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CPAs & BUSINESS ADVISORS

December 15, 2023

To the Governing Board
Happy Valley Union Elementary School District
Anderson, California

We have audited the financial statements of Happy Valley Union Elementary School District (the District) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 15, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance

As communicated in our letter dated June 1, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the District complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the District's major federal program compliance, is to express an opinion on the compliance for each of District's major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing 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 internal control over compliance. Accordingly, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the District's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our 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* dated December 15, 2023. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated December 15, 2023.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified the following as significant risks.

- Management Override of Controls – Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management of the District may have the ability to override controls that the District has implemented. Management may override the District's controls in order to modify the financial records with the intent of manipulating the financial statements to overstate the District's financial performance or with the intent of concealing fraudulent transactions.

- Revenue Recognition – We identified revenue recognition as a significant risk due to financial and operational incentives for the District to overstate revenues.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 1, the District changed accounting policies related to accounting for leases to adopt the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods

used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Governmental Accounting Standards Board (GASB) requires the District to calculate, recognize, and report the costs and obligations associated with pensions and Other Postemployment Benefits (OPEB) in their financial statements. These amounts were all determined based on the District's proportionate share of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) estimated net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, which utilized projections of future contributions and future earnings, actuarial assumptions such as inflation, salary increases, mortality rates, and investment rate of return and discount rates in the determination of the final balances reported in the CalSTRS and CalPERS audited financial statements. The District's proportionate share was determined by calculating the District's share of contributions to the pension plan relative to the contributions of all participating entities in the plan.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to Other Postemployment Benefits (OPEB) Liability (Note 10) and Employee Retirement Systems (Note 13).

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

There were no corrected misstatements.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

(1) General Fund: To adjust the Cash in County amount to the Confirmation provided by Shasta County Office of Education

Revenues	$47,046
Cash in County Treasury	$47,046

(2) Aggregate Remaining Funds: To adjust the Student Activity Fund cash balance to agree to the bank reconciliation

Expenditures	$3,862
Cash in Banks	$3,862

The effect of these uncorrected misstatements, including the effect of the reversal of prior year uncorrected misstatements as of and for the year ended June 30, 2023, is an overstatement of the fund balance of $47,046 for the General Fund, an overstatement of the fund balance of $3,862 for the Non-Major Governmental Funds, and an overstatement of net position of $50,908 for the Government-wide financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report.

Modification of the Auditor's Report

We have made the following modification to our auditor's report:

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements, for the year ended June 30, 2023. Our opinions are not modified with respect to this matter.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated December 15, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

This report is intended solely for the information and use of the governing board, and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Rancho Cucamonga, California

Financial Statements
June 30, 2023

Happy Valley Union Elementary School District

Happy Valley Union Elementary School District

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Governing Board
Happy Valley Union Elementary School District
Anderson, 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 Happy Valley Union Elementary School District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Happy Valley Union Elementary School District, as of June 30, 2023, 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*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability - CalSTRS, schedule of the District's proportionate share of the net pension liability - CalPERS, schedule of the District's contributions – CalSTRS, and schedule of the District's contributions – CalPERS, be presented to

supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2023

Happy Valley District Office: (530)357-2134
17480 Palm Avenue, Anderson, CA 96007
Happy Valley Elementary School : (530)357-2111
17480 Palm Avenue, Anderson, CA 96007
Happy Valley Primary School: (530)357-2131
16300 Cloverdale Lane, Anderson, CA 96007

Primary School Principal- Gina Murphy
Elementary School Acting Principal- Tim Drury

Governing Board: Nate Echols, Cheryl Best, Carla Perry, Jodi Shearman, Billy Soksoda

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Happy Valley Union Elementary School District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

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 capital assets and right-to-use leased assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

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

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

The primary unit of the government is the Happy Valley Union Elementary School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade eight students, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The statement of activities includes overall revenues of $10,347,665 and overall expenses of $7,762,254. Revenues exceeded expenses by $2,585,141.

Total net position in governmental activities was $2,777,242.

The General Fund reported a total fund balance of $4,757,217.

The District's General Fund incurred an operating surplus of $3,022,083 in the current year.

THE DISTRICT AS A WHOLE

Net Position

The District's Net Position was $2,777,242 for the fiscal year ended June 30, 2023. Of this amount, $(3,291,435) was unrestricted deficit. Restricted Net Position are reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use that Net Position for day-to-day operations. Our analysis below, in summary form, focuses on the Net Position (Table 1) and change in Net Position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2023	2022
Assets		
Current and other assets	$ 6,201,565	$ 3,174,340
Capital assets and right-to-use leased assets	7,998,318	7,874,691
Total assets	14,199,883	11,049,031
Deferred outflows of resources	1,906,378	1,515,812
Liabilities		
Current liabilities	737,074	842,764
Long-term liabilities other than OPEB and pension	6,159,084	5,353,106
Net other postemployment benefit (OPEB) liability	281,454	341,112
Aggregate net pension liability	5,090,266	3,234,924
Total liabilities	12,267,878	9,771,906
Deferred inflows of resources	1,061,141	2,600,836
Net Position		
Net investment in capital assets	3,286,306	4,432,505
Restricted	2,782,371	1,113,759
Unrestricted (deficit)	(3,291,435)	(5,354,163)
Total net position	$ 2,777,242	$ 192,101

The $(3,291,435) in unrestricted deficit Net Position of all governmental activities represents the accumulated results of all past years' operations. Unrestricted (deficit) net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. The unrestricted (deficit) net position decreased by 38.5% ($3,291,435 deficit compared to $5,354,163 deficit in the prior year).

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 13. (Table 2) takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2023	2022
Revenues		
Program revenues		
Charges for services and sales	$ 31,972	$ 41,278
Operating grants and contributions	4,042,934	2,644,166
General revenues		
Federal and State aid not restricted	4,844,158	4,155,739
Property taxes	1,344,118	1,255,977
Other general revenues	84,483	83,469
Total revenues	10,347,665	8,180,629
Expenses		
Instruction-related	4,914,281	4,764,630
Pupil services	1,106,746	958,551
Administration	510,758	523,554
Plant services	873,111	744,067
All other services	357,628	333,274
Total expenses	7,762,524	7,324,076
Change in net position	$ 2,585,141	$ 856,553

Governmental Activities

As reported in the *Statement of Activities* on page 13, the cost of all of our governmental activities this year was $7,762,524. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $1,344,118 because the cost of ($31,972) was paid by those who benefited from the programs, or by other governments and organizations who subsidized certain programs with grants and contributions of ($4,042,934). We paid for the remaining "public benefit" portion of our governmental activities with $4,928,641 in Federal and State funds and other revenues, like interest and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
Instruction-related	$ 4,914,281	$ 4,764,630	$ (2,160,269)	$ (2,895,909)
Pupil services	1,106,746	958,551	(25,592)	(310,120)
Administration	510,758	523,554	(426,383)	(462,292)
Plant services	873,111	744,067	(866,376)	(683,137)
All other services	357,628	333,274	(208,998)	(287,174)
Total	$ 7,762,524	$ 7,324,076	$ (3,687,618)	$ (4,638,632)

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $5,512,439 which is an increase of $3,142,707, or 132.6% from last year. (Table 4)

Table 4

	Balances and Activity			
Governmental Fund	July 1, 2022	Revenues and Other Financing Sources	Expenditures	June 30, 2023
General Fund	$ 1,735,134	$ 10,523,714	$ 7,501,631	$ 4,757,217
Student Activity Fund	30,033	42,948	35,798	37,183
Cafeteria Fund	25,440	474,066	395,079	104,427
Building Fund	39	-	-	39
Capital Facilities Fund	186,949	19,972	5,028	201,893
Special Reserve Fund for Capital Outlay Projects	19	-	-	19
Bond Interest and Redemption Fund	392,118	371,699	352,156	411,661
Total	$ 2,369,732	$ 11,432,399	$ 8,289,692	$ 5,512,439

The primary reasons for these increases/decreases are:

- The increase in the General Fund is mainly due to new State income for Learning Recovery, ELOP, and Art & Music grant, plus energy projects that won't be complete until next year.
- The increase in the Student Activities fund is due to fundraisers.
- The increase in the Cafeteria Fund is due to increase in income. State income increased $125,000.00, and Universal Meals federal income increased $100,000.00.
- The increase in the Capital Facilities Fund is due to developer fee collections.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 16, 2023. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 57).

