

**ALUM ROCK UNION
ELEMENTARY SCHOOL DISTRICT**

FINANCIAL STATEMENTS

June 30, 2023

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

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ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT

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For the Year Ended June 30, 2023
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Alum Rock Union Elementary School District
San Jose, California

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alum Rock Union Elementary School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Alum Rock Union Elementary School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 13 and the General Fund Budgetary Comparison Schedule, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 48 to 52 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023 on our consideration of Alum Rock Union Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Alum Rock Union Elementary School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alum Rock Union Elementary School District's internal control over financial reporting and compliance.


Crowe LLP

Sacramento, California
December 12, 2023

**ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

This Management's Discussion and Analysis section of Alum Rock Union Elementary School District's 2022-23 annual financial report presents management's view of the District's financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follows this section.

DISTRICT PROFILE

The District was organized in 1930 under the laws of the State of California. The district is currently operating twelve elementary TK-5, one TK-1, three TK-8, five middle schools and one TK-8 locally funded charter school, serving a student population of about seven thousand five hundred students. The District occupies eleven square miles in the eastern part of the City of San Jose. It operates under a locally elected five-member board form of government. The financials are a reflection of how the Board of Trustees prioritizes the use of the dollars that are received for education. As policy makers, the Trustees have translated educational dollars into educational programs that will serve to enhance the learning opportunities for the children of the Alum Rock Union Elementary School District. In December of 2019, a novel strain of coronavirus (COVID-19) surfaced and spread around the world, with resulting business and social interruption.

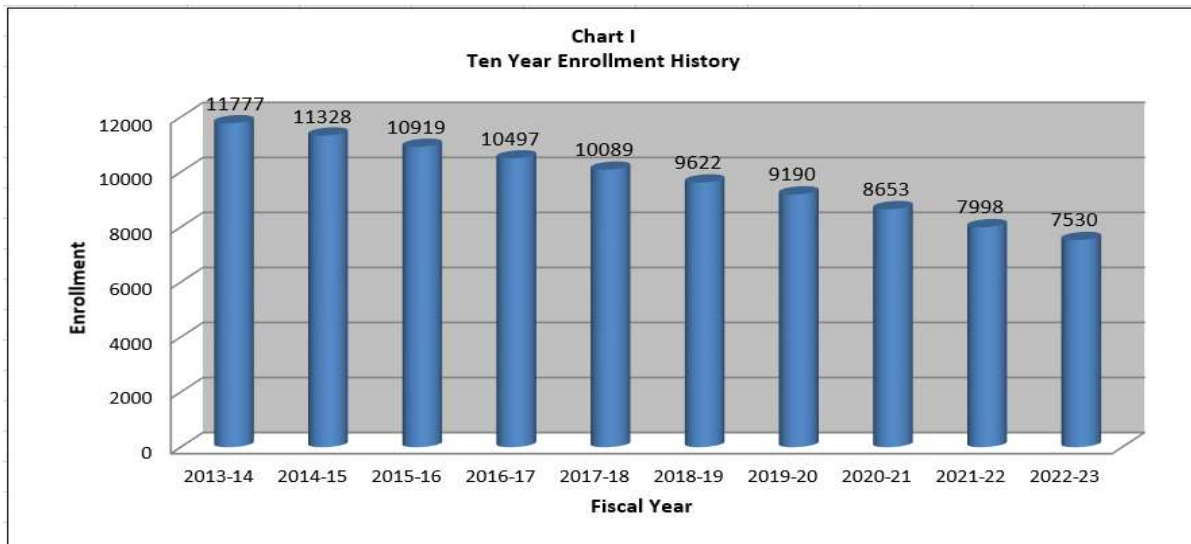
In the 2022-23 school year, after nearly three years of responding to the impact of COVID-19 and the related consequences, the District was almost back to business as usual. The school year started with an offering of multiple days of optional professional development in areas of focus: school and classroom climate, behavioral support, curriculum focus, English Language Development (ELD), Early learning strategies, etc. The school year began with a district-wide welcome back BBQ on the teachers' work days.

In addition to getting back to instruction and learning, the District placed a focus on each school and department creating a safe and welcoming environment for Whole Child and Whole Family using our Panorama survey data as our guide for the decision. All District meetings were brought back to in-person, for both staff and parent meetings. Work continued on the District's Strategic Plan., throughout the fiscal year the District worked on writing the implementation plan to align with the three focus areas of the strategic plan: Whole Child and Whole Family Development, Multilingualism and Multiculturalism, and Early and Expanded Learning.

During the 2022-23 year, the District brought in the updated version of its elementary math program to support instruction aligned with new technology pieces. Science took center stage as the District moved into its second year of implementation of the new Full Option Science System (FOSS - elementary) and STEMscopes (MS) instructional materials. In response to family requests and student needs in 2022-23, the District continued a smaller distance learning offering.

In addition to the coronavirus pandemic, the District has been experiencing declining enrollment since prior to 2000. This decline has resulted in a loss of average daily attendance (ADA), which translates into a loss in revenue. Since approximately 62% of the District's revenue is based on ADA and Local Control Funding Formula (LCFF), it is essential that the District monitor its ADA. Chart 1 below provides the District's ten-year enrollment comparison, per California Basic Educational Data System (CBEDS).

**ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**



FINANCIAL HIGHLIGHTS

The financial highlights section will focus on the “governmental funds” presentation of the Audited Financial Statements and, more specifically, on the general fund of the District. The District-wide Financial Statements provide financial information on the District as a whole, but management believe the critical financial aspects of the District’s operations are best presented in the governmental funds section.

