary School District's major federal programs for the year ended June 30, 2022. Mount Pleasant Elementary School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mount Pleasant Elementary School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

(Continued)

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

(Continued)

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

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

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

Crowe LLP
Crowe LLP

Sacramento, California
December 9, 2022

FINDINGS AND RECOMMENDATIONS

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ X _____ No	
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ X _____ None reported	

Noncompliance material to financial statements noted?

	_____ Yes	_____ X _____ No	
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FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ X _____ No	
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ X _____ None reported	

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

	_____ Yes	_____ X _____ No	
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Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425, 84.425C, 84.425U 10.555	COVID-19 - Education Stabilization Fund Cluster National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ X _____ Yes _____ No

STATE AWARDS

Type of auditors' report issued on compliance for state programs: Qualified

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2022 – 001 – STATE COMPLIANCE – COMPREHENSIVE SCHOOL SAFETY (40000)

Criteria: California Education Code Section 32286 requires that each school adopt a comprehensive safety plan by March 1 annually.

Condition: The safety plans for each site within the District were not adopted until April 13, 2022.

Effect: The District is not in compliance with California Education Code Section 32286 regarding comprehensive safety plans.

Cause: The District did not have the safety plans available for Board approval until after March 1, 2022.

Recommendation: We recommend that management reevaluate internal control processes to ensure that adoption of safety plans is included on the agenda of Board meetings in advance of March 1st each year.

Views of Responsible Officials and Corrective Actions: Management concurs that the District was not in compliance with the requirements for the comprehensive school safety plan and will ensure that safety plans are adopted by the Board on or before March 1st of each year.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

MOUNT PLEASANT ELEMENTARY SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2022

2021-001 – STATE COMPLIANCE – INSTRUCTIONAL MATERIALS (70000)

Condition: The District held the public hearing required by California Education Code Section 60119 (1)(B) regarding the sufficiency of instructional materials on November 18, 2020, which was more than eight weeks after the first day of the 2020-2021 school year, having commenced on August 18, 2020.

Recommendation: The District management team should reevaluate internal control processes to ensure that future public hearings on the sufficiency of instructional materials, are completed prior to the eighth week after the first day pupils attend school for the school year.

Implementation: The District held the required public hearing within the time frame outlined in California Education Code Section 60119(1)(B).

District Explanation if Not Implemented: N/A – Implemented.