The District revises its budget during the year to reflect new information as it becomes available. Budgeted revenues were approximately $244,607 more than budgeted due to new local grants and interest coming in higher. Expenditures were approximately $1,332,485 than budgeted mainly due to the shade structure.

CAPITAL ASSETS, RIGHT-TO-USE LEASED ASSETS, AND LONG-TERM LIABILITIES

Capital Assets and Right-to-Use Leased Assets

At June 30, 2023, the District had $7,998,318 in a broad range of capital assets and right-to-use leased assets (net of depreciation and amortization), including land and construction in process, land and buildings improvements, furniture and equipment. This amount represents a net increase (including additions, deductions, depreciation and amortization) of $123,627, or 1.57% from last year (Table 5).

Table 5

	Governmental Activities	
	2023	2022
Land and construction in progress	$ 445,386	$ 15,180
Land improvements	193,158	220,404
Buildings and improvements	6,979,472	7,222,015
Furniture and equipment	317,738	412,265
Right-to-use leased assets	62,564	4,827
Total	$ 7,998,318	$ 7,874,691

We present more detailed information about our capital assets and right-to-use leased assets in Notes to the financial statements.

Long-Term Liabilities other than OPEB and Pensions

At the end of this year, the District had $6,159,084 in long-term liabilities other than OPEB and pension versus $5,353,106, an increase of $805,978, or 15.1% from last year. The long-term liabilities consisted of the following:

Table 6

	Governmental Activities	
	2023	2022
Long-Term Liabilities		
General obligation bonds	$ 4,774,910	$ 4,885,290
Premium on bond issuance	140,995	153,635
Leases	64,626	4,868
Financed purchases	1,112,391	243,518
Compensated absences	66,162	65,795
Total	$ 6,159,084	$ 5,353,106

OPEB and Pensions

At year-end, the District had a net other postemployment benefit (OPEB) liability of $281,454 versus $341,112 for the previous year, a decrease of $59,658, or 17.5%.

In addition, at year-end, the District had an aggregate net pension liability of $5,090,266 versus $3,234,924 for the previous year, an increase of $1,855,342, or 57.4%.

We present more detailed information regarding our long-term liabilities in the Notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Step and Column increases.
- PERS contribution increases.
- Maintain the educational programs and support to help our students overcome emotional and education loss during pandemic.

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 Superintendent, at Happy Valley Union Elementary School District, 17480 Palm Ave, Anderson, California, 96007 or e-mail at rvoorhees@hvusd.net

	Governmental Activities
Assets	
Deposits and investments	$ 5,479,825
Receivables	694,657
Prepaid expense	18,219
Stores inventories	8,864
Capital assets not depreciated	445,386
Capital assets, net of accumulated depreciation	7,490,368
Right-to-use leased assets, net of accumulated amortization	62,564
Total assets	14,199,883
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	65,430
Deferred outflows of resources related to pensions	1,840,948
Total deferred outflows of resources	1,906,378
Liabilities	
Accounts payable	398,304
Accrued interest payable	47,948
Unearned revenue	290,822
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	404,957
Long-term liabilities other than OPEB and pensions due in more than one year	5,754,127
Net other postemployment benefits (OPEB) liability	281,454
Aggregate net pension liability	5,090,266
Total liabilities	12,267,878
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	145,305
Deferred inflows of resources related to pensions	915,836
Total deferred inflows of resources	1,061,141
Net Position	
Net investment in capital assets	3,286,306
Restricted for	
Debt service	363,713
Capital projects	201,893
Educational programs	2,084,019
Other activities	132,746
Unrestricted (deficit)	(3,291,435)
Total net position	$ 2,777,242

Happy Valley Union Elementary School District
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Change in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 4,175,011	$ 1,257	$ 2,660,911	$ (1,512,843)
Instruction-related activities				
Supervision of instruction	73,926	87	39,662	(34,177)
Instructional library, media, and technology	61,785	-	8,845	(52,940)
School site administration	603,559	8	43,242	(560,309)
Pupil services				
Home-to-school transportation	276,702	2	151,006	(125,694)
Food services	421,799	-	626,449	204,650
All other pupil services	408,245	23,437	280,260	(104,548)
Administration				
Data processing	4,967	-	-	(4,967)
All other administration	505,791	5,468	78,907	(421,416)
Plant services	873,111	-	6,735	(866,376)
Ancillary services	37,460	-	94,967	57,507
Community services	38,860	1,686	45,217	8,043
Interest on long-term liabilities	263,652	-	-	(263,652)
Other outgo	17,656	27	6,733	(10,896)
Total governmental activities	$ 7,762,524	$ 31,972	$ 4,042,934	(3,687,618)
General Revenues and Subventions				
Property taxes, levied for general purposes				974,815
Property taxes, levied for debt service				369,303
Federal and State aid not restricted to specific purposes				4,844,158
Interest,investment earnings and change in fair market valuations				(333,492)
Interagency revenues				42,478
Miscellaneous				375,497
Subtotal, general revenues and subventions				6,272,759
Change in Net Position				2,585,141
Net Position - Beginning				192,101
Net Position - Ending				$ 2,777,242

Happy Valley Union Elementary School District

Balance Sheet – Governmental Funds

June 30, 2023

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Deposits and investments	$ 4,801,724	$ 678,101	$ 5,479,825
Receivables	603,922	90,735	694,657
Due from other funds	20,428	-	20,428
Prepaid expenditures	18,219	-	18,219
Stores inventories	-	8,864	8,864
Total assets	$ 5,444,293	$ 777,700	$ 6,221,993
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 396,254	$ 2,050	$ 398,304
Due to other funds	-	20,428	20,428
Unearned revenue	290,822	-	290,822
Total liabilities	687,076	22,478	709,554
Fund Balances			
Nonspendable	20,719	8,864	29,583
Restricted	2,084,019	746,339	2,830,358
Assigned	2,038,753	19	2,038,772
Unassigned	613,726	-	613,726
Total fund balances	4,757,217	755,222	5,512,439
Total liabilities and fund balances	$ 5,444,293	$ 777,700	$ 6,221,993

Total Fund Balance - Governmental Funds		$ 5,512,439
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 14,901,212	
Accumulated depreciation is	(6,965,458)	
Net capital assets		7,935,754
Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of right-to-use leased assets is	73,326	
Accumulated amortization is	(10,762)	
Net right-to-use leased assets		62,564
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(47,948)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Net other postemployment benefits (OPEB) liability	65,430	
Aggregate net pension liability	1,840,948	
Total deferred outflows of resources		1,906,378
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Net other postemployment benefits (OPEB) liability	(145,305)	
Aggregate net pension liability	(915,836)	
Total deferred inflows of resources		(1,061,141)
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(5,090,266)

The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (281,454)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds	$ (3,394,039)	
Premium on bond issuance	(140,995)	
Leases	(64,626)	
Financed purchases	(1,112,391)	
Compensated absences	(66,162)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the gereral obligation bonds is	(1,380,871)	
Total long-term liabilities		(6,159,084)
Total net position - governmental activities		$ 2,777,242