COVID-19, ADA and Funding

Due to stabilization, school funding that the Governor’s budget package provided in 2020-21 for a hold-harmless clause for calculating LCFF in 2020-21, there was no ADA reported in 2020-21. This allowed 2020–21 funding to be based on 2019–20 ADA rather than 2020–21 ADA which was expected to decline as a result of COVID-19. This decision had a trickledown effect for 2021-22 since funding for LCFF is based on the greater of current year or prior year. Since there was no ADA count for 2020-21, the 2019-20 ADA was used in calculating the 2021-22 LCFF funding. For 2022-23, funding is based on the greater of current year, prior year or the 3-prior year average. Therefore, the 3-prior year average was used for the 2022-23 LCFF funding. In addition, the District received additional Federal & State funds related to COVID-19.

School District Local Control Funding Formula (LCFF)

LCFF is designed to improve student outcomes by giving local flexibility to meet student needs, transparency, equity through student focus formula, and performance through aligned programs and budget plans. LCFF creates the opportunity to implement a performance based budget instead of a compliance based budget. As discussed above, the District receives the majority of its funding from LCFF. The District’s LCFF is a direct function of the District’s ADA. The actual funding of the LCFF comes from a combination of local property taxes, Education Protection Account (EPA), and state aid.

**ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Chart 2 provides a breakout of the sources of revenue for the District for the year ended June 30, 2023:

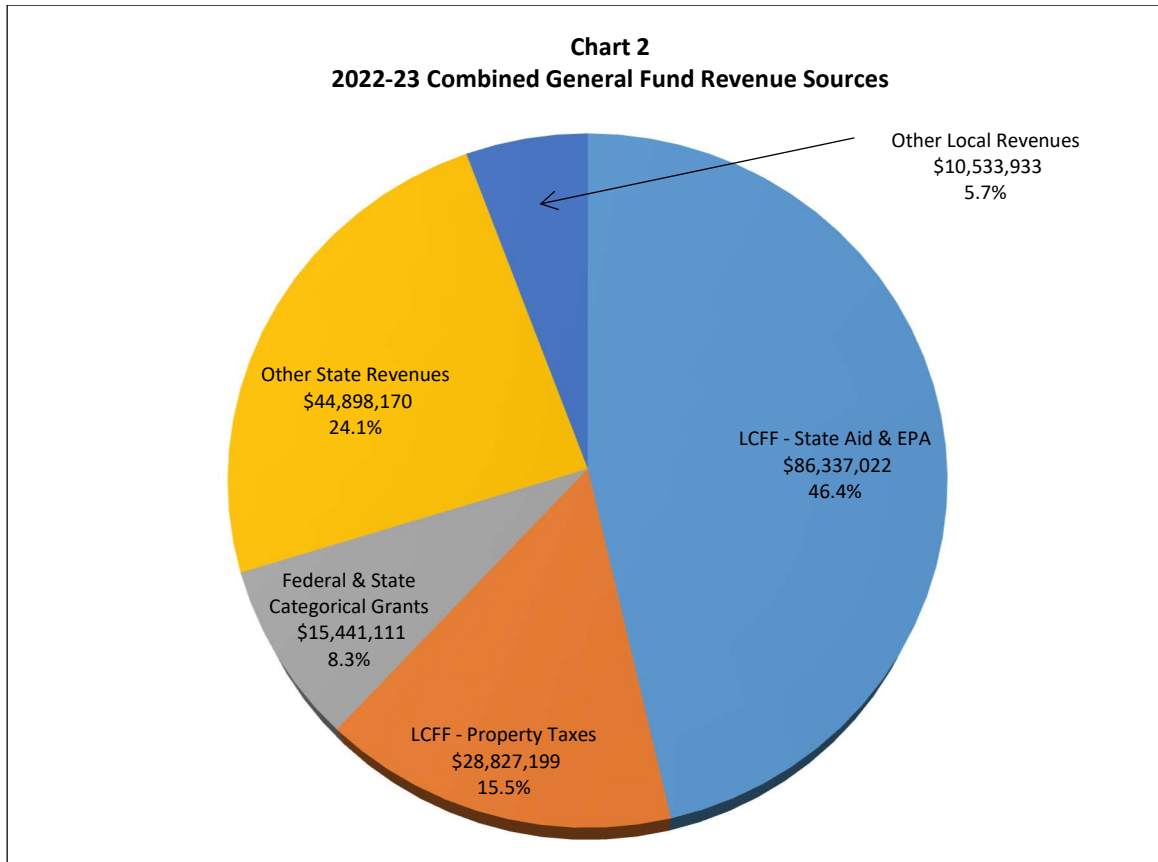


Table 1 below is a summary of General Fund Revenues and Expenditures for the June 30, 2023 year:

Table 1 General Fund Revenues and Expenditures (in thousands of dollars except for ADA amount)			
	June 30, <u>2023</u>	June 30, <u>2022</u>	Increases (Decreases)
Beginning Fund Balance	\$ 41,168	\$ 28,891	\$ 12,277
Total Revenues and Other Sources	\$ 186,037	\$ 153,686	32,351
Total Expenditures and Other Uses	\$ (155,261)	\$ (141,409)	(13,852)
Ending Fund Balance	<u>\$ 71,944</u>	<u>\$ 41,168</u>	<u>\$ 30,776</u>
Ending Available Reserves (Unappropriated)	\$ 33,864.00	\$ 22,003.00	\$ 11,861
Funded LCFF ADA - ARUESD	8,073.74	8,433.61	(360)
Funded LCFF ADA - Aptitud	385.28	400.23	(15)

**ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Revenues and Expenditures

Total revenues increased by approximately \$32.4 million. Funded ADA decreased by a net of 375 ADA. Although there was a loss of revenue due to a drop in ADA, there was a COLA increase of 6.56% in LCFF and an additional LCFF investment of 6.28%. In addition, there was an increase in State revenues due to State grants of \$20 million and an increase in STRS On-Behalf of \$1.1 million from 2021-22 to 2022-23.

The increase of expenditures in the amount of \$13.9 million is a result of several factors. One of the main factors was that negotiations were settled for the 2022-23 school year for all bargaining units. Settlements included a 5% increase to all salary schedules and an increase to teacher substitute pay and extra duty pay. There was also an increase in STRS on Behalf of \$1.1 million from 2021-22 to 2022-23.

Available Reserves

It is important to note that the Unrestricted General Fund accounts for all of the District's instructional and operational activities, plus contributions to the restricted programs when costs of the mandated activities exceed resources. In addition, the required 3% reserve for economic uncertainties comes from unrestricted fund balance.

The unrestricted portion of the District's general fund balance is referred to as the District's available reserves. The unrestricted balance on June 30, 2023, was \$38,514,279, which includes the required 3% economic uncertainties reserve of \$4,650,323.

General Fund Budgetary Highlights

The District's 2022-23 adopted budget projected an ending balance, unrestricted and restricted of \$53,913,521. The actual ending balance at year-end was \$71,944,362, of which \$1,038,891 was non-spendable items, and \$32,391,191 was restricted – a positive variance overall from the adopted budget projection. The favorable expenditure variance results from vacant positions unable to fill, unexpended restricted program funds reflected in the legally restricted ending balance not accounted for in the final adopted budget, additional Federal and State funds and an increase in LCFF of 6.56% and an additional LCFF investment of 6.28%.

**ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the District had \$97,421,461 in a broad range of capital assets, including land, buildings, and furniture and equipment, net of accumulated depreciation. See Table 2 below. This amount represents a net decrease (including additions, deductions and depreciation) of \$2,530,332 from 2021-22. The District's school sites have relatively low values when compared to today's market because the District acquired the land many decades ago. School buildings and site improvements are valued at their historical construction cost less accumulated depreciation.

<u>Table 2</u>	2023	2022
<i>Land</i>	2,408,678	2,408,678
<i>Construction in Progress</i>	1,897,626	3,080,540
<i>Land Improvements</i>	12,112,738	10,166,687
<i>Buildings and Improvements</i>	77,872,543	82,497,638
<i>Equipment</i>	3,129,876	1,798,251
Governmental Activities - Capital Assets, Net	97,421,461	99,951,794

Long Term Liabilities

At year-end, the District had \$266,747,420 of outstanding long-term liabilities. The long-term obligations of the District include the following:

<u>Table 3</u>	2023	2022
<i>General Obligation Bonds</i>	142,640,000	90,225,000
<i>Unamortized premiums</i>	12,083,398	3,952,534
<i>Certificates of Participation</i>	-	11,375,000
<i>Net Pension Liability</i>	111,358,000	66,578,000
<i>Supplemental Employee Retirement Program</i>	666,022	1,332,044
Governmental Activities - Long-Term Debt	266,747,420	173,462,578

State limits the amount of general obligation debt (bonding capacity) that districts can issue to 1.25% of the assessed value of all taxable property within the district's boundaries for a union school district and 2.50% for a unified school district. On June 6, 2023, the California Department of Education (CDE) approved the District's request to waive the bonded indebtedness, thus increasing the rate from 1.25% to 2.21% for the period of May 19, 2023 to August 1, 3031.

The District does not offer any other post-employment benefits (OPEB). More detailed information regarding the District's long-term liabilities are presented in Note 6 of the audited financial statements.

**ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- *Governmental funds* statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements account for any activity for which services are provided to other funds on a cost-reimbursement basis.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong. Fiduciary fund activity is excluded from the district-wide financial statements.

The financial statements also include notes explaining some of the statements' information and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general fund budget, both the adopted and final version, with year-end actuals.

Government-Wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position can be an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, one needs to consider additional factors such as the economy of the State, the State's fiscal health, the local economy, and the condition of the property and equipment of the District.

**ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

The following table summarizes the District's net position as of June 30, 2023 and 2022:

	Change in Net Position	
	<u>2023</u>	<u>2022</u>
Current and Other Assets	\$ 233,396,838	\$ 148,387,143
Capital Assets	97,421,461	99,951,794
Total Assets	330,818,299	248,338,937
Deferred Outflows of Resources	39,005,230	23,173,698
Long-Term Liabilities Outstanding	266,747,420	173,462,578
Other Liabilities	20,265,152	13,681,833
Total Liabilities	287,012,572	187,144,411
Deferred Inflows of Resources	97,958,400	137,513,747
Net Position:		
Net Investment in Capital Assets	(7,055,844)	4,302,114
Restricted	57,236,109	27,108,671
Unrestricted	(65,327,708)	(84,556,308)
Total Net Position	\$ (15,147,443)	\$ (53,145,523)

The following table shows the change in net position as of June 30, 2023 and 2022:

	Change in Net Position	
Revenues		
Program Revenues:	<u>2023</u>	<u>2022</u>
Charges for Services	\$ 515,867	\$ 216,549
Operating Grants	72,558,295	46,053,691
General Revenues:		
Property Taxes	52,633,969	40,817,456
Federal and State Aid	79,813,189	79,327,769
Other	1,432,456	1,551,244
Total Revenues	206,953,776	167,966,709
Program Expenses		
Instruction	93,753,905	83,254,375
Instruction Related Services	13,304,259	10,550,804
Pupil Services	23,566,570	21,307,440
Community Services	-	-
General Administration	13,318,688	8,113,533
Plant Services	17,233,672	13,203,192
Interest	7,025,503	4,390,244
Other	753,099	553,493
Total Expenses	168,955,696	141,373,081
Change in Net Position	37,998,080	26,593,628
Cumulative effect of GASB 68 implementation		
Net Position - Beginning	(53,145,523)	(79,739,151)
Net Position - Ending	\$ (15,147,443)	\$ (53,145,523)

**ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by State law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is appropriately using certain revenues (like federal grants).