Happy Valley Union Elementary School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2023

	General Fund	Total Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Local Control Funding Formula	$ 5,685,468	$ -	$ 5,685,468
Federal sources	916,529	327,808	1,244,337
Other State sources	2,316,193	143,816	2,460,009
Other local sources	517,198	437,061	954,259
Total revenues	9,435,388	908,685	10,344,073
Expenditures			
Current			
Instruction	3,954,634	-	3,954,634
Instruction-related activities			
Supervision of instruction	73,908	-	73,908
Instructional library, media, and technology	62,580	-	62,580
School site administration	640,715	-	640,715
Pupil services			
Home-to-school transportation	327,062	-	327,062
Food services	6,462	393,405	399,867
All other pupil services	411,717	-	411,717
Administration			
Data processing	8,928	-	8,928
All other administration	541,918	5,028	546,946
Plant services	789,366	1,674	791,040
Ancillary services	37,453	-	37,453
Community services	3,062	35,798	38,860
Other outgo	17,656	-	17,656
Facility acquisition and construction	441,751	-	441,751
Debt service			
Principal	159,695	260,000	419,695
Interest and other	24,724	92,156	116,880
Total expenditures	7,501,631	788,061	8,289,692
Excess of Revenues Over Expenditures	1,933,757	120,624	2,054,381
Other Financing Sources			
Other sources - leases	73,326	-	73,326
Other sources - financed purchases	1,015,000	-	1,015,000
Net Financing Sources	1,088,326	-	1,088,326
Net Change in Fund Balances	3,022,083	120,624	3,142,707
Fund Balance - Beginning	1,735,134	634,598	2,369,732
Fund Balance - Ending	$ 4,757,217	$ 755,222	$ 5,512,439

See Notes to Financial Statements

Total Net Change in Fund Balances - Governmental Funds		$ 3,142,707
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expense in the Statement of Activities. This is the amount by which capital outlay exceeds depreciation and amortization expense in the period.		
Capital outlay	$ 503,532	
Depreciation and amortization expense	(379,905)	
Net expense adjustment		123,627
Right-to-use leased assets acquired this year were financed with leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.		(73,326)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.		(367)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and aggregate net pension liability during the year.		129,007
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		5,570
The energy efficiency project was financed with a purchase agreement. The amount financed is reported in the governmental funds as a source of financing. On the other hand, the procceds are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.		(1,015,000)

Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Premium amortization	$	12,640
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
General obligation bonds		260,000
Leases		13,568
Financed purchases		146,127
Interest on long-term liabilities in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. Accrued interest on the general obligation bonds increased by $9,792, and $149,620 interest was accreted on the District's "capital appreciation" general obligation bonds.		(159,412)
Change in net position of governmental activities	$	2,585,141

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Happy Valley Union Elementary School District (the District) was established in 1954, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the State agencies. The District operates two elementary schools and one community day school.

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of $159,960.

Non-Major Governmental Funds

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

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

- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

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

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

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

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for the payment of principal and interest on general long-term liabilities.

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

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

Investments

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

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets, Depreciation, and Amortization

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

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, five to 50 years; equipment, two to 15 years.

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

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

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in

the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

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

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Premiums

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In the fund financial statements, governmental funds recognize bond premiums as other financing sources.

Leases

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

Fund Balances - Governmental Funds

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

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net Position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position is available. The government-wide financial statements report $2,782,371 of net position restricted by enabling legislation.

Estimates

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

Property Tax

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

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

Governmental funds	$ 5,479,825

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

Cash on hand and in banks	$ 37,183
Cash in revolving	2,500
Investments	5,440,142
Total deposits and investments	$ 5,479,825

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by holding its investments in the Shasta County Investment Pool. The Pool purchases shorter term investments and attempts to time cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of $5,440,142 with the Shasta County Treasury Investment Pool. The average weighted maturity for this pool was 673 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Shasta County Treasury Investment Pool is not currently rated, nor is it required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the District had no bank balances that were exposed to custodial credit risk.

Note 3 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

As of June 30, 2023, the District's investments of $5,440,142 in the Shasta County Treasury Investment Pool are uncategorized.

Note 4 - Receivables

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

	General Fund	Non-Major Govnernmental Funds	Total Governmental Activities
Federal Government			
Categorical aid	$ 351,656	$ 64,414	$ 416,070
State Government			
Categorical aid	135,985	23,731	159,716
Lottery	72,713	-	72,713
Local Government			
Interest	251	-	251
Other local sources	43,317	2,590	45,907
Total	$ 603,922	$ 90,735	$ 694,657

Note 5 - Capital Assets and Right-to-Use Leased Assets

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

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	$ 5,180	$ -	$ -	$ 5,180
Construction in progress	10,000	430,206	-	440,206
Total capital assets not being depreciated	15,180	430,206	-	445,386
Capital assets being depreciated				
Land improvements	642,134	-	-	642,134
Buildings and improvements	12,218,005	-	-	12,218,005
Furniture and equipment	1,657,431	-	(61,744)	1,595,687
Total capital assets being depreciated	14,517,570	-	(61,744)	14,455,826
Total capital assets	14,532,750	430,206	(61,744)	14,901,212
Accumulated depreciation				
Land improvements	(421,730)	(27,246)	-	(448,976)
Buildings and improvements	(4,995,990)	(242,543)	-	(5,238,533)
Furniture and equipment	(1,245,166)	(94,527)	61,744	(1,277,949)
Total accumulated depreciation	(6,662,886)	(364,316)	61,744	(6,965,458)
Net depreciable capital assets	7,854,684	(364,316)	-	7,490,368
Right-to-use leased assets being amortized				
Furniture and equipment	24,136	73,326	(24,136)	73,326
Accumulated amortization				
Furniture and equipment	(19,309)	(15,589)	24,136	(10,762)
Net right-to-use leased assets	4,827	57,737	-	62,564
Governmental activities capital assets and right-to-use leased assets, net	$ 7,874,691	$ 123,627	$ -	$ 7,998,318

Depreciation and amortization expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 335,842
School site administration	7,258
Home-to-school transportation	1,113
Food services	26,333
All other administration	9,359
Total depreciation and amortization expense governmental activities	$ 379,905

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2023, between major and non-governmental funds are as follows:

A balance of $20,428 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for the Universal Design for Living grant.

Note 7 - Accounts Payable

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Salaries and benefits	$ 79,237	$ 471	$ 79,708
LCFF apportionment	14,443	-	14,443
State categorical aid	31,324	-	31,324
Supplies	164,458	-	164,458
Vendor payables	106,792	1,579	108,371
Total	$ 396,254	$ 2,050	$ 398,304

Note 8 - Unearned Revenue

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

	General Fund
Federal financial assistance	$ 201,694
State categorical aid	89,128
Total	$ 290,822

Note 9 - Long-Term Liabilities Other than OPEB and Pensions

Summary

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

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 4,885,290	$ 149,620	$ (260,000)	$ 4,774,910	$ 280,000
Premium on bond issuance	153,635	-	(12,640)	140,995	-
Leases	4,868	73,326	(13,568)	64,626	12,566
Financed purchases	243,518	1,015,000	(146,127)	1,112,391	112,391
Compensated absences	65,795	367	-	66,162	-
Total	$ 5,353,106	$ 1,238,313	$ (432,335)	$ 6,159,084	$ 404,957

Payments for the General Obligation Bonds will be made by the Bond Interest and Redemption Fund with local revenues. Lease payments and payments on the financed purchases are made by the General Fund. Compensated absences will be paid by the General Fund and the Cafeteria Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2022	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2023
6/2/2009	8/1/2033	5.45-8.00%	$ 1,996,812	$ 2,540,290	$ 149,620	$ (220,000)	$ 2,469,910
9/10/2014	8/1/2039	2.00-5.25%	2,490,000	2,345,000	-	(40,000)	2,305,000
				$ 4,885,290	$ 149,620	$ (260,000)	$ 4,774,910

2008 General Obligation Bonds, Series A

On June 2, 2009, the District issued $1,996,812 of 2008 General Obligation Bonds, Series A. The bonds were issued as capital appreciation bonds, accreting to a final value of $5,255,000. The bonds have a final maturity to occur on August 1, 2033, with interest rates ranging from 5.45 to 8.00%. Proceeds from sale were used to finance the addition and modernization of school facilities for the District. At June 30, 2023, the principal balance outstanding of the 2008 General Obligation Bonds, Series A was $2,469,910 and unamortized premium on issuance was $102,102.