The District has two kinds of funds:

Governmental funds. Most of the District's basic services are included in governmental funds, generally focused on (1) how cash and other financial assets which can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether more or fewer financial resources can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations are provided between the governmental funds statements and the district-wide financial statements that explain the relationships (or differences) between them.

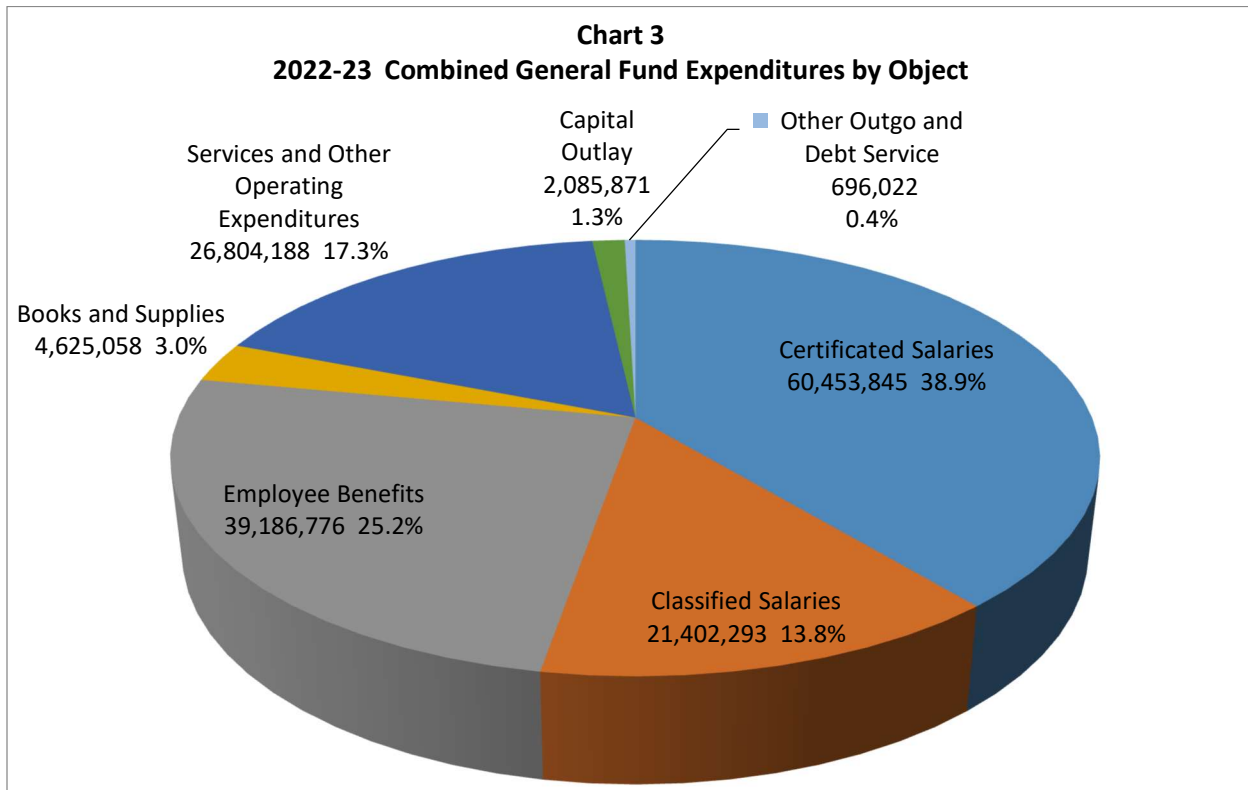
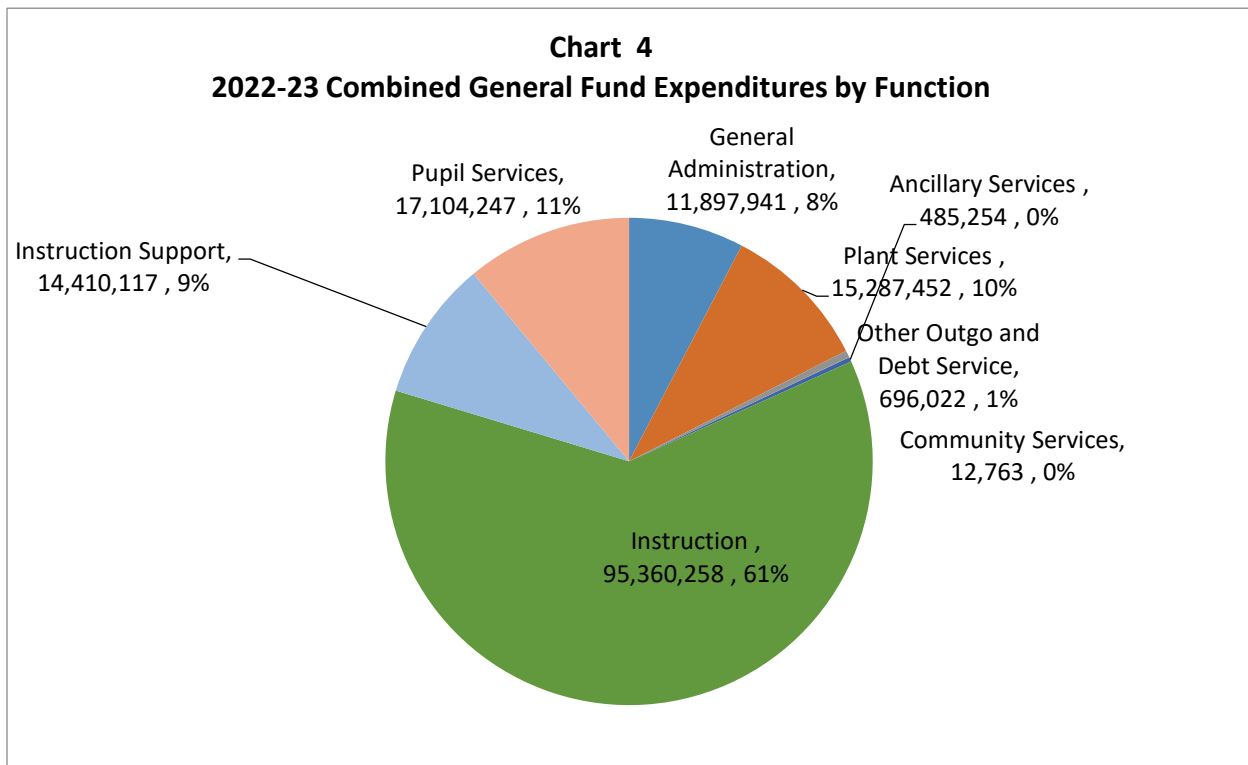
Proprietary funds. When the District charges users for the services it provides, whether to outside customers or other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way activities are reported in the Statement of Net Position and the Statement of Change in Net Position.

Internal service funds report activities that provide supplies and services for the District's other program and activities, such as the District's Self-Insurance Fund. The internal service fund is reported with government activities in the government-wide financial statements.

General Fund Activities

Charts 3 and 4, presented on the following page, provide a breakdown of the 2022-23 General Fund expenditures by Object Code and Function Code, respectively. As is common with virtually all school districts, the majority of expenditures in the General Fund are used for salaries and benefits (approximately 78%). From a functional cost standpoint, Chart 4 shows that approximately 61% of total general fund expenditures go for instruction related activities. Pursuant to Education Code 41372, elementary school districts must spend at least 60% of its current expense of education for the payment of salaries of classroom teachers. However, this calculation excludes Federal, State, Categorical and other resources, such as Lottery, from the calculation. As such, it reduces classroom compensation to 55.41%. This is 4.59% below the required 60%. The District applied for an exemption to the required expenditures for classroom teachers' salaries with the State for the 2022-23 school year.

**ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**



**ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

FACTORS BEARING ON THE DISTRICT'S FUTURE

Since approximately 62% of the District's funding is provided by LCFF, the two factors – unduplicated pupil percentage and ADA in future years, used to calculate LCFF funding for the District, are key factors to watch.

As with many districts across the Nation, the COVID pandemic continues to have some bearing on our educational decision making. Planning is key, but difficult to do with accuracy. The District must plan using information that changes constantly and base our educational decisions on ever-changing factors including changing revenues and the lingering effects of COVID-19 and its variants.

Alum Rock, with declining enrollment, has benefited from having our ADA held harmless for 2020–21 and 2021–22. In addition, the State of California has increased the LCFF Funding for current and future years and funding is based on a three-year average starting in 2022-23. However, Alum Rock will have to address the cumulative impact of declining enrollment. Despite the additional funding, Alum Rock needs to take the necessary steps to align staffing and expenditures to the number of students served in future fiscal years.

At the time these financial statements were prepared and audited, the District was aware of the following conditions that could significantly affect its financial health in the future:

- Enrollment continues to decline due to economic hardship which causes families to move out of the area.
- The uncertainty and impact that the COVID pandemic and variants will continue to have on Districts.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Business Services at Alum Rock Union Elementary School District, 2930 Gay Avenue, San Jose, CA 95127.

BASIC FINANCIAL STATEMENTS

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 146,235,198
Receivables	12,893,476
Lease receivable (Note 5)	72,291,400
Prepaid expenses	1,891,869
Inventory	84,895
Non-depreciable capital assets (Note 4)	4,306,304
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>93,115,157</u>
Total assets	<u>330,818,299</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss from refunding	3,087,433
Deferred outflows of resources - pensions (Notes 8 and 9)	<u>35,917,797</u>
Total deferred outflows of resources	<u>39,005,230</u>
LIABILITIES	
Payables	16,738,657
Unearned revenue	3,526,495
Long-term liabilities (Note 6):	
Due within one year	8,001,290
Due after one year	<u>258,746,130</u>
Total liabilities	<u>287,012,572</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	25,667,000
Deferred inflows of resources - leases (Note 5)	<u>72,291,400</u>
Total deferred inflows of resources	<u>97,958,400</u>
NET POSITION	
Net investment in capital assets	(7,055,844)
Restricted:	
Legally restricted programs	40,321,184
Capital projects	900,727
Debt service	12,134,595
Self-insurance	3,879,603
Unrestricted	<u>(65,327,708)</u>
Total net position	<u>\$ (15,147,443)</u>