2014 General Obligation Bonds, Series A

On September 10, 2014, the District issued $2,490,000 of 2014 General Obligation Bonds, Series A. The bonds were issued as current interest bonds. The bonds have a final maturity to occur on August 1, 2039, with interest rates ranging from 2.00 to 5.25%. Proceeds from sale of bonds were used to pay the District's 2011 General Obligation Bond Anticipation Notes, which were issued to finance school construction and improvements to school facilities as approved by the voters at an election held in the District on June 3, 2014. At June 30, 2023, the principal balance outstanding of the 2014 General Obligation Bonds, Series A was $2,305,000 and unamortized premium on issuance was $38,893.

The general obligation bonds mature through 2040 as follows:

Fiscal Year	Principal	Accreted Interest	Current Interest to Maturity	Total
2024	$ 273,620	$ 6,380	$ 90,100	$ 370,100
2025	279,752	20,248	89,000	389,000
2026	289,479	35,521	87,619	412,619
2027	293,052	51,948	85,938	430,938
2028	300,696	69,304	83,919	453,919
2029-2033	1,668,313	666,687	373,097	2,708,097
2034-2038	1,144,998	205,002	245,031	1,595,031
2039-2040	525,000	-	28,219	553,219
Total	$ 4,774,910	$ 1,055,090	$ 1,082,923	$ 6,912,923

Lease

The District has entered into an agreement to lease equipment. The District's liability on the lease agreement is summarized below:

Lease	July 1, 2022	Addition	Payments	June 30, 2023
US Bank Copier Lease	$ 4,868	$ 70,640	$ (12,923)	$ 62,585
Pitney Bowes Postage Lease	-	2,686	(645)	2,041
Total	$ 4,868	$ 73,326	$ (13,568)	$ 64,626

US Bank Copier Lease

The District entered an agreement to lease copiers for 63 of months, beginning October 2022. The lease terminates September 2028. Under the terms of the lease, the District pays a monthly base fee of $1,432. At June 30, 2023, the District has recognized a right-to-use asset of $60,550 and a lease liability of $62,585 related to this agreement. During the fiscal year, the District recorded $14,918 in amortization expense and $4,832 in interest expense for the right-to-use the copier lease. The District used a discount rate of 9.60%, which was based on the lease agreement.

Pitney Bowes Postage Lease

The District entered an agreement to lease a postage machine for 36 of months, beginning October 2022. The lease terminates October 2025. Under the terms of the lease, the District pays a monthly base fee of $78.68. At June 30, 2023, the District has recognized a right-to-use asset of $2,014 and a lease liability of $2,041 related to this agreement. During the fiscal year, the District recorded $671 in amortization expense and $63 in interest expense for the right-to-use the copier lease. The District used a discount rate of 3.5%, which was based on the District's credit rating.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ 12,566	$ 5,560	$ 18,126
2025	13,770	4,357	18,127
2026	14,375	3,043	17,418
2027	15,559	1,623	17,182
2028	8,356	236	8,592
Total	$ 64,626	$ 14,819	$ 79,445

Financed Purchases

The District entered into agreements to finance a purchase of buses and a bus barn to house the buses, as well as an energy efficiency agreement (private placement debt). The District's liability on finance purchase agreements is summarized below:

	Buses/Bus Barn	Energy Efficiency	Total
Balance, July 1, 2022	$ 243,518	$ -	$ 243,518
Additions	-	1,015,000	1,015,000
Payments	(146,127)	-	(146,127)
Balance, June 30, 2023	$ 97,391	$ 1,015,000	$ 1,112,391

The financed purchases has minimum lease payments as follows:

Year Ending June 30,	Payments
2024	$ 112,391
2025	14,000
2026	19,000
2027	23,000
2028	45,000
2029-2033	323,000
2034-2038	323,000
2039-2043	253,000
Total	$ 1,112,391

Compensated Absences

The compensated absences (unpaid employee vacation) for the District at June 30, 2023, amounted to $66,162.

Note 10 - Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2023, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 264,666	$ 65,430	$ 145,305	$ 24,036
Medicare Premium Payment (MPP) Program	16,788	-	-	(5,806)
Total	$ 281,454	$ 65,430	$ 145,305	$ 18,230

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

At June 30, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	3
Active employees	44
Total	47

Benefits Provided

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

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Happy Valley Teacher Association (HVTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, HVTA, CSEA, and the unrepresented groups.

Total OPEB Liability of the District

The District's total OPEB liability of $264,666 was measured as of June 30, 2023, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Discount rate	3.65%
Healthcare cost trend rates	4.00% for 2023

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2020 CalSTRS mortality tables for Certificated and 2021 CalPERS Mortality tables for Classified.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actual experience study for the period July 1, 2022 to June 30, 2023.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2022	$ 318,518
Service cost	22,510
Interest	11,253
Differences between expected and actual experience	(64,156)
Changes of assumptions	341
Benefit payments	(23,800)
Net change in total OPEB liability	(53,852)
Balance, June 30, 2023	$ 264,666

Changes of benefit terms: No changes to the benefit terms from prior valuation.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.54% in 2022 to 3.65% in 2023.

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.65%)	$ 280,362
Current discount rate (3.65%)	264,666
1% increase (4.65%)	249,729

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 percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (3.00%)	$ 238,986
Current healthcare cost trend rate (4.00%)	264,666
1% increase (5.00%)	294,862

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

For the year ended June 30, 2023, the District recognized OPEB expense of $24,036. At June 30, 2023, 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
Differences between expected and actual experience	$ 50,524	$ 95,977
Changes of assumptions	14,906	49,328
Total	$ 65,430	$ 145,305

The deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ (9,727)
2025	(9,727)
2026	(9,724)
2027	(8,352)
2028	(7,547)
Thereafter	(34,798)
Total	$ (79,875)

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2023, the District reported a liability of $16,788 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.0051%, and 0.0057%, resulting in a net decrease in the proportionate share of 0.0006%.

For the year ended June 30, 2023, the District recognized OPEB expense of $(5,806).

Actuarial Methods and Assumptions

The June 30, 2022 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

Measurement Date	June 30, 2022	June 30, 2021
Valuation Date	June 30, 2021	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.54%	2.16%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2021, 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 members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 209 or an average of 0.14% of the potentially eligible population (145,282).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2022, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2022, is 3.54%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.54%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 1.38% from 2.16% as of June 30, 2021.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (2.54%)	$ 18,302
Current discount rate (3.54%)	16,788
1% increase (4.54%)	15,477

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	$ 15,404
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	16,788
1% increase (5.50% Part A and 6.40% Part B)	18,358

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Non-Major Governmental Funds	Total
Nonspendable			
Revolving cash	$ 2,500	$ -	$ 2,500
Stores inventories	-	8,864	8,864
Prepaid expenditures	18,219	-	18,219
Total nonspendable	20,719	8,864	29,583
Restricted			
Legally restricted programs	2,084,019	132,746	2,216,765
Capital projects	-	201,932	201,932
Debt service	-	411,661	411,661
Total restricted	2,084,019	746,339	2,830,358
Assigned			
Deferred maintenance	100,424	-	100,424
Technology	100,000	-	100,000
Declining enrollment	138,247	-	138,247
LCAP supplemental	483,231	-	483,231
LCAP additions concentration	18,535	-	18,535
CEI - local grant	52,428	-	52,428
Independent study audit	75,000	-	75,000
Fundraising	22,359	-	22,359
Donations	2,520	-	2,520
Energy project from loan proceeds	631,161	-	631,161
Special Ed	125,000	-	125,000
Postemployment benefits	159,536	-	159,536
Other assigned	130,312	-	130,312
Capital projects	-	19	19
Total assigned	2,038,753	19	2,038,772
Unassigned			
Reserve for economic uncertainties	375,000	-	375,000
Remaining unassigned	238,726	-	238,726
Total unassigned	613,726	-	613,726
Total	$ 4,757,217	$ 755,222	$ 5,512,439

Note 12 - Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2023, the District contracted with Northern California Schools Insurance Group (NCSIG) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2023, the District participated in the Shasta-Trinity Schools Insurance Group (STSIG), an insurance purchasing pool. The intent of the STSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the STSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the STSIG. Each participant pays its workers' compensation premium based on its individual rate. Participation in the STSIG is limited to districts that can meet the STSIG selection criteria.

Employee Medical Benefits

The District has contracted with the California Valued Trust Insurance Group (CVT) to provide employee health benefits. CVT is a shared risk pool comprised of several local education agencies. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts.

Note 13 - Employee Retirement Systems

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

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 2,359,627	$ 695,478	$ 847,894	$ 111,081
CalPERS	2,730,639	1,145,470	67,942	498,813
Total	$ 5,090,266	$ 1,840,948	$ 915,836	$ 609,894

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the District's total contributions were $369,902.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 2,359,627
State's proportionate share of the net pension liability	1,181,692
Total	$ 3,541,319

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.0034% and 0.0038%, resulting in a net decrease in the proportionate share of 0.0004%.

For the year ended June 30, 2023, the District recognized pension expense of $111,081. In addition, the District recognized pension expense and revenue of $95,303 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 369,902	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	206,620	555,580
Differences between projected and actual earnings on pension plan investments	-	115,391
Differences between expected and actual experience in the measurement of the total pension liability	1,936	176,923
Changes of assumptions	117,020	-
Total	$ 695,478	$ 847,894

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ (84,763)
2025	(91,827)
2026	(137,941)
2027	199,140
Total	$ (115,391)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ (28,113)
2025	(61,320)
2026	(60,753)
2027	(87,992)
2028	(112,830)
Thereafter	(55,919)
Total	$ (406,927)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the

process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 4,007,522
Current discount rate (7.10%)	2,359,627
1% increase (8.10%)	991,379

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	25.370%	25.370%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the total District contributions were $368,999.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $2,730,639. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.0079% and 0.0075%, resulting in a net increase in the proportionate share of 0.0004%.

For the year ended June 30, 2023, the District recognized pension expense of $498,813. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 368,999	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	239,719	-
Differences between projected and actual earnings on pension plan investments	322,415	-
Differences between expected and actual experience in the measurement of the total pension liability	12,340	67,942
Changes of assumptions	201,997	-
Total	$ 1,145,470	$ 67,942

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 53,769
2025	47,689
2026	24,361
2027	196,596
Total	$ 322,415

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and change in assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 160,658
2025	145,417
2026	79,048
2027	991
Total	$ 386,114

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the School Employer Pool investments was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	$ 3,944,546
Current discount rate (6.90%)	2,730,639
1% increase (7.90%)	1,727,389

Social Security

As established by Federal Law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $189,551 (10.828% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 14 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

Litigation

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

Note 15 - Participation in Public Entity Risk Pools and Joint Power Authorities

The District is a member of the Northern California Schools Insurance Group (NCSIG), Shasta-Trinity Schools Insurance Group (STSIG), and California Valued Trust (CVT) public entity risk pools. The District pays premium to the entities for its property and liability, workers' compensation, and employee medical benefits coverage, respectively. The relationship between the District and the pools is such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2023, the District made payments of $25,255 to NCSIG, $96,289 to STSIG, and $568,922 to CVT for property and liability, workers' compensation and employee medical benefits coverage, respectively.

Required Supplementary Information
June 30, 2023

Happy Valley Union Elementary School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 5,306,602	$ 5,603,607	$ 5,685,468	$ 81,861
Federal sources	1,162,467	1,121,167	916,529	(204,638)
Other State sources	1,925,504	2,391,248	2,316,193	(75,055)
Other local sources	39,147	74,759	517,198	442,439
Total revenues [1]	8,433,720	9,190,781	9,435,388	244,607
Expenditures				
Current				
Certificated salaries	2,329,252	2,353,669	2,225,588	128,081
Classified salaries	1,352,135	1,359,761	1,227,261	132,500
Employee benefits	1,856,527	1,824,846	1,664,497	160,349
Books and supplies	384,581	520,401	300,194	220,207
Services and operating expenditures	1,449,946	1,769,138	1,351,745	417,393
Other outgo	30,783	30,167	85,741	(55,574)
Capital outlay	249,105	793,105	462,186	330,919
Debt service				
Debt service - principal	144,625	173,503	159,695	13,808
Debt service - interest and other	11,697	9,526	24,724	(15,198)
Total expenditures [1]	7,808,651	8,834,116	7,501,631	1,332,485
Excess of Revenues Over Expenditures	625,069	356,665	1,933,757	1,577,092
Other Financing Sources (Uses)				
Other sources - leases	-	-	73,326	73,326
Other sources - financed purchase	-	1,015,000	1,015,000	-
Transfers out	(145,005)	(27,209)	-	27,209
Net Financing Sources (Uses)	(145,005)	987,791	1,088,326	100,535
Net Change in Fund Balances	480,064	1,344,456	3,022,083	1,677,627
Fund Balance - Beginning	1,735,134	1,735,134	1,735,134	-
Fund Balance - Ending	$ 2,215,198	$ 3,079,590	$ 4,757,217	$ 1,677,627

[1] Due to the consolidation of Fund 14, Deferred Maintenance Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits or reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund is included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

Happy Valley Union Elementary School District

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

Year Ended June 30, 2023

	2023	2022	2021
Total OPEB Liability			
Service cost	$ 22,510	$ 26,523	$ 27,130
Interest	11,253	7,424	21,876
Difference between expected and actual experience	(64,156)	-	67,555
Changes of assumptions	341	(25,879)	(35,020)
Benefit payments	(23,800)	(39,980)	(19,685)
Net change in total OPEB liability	(53,852)	(31,912)	61,856
Total OPEB Liability - Beginning	318,518	350,430	288,574
Total OPEB Liability - Ending	$ 264,666	$ 318,518	$ 350,430
Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 20,515	$ 18,914	$ 19,153
Interest	11,758	12,637	11,669
Difference between expected and actual experience	(48,079)	(13,781)	(7,542)
Changes of assumptions	-	6,519	(4,830)
Benefit payments	(22,080)	(19,685)	(10,710)
Net change in total OPEB liability	(37,886)	4,604	7,740
Total OPEB Liability - Beginning	326,460	321,856	314,116
Total OPEB Liability - Ending	$ 288,574	$ 326,460	$ 321,856
Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