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

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

		Program Revenues		Net (Expense) Revenues and Change in Net Position
		Charges for	Operating Grants and	
	<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
Instruction	\$ 93,753,905	\$ 9,575	\$ 41,437,805	\$ (52,306,525)
Instruction-related services:				
Instructional supervision and administration	4,219,703	3,520	1,361,199	(2,854,984)
School site administration	9,084,556	108	6,617,704	(2,466,744)
Pupil services:				
Home-to-school transportation	3,112,040	31	1,651,654	(1,460,355)
Food services	7,830,327	1,947	8,728,202	899,822
All other pupil services	12,624,203	3,384	2,267,812	(10,353,007)
General administration:				
Data processing	2,723,098	87	2,710	(2,720,301)
All other general administration	10,595,590	199	1,974,681	(8,620,710)
Plant services	17,233,672	39	5,130,608	(12,103,025)
Ancillary and enterprise services	723,099	254,181	16,850	(452,068)
Interest on long-term liabilities	7,025,503	-	-	(7,025,503)
Other outgo	30,000	242,796	3,369,070	3,581,866
Total governmental activities	<u>\$ 168,955,696</u>	<u>\$ 515,867</u>	<u>\$ 72,558,295</u>	<u>(95,881,534)</u>
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				37,463,806
Taxes levied for debt service				10,700,872
Taxes levied for other specific purposes				4,469,291
Federal and state aid not restricted to specific purposes				79,813,189
Interest and investment earnings (loss)				(784,533)
Miscellaneous				2,216,989
Total general revenues				<u>133,879,614</u>
Change in net position				<u>37,998,080</u>
Net position, July 1, 2022				<u>(53,145,523)</u>
Net position, June 30, 2023				<u>\$ (15,147,443)</u>

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

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Building Fund	All Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 75,548,685	\$ 47,396,734	\$ 20,284,182	\$ 143,229,601
Cash in revolving fund	20,000	-	1,000	21,000
Receivables	9,812,712	302,811	2,755,866	12,871,389
Due from other funds	256,119	-	288,241	544,360
Prepaid expenditures	1,018,891	-	-	1,018,891
Inventory	-	-	84,895	84,895
Lease receivable	72,291,400	-	-	72,291,400
	<u>72,291,400</u>	<u>-</u>	<u>-</u>	<u>72,291,400</u>
Total assets	<u>\$ 158,947,807</u>	<u>\$ 47,699,545</u>	<u>\$ 23,414,184</u>	<u>\$ 230,061,536</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Payables	\$ 11,745,019	\$ 540,885	\$ 1,345,041	\$ 13,630,945
Due to other funds	288,240	-	256,120	544,360
Unearned revenue	2,678,787	-	847,708	3,526,495
	<u>2,678,787</u>	<u>-</u>	<u>847,708</u>	<u>3,526,495</u>
Total liabilities	<u>14,712,046</u>	<u>540,885</u>	<u>2,448,869</u>	<u>17,701,800</u>
Deferred inflows of resources	<u>72,291,400</u>	<u>-</u>	<u>-</u>	<u>72,291,400</u>
Fund balances:				
Nonspendable	1,038,891	-	85,895	1,124,786
Restricted	32,391,191	47,158,660	20,879,420	100,429,271
Unassigned	38,514,279	-	-	38,514,279
	<u>38,514,279</u>	<u>-</u>	<u>-</u>	<u>38,514,279</u>
Total fund balances	<u>71,944,361</u>	<u>47,158,660</u>	<u>20,965,315</u>	<u>140,068,336</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 158,947,807</u>	<u>\$ 47,699,545</u>	<u>\$ 23,414,184</u>	<u>\$ 230,061,536</u>

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

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023

Total fund balances - Governmental Funds		\$ 140,068,336
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$265,383,827 and the accumulated depreciation is \$167,962,366 (Note 4).		97,421,461
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Unmatured interest on long-term liabilities is not recognized until the debt series matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		(3,107,653)
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In governmental funds, deferred outflows of resources resulting from defeasance of debt are not recorded. In governmental activities, for advance refundings in defeasance of debt, the difference between reacquisition price and the net carrying amount of the retired debt are reported as deferred outflows of resources.		3,087,433
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In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8 and 9).

Deferred outflows of resources relating to pensions	\$ 35,917,797	
Deferred inflows of resources relating to pensions	(25,667,000)	
		10,250,797

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost- recovery basis. Net position for the Self-Insurance Fund:		3,879,603
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the government funds. Long-term liabilities at June 30, 2023 consisted of (Note 6):

General Obligation Bonds	\$ (142,640,000)	
Unamortized premiums	(12,083,398)	
Net pension liability (Notes 8 and 9)	(111,358,000)	
Supplemental Employee Retirement Plan (SERP)	(666,022)	
		(266,747,420)

Total net position - governmental activities		\$ <u>(15,147,443)</u>
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The accompanying notes are an integral part of these financial statements.

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General Fund	Building Fund	All Non-Major Funds	Total Governmental Funds
Revenues:				
Local Control Funding				
Formula (LCFF):				
State apportionment	\$ 86,337,022	\$ -	\$ -	\$ 86,337,022
Local sources	28,827,199	-	-	28,827,199
Total LCFF	115,164,221	-	-	115,164,221
Federal sources	15,441,111	-	6,686,424	22,127,535
Other state sources	44,898,170	-	4,157,395	49,055,565
Other local sources	10,533,933	-	12,308,857	22,842,790
Total revenues	186,037,435	-	23,152,676	209,190,111
Expenditures:				
Current:				
Certificated salaries	60,453,845	-	8,676	60,462,521
Classified salaries	21,402,293	104,631	2,600,355	24,107,279
Employee benefits	39,186,776	56,074	1,757,627	41,000,477
Books and supplies	4,625,058	434,611	3,728,539	8,788,208
Contract services and				
operating expenditures	26,804,188	3,446,869	2,039,586	32,290,643
Other outgo	30,000	-	-	30,000
Capital outlay	2,085,871	4,066,004	153,824	6,305,699
Debt service:				
Principal retirement	666,022	11,375,000	3,465,000	15,506,022
Interest	-	-	5,310,186	5,310,186
Total expenditures	155,254,053	19,483,189	19,063,793	193,801,035
Excess (deficiency) of revenues				
over (under) expenditures	30,783,382	(19,483,189)	4,088,883	15,389,076
Other financing (uses) sources:				
Transfers in	243,296	-	250,000	493,296
Transfers out	(250,000)	-	(243,296)	(493,296)
Proceed from sale of bonds	-	88,280,000	-	88,280,000
Premiums from the issuance of debt		4,215,554	4,216,997	8,432,551
Deposit to refunding escrow account	-	(32,971,487)	-	(32,971,487)
Total other financing				
(uses) sources	(6,704)	59,524,067	4,223,701	63,741,064
Net change in fund balances	30,776,678	40,040,878	8,312,584	79,130,140
Fund balances, July 1, 2022	41,167,683	7,117,782	12,652,731	60,938,196
Fund balances, June 30, 2023	\$ 71,944,361	\$ 47,158,660	\$ 20,965,315	\$ 140,068,336