[1] The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

Year ended June 30,	2023	2022	2021
Proportion of the net OPEB liability	0.0051%	0.0057%	0.0057%
Proportionate share of the net OPEB liability	$ 16,788	$ 22,594	$ 29,781
Covered payroll	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.0067%	0.0063%	0.6300%
Proportionate share of the net OPEB liability	$ 25,084	$ 24,062	$ 26,681
Covered payroll	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

Happy Valley Union Elementary School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS
Year Ended June 30, 2023

CalSTRS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.0034%	0.0038%	0.0040%	0.0038%	0.0035%
Proportionate share of the net pension liability	$ 2,359,627	$ 1,714,970	$ 3,908,390	$ 3,438,912	$ 3,218,872
State's proportionate share of the net pension liability	1,181,692	862,906	2,014,775	1,876,156	1,842,955
Total	$ 3,541,319	$ 2,577,876	$ 5,923,165	$ 5,315,068	$ 5,061,827
Covered payroll	$ 2,002,967	$ 2,072,217	$ 2,195,778	$ 2,060,891	$ 1,915,260
Proportionate share of the net pension liability as a percentage of its covered payroll	117.81%	82.76%	178.00%	166.87%	168.06%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

	2018	2017	2016	2015
Proportion of the net pension liability	0.0035%	0.0041%	0.0041%	0.0040%
Proportionate share of the net pension liability	$ 3,239,544	$ 3,320,572	$ 2,692,960	$ 2,237,480
State's proportionate share of the net pension liability	1,916,487	1,890,343	931,576	880,061
Total	$ 5,156,031	$ 5,210,915	$ 3,624,536	$ 3,117,541
Covered payroll	$ 1,881,971	$ 2,003,747	$ 1,907,432	1,745,667
Proportionate share of the net pension liability as a percentage of its covered payroll	172.14%	165.72%	141.18%	128.17%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Happy Valley Union Elementary School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS
Year Ended June 30, 2023

CalPERS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.0079%	0.0075%	0.0065%	0.0062%	0.0055%
Proportionate share of the net pension liability	$ 2,730,639	$ 1,519,954	$ 2,002,731	$ 1,812,270	$ 1,455,967
Covered payroll	$ 1,216,294	$ 1,072,401	$ 941,124	$ 867,805	$ 724,004
Proportionate share of the net pension liability as a percentage of its covered payroll	224.50%	141.73%	212.80%	208.83%	201.10%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

	2018	2017	2016	2015
Proportion of the net pension liability	0.0059%	0.0058%	0.0060%	0.0058%
Proportionate share of the net pension liability	$ 1,415,090	$ 1,144,118	$ 884,406	$ 658,441
Covered payroll	$ 754,889	$ 693,838	$ 667,072	612,612
Proportionate share of the net pension liability as a percentage of its covered payroll	187.46%	164.90%	132.58%	107.48%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

CalSTRS	2023	2022	2021	2020	2019
Contractually required contribution	$ 369,902	$ 338,902	$ 334,663	$ 375,478	$ 335,513
Less contributions in relation to the contractually required contribution	369,902	338,902	334,663	375,478	335,513
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,936,660	$ 2,002,967	$ 2,072,217	$ 2,195,778	$ 2,060,891
Contributions as a percentage of covered payroll	19.10%	16.92%	16.15%	17.10%	16.28%

	2018	2017	2016	2015
Contractually required contribution	$ 276,372	$ 236,752	$ 215,002	$ 169,380
Less contributions in relation to the contractually required contribution	276,372	236,752	215,002	169,380
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 1,915,260	$ 1,881,971	$ 2,003,747	$ 1,907,432
Contributions as a percentage of covered payroll	14.43%	12.58%	10.73%	8.88%

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

CalPERS	2023	2022	2021	2020	2019
Contractually required contribution	$ 368,999	$ 278,653	$ 221,987	$ 185,599	$ 156,743
Less contributions in relation to the contractually required contribution	368,999	278,653	221,987	185,599	156,743
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,454,470	$ 1,216,294	$ 1,072,401	$ 941,124	$ 867,805
Contributions as a percentage of covered payroll	25.370%	22.910%	20.700%	19.721%	18.062%

	2018	2017	2016	2015
Contractually required contribution	$ 112,445	$ 104,839	$ 82,199	$ 78,521
Less contributions in relation to the contractually required contribution	112,445	104,839	82,199	78,521
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 724,004	$ 754,889	$ 693,838	$ 667,072
Contributions as a percentage of covered payroll	15.531%	13.888%	11.847%	11.771%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedules

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

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

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

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

- *Change in Benefit Terms* – No changes to the benefit terms from the prior valuation.
- *Change of Assumptions* – The discount rate was changed from 3.54% in 2022 to 3.65% in 2023.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.16% to 3.54% since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS plan from the previous valuations. The CalPERS plan rate of investment return assumption was changed from 7.15% to 6.90% since the previous valuation.

Schedule of the District's Contributions

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

Supplementary Information
June 30, 2023

Happy Valley Union Elementary School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Rural Education Achievement Program (REAP)	84.358	[1]	$ 25,243
Passed Through California Department of Education (CDE)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	159,637
Title II, Part A,Supporting Effective Instruction	84.367	14341	23,150
Title III, English Learner Student Program	84.365	14346	6,120
Title IV, Part A, Student Support and Academic Enrichment Program	84.424	15396	12,250
Passed Through Shasta County Office of Education SELPA			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	110,235
Total Special Education (IDEA) Cluster			110,235
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	278,853
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	180,408
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	54,936
COVID-19: Expanded Learning Opportunities (ELO) Grant (ESSER II) State Reserve	84.425D	15618	41,332
COVID-19: Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	12,166
COVID-19: American Rescue Plan - Homeless Children and Youth II (ARP HCY II)	84.425W	15566	1,512
Subtotal			569,207
Total U.S. Department of Education			905,842
U.S. Department of Agriculture			
Passed Through CDE			
Child Nutrition Cluster			
School Programs (School Breakfast Needy)	10.553	13526	58,270
National School Lunch Program (Sec 4)	10.555	13523	49,341
National School Lunch Program (Sec 11)	10.555	13524	153,276
Food Distribution	10.555	13524	47,632
Supply Chain Assistance (SCA) Funds	10.555	15655	15,921
Subtotal			266,170
Total Child Nutrition Cluster			324,440
Forest Service Schools and Roads Cluster			
Forest Reserve	10.665	10044	10,687
Total Forest Service Schools and Roads Cluster			10,687
Total U.S. Department of Agriculture			335,127
Total Federal Financial Assistance			$ 1,240,969

[1] Direct Award

Organization

The Happy Valley Union Elementary School District was established in 1954, and comprises an area located in Shasta County. There were no boundary changes during the current year. The District operates two elementary schools and one community day school.

Governing Board

MEMBER	OFFICE	TERM EXPIRES
Nate Echols	President	2024
Jodi Shearman	Vice President	2026
Carla Perry	Clerk	2026
Cheryl Best	Member	2026
Billy Soksoda	Member	2024

Administration

Shelley Craig	Superintendent
Roxanne Voorhees	Chief Business Officer

Happy Valley Union Elementary School District
Schedule of Average Daily Attendance
Year Ended June 30, 2023

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	211.61	212.69
Fourth through sixth	147.81	146.97
Seventh and eighth	101.70	99.93
Total Regular ADA	461.12	459.59
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.62	0.48
Seventh and eighth	0.60	0.47
Total Special Education, Nonpublic, Nonsectarian Schools	1.22	0.95
Extended Year Special Education, Nonpublic, and Nonsectarian Schools		
Fourth through sixth	0.22	0.22
Community Day School		
Transitional kindergarten through third	0.60	0.58
Fourth through sixth	1.11	1.70
Seventh and eighth	1.61	1.46
Total Community Day School	3.32	3.74
Total ADA	465.88	464.50

Happy Valley Union Elementary School District

Schedule of Instructional Time

Year Ended June 30, 2023

Grade Level	1986-1987 Minutes Requirement	2022-2023 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	52,320	-	52,320	180	-	180	-	-	-	Complied
Grades 1 - 3	50,400										
Grade 1		52,320	-	52,320	180	-	180	-	-	-	Complied
Grade 2		52,320	-	52,320	180	-	180	-	-	-	Complied
Grade 3		52,320	-	52,320	180	-	180	-	-	-	Complied
Grades 4 - 8	54,000										
Grade 4		57,180	-	57,180	180	-	180	-	-	-	Complied
Grade 5		57,180	-	57,180	180	-	180	-	-	-	Complied
Grade 6		57,180	-	57,180	180	-	180	-	-	-	Complied
Grade 7		57,180	-	57,180	180	-	180	-	-	-	Complied
Grade 8		57,180	-	57,180	180	-	180	-	-	-	Complied

See Notes to Supplementary Information

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements. The amounts result from a post-closing entry provided by the District.

	General Fund	Non-Major Governmental Funds
Fund Balance		
Balance, June 30, 2023, Unaudited Actuals	$ 4,518,491	$ 714,970
Increase in		
Fair market value adjustment to cash in county treasury	238,726	40,252
Balance, June 30, 2023, Audited Financial Statements	$ 4,757,217	$ 755,222

	(Budget) 2024 [1]	2023	2022 [1]	2021 [1]
General Fund [3]				
Revenues	$ 8,178,871	$ 9,441,834	$ 7,478,256	$ 6,834,928
Other sources	-	1,083,086	92,677	54,281
Total revenues and other sources	8,178,871	10,524,920	7,570,933	6,889,209
Expenditures	8,739,554	7,496,391	7,073,487	6,522,886
Other uses	-	-	62,240	65,000
Total expenditures and other uses	8,739,554	7,496,391	7,135,727	6,587,886
Increase/(Decrease) in Fund Balance	(560,683)	3,028,529	435,206	301,323
Ending Fund Balance	$ 4,036,574	$ 4,597,257	$ 1,568,728	$ 1,133,522
Available Reserves [2]	$ 439,000	$ 613,726	$ 356,787	$ 809,757
Available Reserves as a Percentage of Total Outgo	5.02%	8.19%	5.00%	12.29%
Long-Term Liabilities including OPEB and Pensions	N/A	$ 11,530,804	$ 8,929,142	$ 11,822,559
K-12 Average Daily Attendance at P-2	452	465	397	462

The General Fund balance has increased by $3,463,735 over the past two years. The fiscal year 2023-2024 budget projects a decrease of $560,683 (12.2%). For a district this size, the State recommends available reserves of at least four percent of total General Fund expenditures and other uses (total outgo).

The District has incurred operating surpluses in three of the past three years but anticipates incurring an operating deficit during the 2023-2024 fiscal year. Total long-term liabilities have decreased by $291,755 over the past two years.

Average daily attendance has increased by 3 over the past two years. However, a decrease of 13 ADA is anticipated during fiscal year 2023-2024.

[1] Financial information for 2024, 2022, and 2021 are included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

[3] General Fund amounts do not include activity related to the consolidation of the Fund 14, Deferred Maintenance Fund and the Fund 20, Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

Happy Valley Union Elementary School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2023

	Student Activity Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets							
Deposits and investments	$ 37,183	$ 26,705	$ 39	$ 202,494	$ 19	$ 411,661	$ 678,101
Receivables	-	90,735	-	-	-	-	90,735
Stores inventories	-	8,864	-	-	-	-	8,864
Total assets	$ 37,183	$ 126,304	$ 39	$ 202,494	$ 19	$ 411,661	$ 777,700
Liabilities and Fund Balances							
Liabilities							
Accounts payable	$ -	$ 1,449	$ -	$ 601	$ -	$ -	$ 2,050
Due to other funds	-	20,428	-	-	-	-	20,428
Total liabilities	-	21,877	-	601	-	-	22,478
Fund Balances							
Nonspendable	-	8,864	-	-	-	-	8,864
Restricted	37,183	95,563	39	201,893	-	411,661	746,339
Assigned	-	-	-	-	19	-	19
Total fund balances	37,183	104,427	39	201,893	19	411,661	755,222
Total liabilities and fund balances	$ 37,183	$ 126,304	$ 39	$ 202,494	$ 19	$ 411,661	$ 777,700

Happy Valley Union Elementary School District

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

Year Ended June 30, 2023

	Student Activity Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues							
Federal sources	$ -	$ 327,808	$ -	$ -	$ -	-	$ 327,808
Other State sources	-	137,852	-	-	-	5,964	143,816
Other local sources	42,948	8,406	-	19,972	-	365,735	437,061
Total revenues	42,948	474,066	-	19,972	-	371,699	908,685
Expenditures							
Current							
Food services	-	393,405	-	-	-	-	393,405
Administration							
All other administration	-	-	-	5,028	-	-	5,028
Plant services	-	1,674	-	-	-	-	1,674
Community services	35,798	-	-	-	-	-	35,798
Debt service							
Principal	-	-	-	-	-	260,000	260,000
Interest and other	-	-	-	-	-	92,156	92,156
Total expenditures	35,798	395,079	-	5,028	-	352,156	788,061
Net Change in Fund Balances	7,150	78,987	-	14,944	-	19,543	120,624
Fund Balance - Beginning	30,033	25,440	39	186,949	19	392,118	634,598
Fund Balance - Ending	$ 37,183	$ 104,427	$ 39	$ 201,893	$ 19	$ 411,661	$ 755,222

See Notes to Supplementary Information

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Happy Valley Union Elementary School District (the District) under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the net position or changes in net position and fund balance of the district.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the District did not report food commodities in inventory.

SEFA Reconciliation

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of the COVID-19: Supply Chain Assistance (SCA) Funds that were not expended as of June 30, 2023. These unspent balances are recorded in restricted ending balance at year-end.

	Federal Financial Assistance Listing Number	Amount
Total Federal Revenues reported on the financial statements		$ 1,244,337
COVID-19: Supply Chain Assistance (SCA) Funds	10.555	(3,368)
Total federal financial assistance		$ 1,240,969

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

Independent Auditor's Reports
June 30, 2023

Happy Valley Union Elementary School District

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

To the Governing Board
Happy Valley Union Elementary School District
Anderson, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Happy Valley Union Elementary School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

We noted certain matters that we reported to management of the District in a separate letter dated December 15, 2023.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California
December 15, 2023

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CPAs & BUSINESS ADVISORS

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

To the Governing Board
Happy Valley Union Elementary School District
Anderson, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Happy Valley Union Elementary School District's (the District) 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 the District's major federal programs for the year ended June 30, 2023. The 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, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of 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 on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on 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 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 the 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 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 Uniform Guidance, 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.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over*

compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2023

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on State Compliance

To the Governing Board
Happy Valley Union Elementary School District
Anderson, California

Report on Compliance

Opinion on State Compliance

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

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

The District did not have any retained kindergarteners; therefore, we did not perform procedures related to Kindergarten Continuance.

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

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

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

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

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

The District did not elect to operate as a school district of choice; therefore, we did not perform procedures related to District of Choice.

The District did not receive Home-to-School Transportation Reimbursement; therefore, we did not perform procedures related to Home-to-School Transportation Reimbursement.

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

We did not perform After/Before School Education and Safety Program procedures because the program is not offered by the District.