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

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Net change in fund balances - Total Governmental Funds		\$ 79,130,140
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Amounts reported for governmental activities in the statement of activities are different because:

Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of the net position (Note 4).	6,305,699	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(5,958,310)	
In governmental funds, deferred outflows of resources for bond refunding losses are not recognized. In the government-wide statements, deferred outflows of resources amortized over the life of the debt.	302,361	
In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt increase liabilities.	(88,280,000)	
If a planned capital project is canceled and will not be completed, costs incurred for previously capitalized as Work in Progress must be expensed (Note 4).	(2,877,722)	
Debt issue premiums are recognized as revenues in the period they are incurred. In government-wide statements, issued premiums are amortized over the life of the debt (Note 6).	(8,130,864)	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	47,906,022	
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.	(1,295,462)	
Internal service funds are presumed to benefit governmental activities.	808,045	
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	10,088,171	(41,132,060)

Change in net position of governmental activities		\$ <u>37,998,080</u>
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The accompanying notes are an integral part of these financial statements.

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
June 30, 2023

ASSETS

Cash and investments (Note 2):

Cash in County Treasury	\$ 2,984,597
Receivables	22,087
Prepaid expenses	<u>872,978</u>

Total current assets	<u>3,879,662</u>
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LIABILITIES

Payables	<u>59</u>
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NET POSITION

Unrestricted	<u><u>\$ 3,879,603</u></u>
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The accompanying notes are an integral part of these financial statements.

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF CHANGE IN
FUND NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
For the Year Ended June 30, 2023

Operating revenues:	
Self-insurance premiums	\$ 19,670,394
Operating expenses:	
Classified salaries	76,153
Employee benefits	43,889
Books and supplies	1,777
Contract services	<u>18,788,348</u>
Total operating expense	<u>18,910,167</u>
Operating Income	760,227
Non-operating revenue:	
Interest income	<u>47,818</u>
Change in net position	808,045
Net position, July 1, 2022	<u>3,071,558</u>
Net position, June 30, 2023	<u><u>\$ 3,879,603</u></u>

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

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
For the Year Ended June 30, 2023

Cash flows provided by operating activities:	
Cash received from self-insurance premiums	\$ 19,571,484
Cash paid for other activities	(1,777)
Cash paid for employee services	(120,042)
Cash paid for contract services	<u>(18,789,760)</u>
Net cash provided by operating activities	<u>659,905</u>
Cash flows provided by investing activities:	
Interest income	<u>47,818</u>
Increase in cash and investments	707,723
Cash and investments, July 1, 2022	<u>\$ 2,276,874</u>
Cash and investments, June 30, 2023	<u>\$ 2,984,597</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 760,227
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in receivables	(17,928)
Decrease in prepaid expenses	(80,982)
Increase in payables	<u>(1,412)</u>
Total adjustments	<u>(100,322)</u>
Net cash provided by operating activities	<u>\$ 659,905</u>

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole.

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

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

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

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

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Building Fund - The Building Fund is a capital projects fund used to account separately for resources from the sale of bonds, which are primarily used for the acquisition or construction of capital facilities.

B - Other Funds

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

Capital Projects Funds are used to account for resources used for the acquisition of capital facilities by the District. This includes the Capital Facilities, and Special Reserve for Capital Outlay Funds.

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

The Self-Insurance Fund is an internal service fund which is used to account for the District's employee medical, dental and vision benefits.

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

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

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

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

Receivables: Receivables are made up principally of amounts due from the State of California and categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2023.

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory: Inventory consists primarily of consumable supplies held for future use and are valued at actual cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools and offices.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

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

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods, and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding of debt resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the net pension liability.

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

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 20,097,723	\$ 15,820,074	\$ 35,917,797
Deferred inflows of resources	\$ 22,612,000	\$ 3,055,000	\$ 25,667,000
Net pension liability	\$ 63,146,000	\$ 48,212,000	\$ 111,358,000
Pension expense	\$ 5,450,636	\$ 4,815,015	\$ 10,265,651

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Sick Leave: Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated sick leave benefits are not recognized as liabilities of the District since cash payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period that sick leave is taken.

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

Net Position: Net position is displayed in three components:

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

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

A - Nonspendable Fund Balance - The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and inventory.

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

C - Committed Fund Balance - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. The District had no committed fund balance as of June 30, 2023.

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D - Assigned Fund Balance - The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. While the Board of Trustees has empowered members of management to suggest individual amounts to be assigned, as of June 30, 2023, no formal designation of assignment authority has occurred and the Board of Trustees retains ultimate authority for assigning fund balance. The District had no assigned fund balance as of June 30, 2023.

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

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

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At June 30, 2023, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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

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

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

New Accounting Pronouncements: In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. GASB 96 defines a subscription-based information technology arrangement and requires the recognition of a right to use subscription asset and corresponding subscription liability. This statement was effective for fiscal years beginning after June 15, 2022. There was no impact to the District's July 1, 2022 net position as a result of the implementation of GASB Statement No. 96.