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

The District was not listed on the immunization assessment reports; therefore, we did not perform the remaining procedures.

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001.

Governmental Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied I the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 to be a significant deficiency.

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.

Governmental Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2023

Schedule of Findings and Questioned Costs
June 30, 2023

Happy Valley Union Elementary School District

Financial Statements

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

Federal Awards

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

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistancew Listing Number
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U
COVID-19: Expanded Learning Opportunities (ELO) Grant (ESSER II) State Reserve	84.425D
COVID-19: Expanded Learning Opportunities (ELO) Grant GEER II	84.425C
COVID-19: American Rescue Plan - Homeless Children and Youth II (ARP HCY II)	84.425W

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

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Other matters to be reported	Yes
Type of auditor's report issued on compliance for programs	Unmodified

None reported.

None reported.

The following represents a significant deficiency of internal control and an instance of noncompliance including questioned costs that are required to be reported by the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* The finding has been coded as follows:

Five Digit Code	AB3627 Finding Type
61000	Classroom Teacher Salaries

2023-001 61000 – Classroom Teacher Salaries

Criteria or Specific Requirements

California *Education Code* Section 41372 requires that the payment of classroom teacher salaries and benefits meet or exceed 60% (for elementary school district) of total expenditures of the District.

Condition

The District spent 53.84% of their current expenditures of education ($5,846,837) on classroom teacher salaries and benefits, failing to meet the 60% requirement.

Questioned Costs

The deficiency was calculated to be $360,165.

Context

The condition identified resulted from our review of the District's Form CEA during state compliance testing.

Effect

As a result of our testing, the District was not compliant with the *Education Code* Section 41372 due to being deficient in the amount of $360,165.

Cause

The District's contracted instructional services and family center services did not incur any teacher salary expenditures and had to be removed from the calculation in the Form CEA.

Repeat Finding

Yes. Refer to 2022-002 for prior year findings.

Recommendation

We recommend the District evaluate its expenditures and develop a plan to ensure compliance with the above noted requirement.

Corrective Action Plan and Views of Responsible Officials

Due to one-time monies that skew current revenues and are not a planned source for ongoing expenses, the District has submitted a CEA Waiver Request to the County Office of Education.

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

State Compliance Findings

2022-001 10000 – Attendance and Independent Study

Criteria or Specific Requirements

California *Education Code* Section 51747 states that a local education agency shall not be eligible to receive apportionments for independent study by pupils, unless it has provided each pupil with a written learning agreement that contains the required elements identified in California *Education Code* Section 51747.

Condition

The Happy Valley Union Elementary School District (the District) tracks and monitors independent study through two separate programs. One program consists of independent study that is tracked and documented at the site level, which generally consists of pupils who are enrolled in short-term independent study (14 days or less). The second program consists of a district wide program containing students who are enrolled entirely in long-term independent study. The District has implemented written learning agreements for each pupil enrolled in independent study; however, our testing procedures identified pervasive issues related to the short-term independent study agreements used by the school sites. The agreements were identified as missing certain elements required by California *Education Code* Section 51749.6. Due to the pervasiveness of the identified condition, the entire population of the short-term independent study agreements, as well as the corresponding Average Daily Attendance claimed in relation to those agreements, have been deemed to be unallowable.

Questioned Costs

The District has claimed 46.78 units of short-term Independent Study Average Daily Attendance (ADA) for apportionment on its Second Period Attendance Report. The penalty results in a decrease of approximately $478,543.86. The estimated penalty was calculated using the CDE's LCFF Derived Value of ADA by Grade Span. However, there is no current year fiscal impact since the District was funded on ADA from fiscal year 2019-2020. Additionally, California *Education Code* Section 42238.023 authorizes the California Department of Education to adjust the 2021-2022 reported ADA for school districts if the 2019-2020 ADA to enrollment ratio exceeds the 2021-2022 ADA to enrollment ratio. The effect of this regulation nullifies the questioned costs component of the condition identified.

Context

The condition was identified through review of Independent Study records, including written agreements.

Effect

The District overclaimed 46.78 ADA on its Second Period Report of Attendance, resulting in an estimated penalty as follows:

Grade Span	Independent Study ADA Disallowed	Derived Value of ADA by Grade Span	Penalty
TK-3	27.78	$ 10,528.47	$ 292,480.90
4-6	11.52	9,680.06	111,514.29
7-8	7.48	9,966.40	74,548.67
Total	46.78		$ 478,543.86

Cause

It appears the condition has materialized as a result of school sites not updating their independent study agreements.

Recommendation

The District should update the independent study agreements to conform with existing statue and implement a process to confirm all sites are utilizing the updated and most current version of the independent study agreements.

Current Status

Implemented.

2022-002 61000 – Classroom Teacher Salaries

Criteria or Specific Requirements

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

Condition

The District spent 54.57% of their current expenditures of education ($5,882,412) on classroom teacher salaries and benefits, failing to meet the 60% requirement.

Questioned Costs

The deficiency was calculated to be $319,415.

Context

The condition identified resulted from our review of District's form CEA during state compliance testing.

Effect

As a result of our testing, the District was not compliant with *Education Code* Section 41372 due to being deficient in the amount of $319,415.

Cause

The District's contracted instructional services and family center services did not incur any teacher salary expenditures and had to be removed from the calculation in the form CEA.

Recommendation

We recommend the District evaluate its expenditures and develop a plan to ensure compliance with the above noted requirement.

Current Status

Not implemented. See current year finding at 2023-001.

2022-003 40000 – (Expanded Learning Opportunities Grant (ELO-G))

Criteria or Specific Requirements

Per California *Education Code* section 43522(e), the District is required to submit the Expanded Learning Opportunities Grant (ELO-G) plan to the County within 5 days of adoption.

Condition

The District did not submit the ELO-G Plan to the County Office of Education within the required timeframe.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition identified was determined through analysis and testing of the ELO-G plan and communications with the District. The plan was not submitted to the County.

Effect

The District has not complied with the requirements of California *Education Code* Section 43522(e).

Cause

The District was unaware the plan needed to be submitted to the County within the required timeframe.

Recommendation

It is recommended the District implement procedures to ensure the District personnel review requirements and submit plans within the timeframe as noted in *Education Code* section 43522(e).

Current Status

Implemented.

EideBailly

CPAs & BUSINESS ADVISORS

Management
Happy Valley Union Elementary School District
Anderson, California

In planning and performing our audit of the financial statements of Happy Valley Union Elementary School District (the District) for the year ended June 30, 2023, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15, 2023, on the government-wide financial statements of the District.

Associated Student Body (ASB)

Happy Valley Elementary School

Observations

1. Based on review of the cash receipting procedures, it was noted that three of five deposits tested were not deposited in a timely manner. The delay in deposits ranged from approximately 14 to 80 days from the date of receipt. This could result in large balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Based on review of the cash receipting procedures, it was noted that five deposits tested did not have prenumbered receipts. Prenumbered receipts assist in ensuring that funds collected are being deposited to the District.
3. Based on review of the fundraising procedures, it was noted that one of the five deposits tested had a fundraiser and there was not adequate supporting documentation, such as a revenue potential form, to substantiate the amount of revenues associated with the fundraising event.

Recommendations

1. The ASB should at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During the weeks of high cash activity, there may be a need to make more than one deposit.
2. Those collecting cash should ensure that receipts are prenumbered, this will allow the District to ensure all cash receipts received are being deposited.

3. The revenue potential form is a vital internal control tool; it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating the staff the success or failure of the completed project. ASB personnel should ensure that all revenue potential forms contain supporting documentation and the revenue amount indicated on the form agrees to the amount indicated on supporting documentation.

We will review the status of the current year comments during our next audit engagement.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2023