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2023 consisted of the following:

	<u>Governmental Activities</u>
Pooled Funds:	
Cash in County Treasury	\$ 146,214,198
Deposits:	
Cash in revolving fund	<u>21,000</u>
Total	<u>\$ 146,235,198</u>

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

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2023, the carrying amount of the District's accounts was \$21,000 and the bank balance was \$20,011, all of which was insured.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2023, the District had no significant interest rate risk related to cash and investments held.

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

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2023, the District had no concentration of credit risk.

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers, except for the Self-Insurance Fund activity which is recorded as income and expenditures of the Self-Insurance Fund and the General Fund, respectively. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2023 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 256,119	\$ 288,240
Non-Major Funds:		
Student Activity	184	-
Child Development	-	23,759
Cafeteria	38,057	232,361
Deferred Maintenance	250,000	-
Totals	<u>\$ 544,360</u>	<u>\$ 544,360</u>

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

Transfers for the 2022-2023 fiscal year were as follows:

Transfer from the Child Development Fund to the General Fund for indirect costs.	\$ 10,935
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	232,361
Transfer from the General Fund to the Deferred Maintenance Fund for contributions towards maintenance costs.	<u>250,000</u>
	<u>\$ 493,296</u>

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2023 is shown below:

	Balance July 1, <u>2022</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2023</u>
Non-depreciable:				
Land	\$ 2,408,678	\$ -	\$ -	\$ 2,408,678
Work-in-process	3,080,540	1,865,958	(3,048,872)	1,897,626
Depreciable:				
Buildings	196,911,643	177,192	3,300	197,092,135
Equipment	17,348,414	1,673,927	-	19,022,341
Improvement of sites	<u>42,206,575</u>	<u>2,588,622</u>	<u>167,850</u>	<u>44,963,047</u>
Totals, at cost	<u>261,955,850</u>	<u>6,305,699</u>	<u>(2,877,722)</u>	<u>265,383,827</u>
Less accumulated depreciation:				
Buildings	(114,414,005)	(4,805,587)	-	(119,219,592)
Equipment	(15,550,163)	(342,302)	-	(15,892,465)
Improvement of sites	<u>(32,039,888)</u>	<u>(810,421)</u>	<u>-</u>	<u>(32,850,309)</u>
Total accumulated depreciation	<u>(162,004,056)</u>	<u>(5,958,310)</u>	<u>-</u>	<u>(167,962,366)</u>
Capital assets, net	<u>\$ 99,951,794</u>	<u>\$ 347,389</u>	<u>\$ (2,877,722)</u>	<u>\$ 97,421,461</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	<u>\$ 5,958,310</u>
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(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 – LEASE RECEIVABLES

The District leases out its buildings and land. Lease terms vary, and may contain one or more renewal options. The District has generally included these renewal periods in the lease term when it is reasonably certain that the lessee will exercise the renewal option. The District's lease arrangements do not contain any material residual value guarantees. As an interest rate implicit in the District's leases is not readily determinable, the District utilizes its incremental borrowing rate to report the lease payments at their net present value.

Minimum lease payments receivable on leases of District properties are as follows:

Year Ended				
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2024	\$ 1,383,463	\$ 334,262	\$ 1,717,725	
2025	1,472,335	299,165	1,771,500	
2026	1,539,957	261,673	1,801,630	
2027	798,782	239,806	1,038,588	
2028	804,453	238,291	1,042,744	
2029-2033	4,632,661	1,165,179	5,797,840	
2034-2038	5,621,914	1,102,100	6,724,014	
2039-2043	6,871,557	1,007,216	7,878,773	
2044-2048	8,316,909	871,411	9,188,320	
2049-2053	10,118,418	683,073	10,801,491	
2054-2058	11,324,074	428,737	11,752,811	
2059-2063	11,923,178	126,283	12,049,461	
2064-2067	<u>7,483,699</u>	<u>12,058</u>	<u>7,495,757</u>	
	<u>\$ 72,291,400</u>	<u>\$ 6,769,254</u>	<u>\$ 79,060,654</u>	

The total amount of inflows of resources related to leases recognized in the current fiscal year are as follows:

	<u>2023</u>
<u>Governmental Funds/Governmental Activities</u>	
Lease revenue	\$ 1,056,384
Interest revenue	\$ 356,292

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES

General Obligation Bonds: On March 31, 2010 the District issued \$13,600,000 of General Obligation Refunding Bonds Series A, to refund Election of 1997 General Obligation Bonds Series B and Election of 2001 General Obligation Bonds, Series D. The 2010 Refunding Bonds bear interest at rates ranging from 3.0% to 5.0% and mature in varying amounts through September 2026.

On August 15, 2013 the District issued \$3,600,000 of Election of 2012 General Obligation Bonds, Series B, to finance the renovating and equipping of school facilities. The Bonds bear interest at rates ranging from 0.496% to 2.641% and mature in varying amounts through August 2023.

On August 13, 2015 the District issued 2015 General Obligation Refunding Bonds in the amount of \$37,395,000. The 2015 Refunding Bonds were issued to advance refund a portion of the District's outstanding Election of 2008 General Obligation Bonds, Series A. The 2015 GO Refunding Bonds bear interest at rates ranging from 3.0% to 5.0% and mature during succeeding years through August 2033.

On January 14, 2016, the District issued Election of 2012, Series C General Obligation Bonds totaling \$17,500,000, to finance the renovating and equipping of school facilities. The 2012 Series C Bonds bear interest at rates ranging from 2.0% to 5.25% and mature in varying amounts through August 2040.

On October 26, 2016 the District issued 2016 General Obligation Refunding Bonds, Series A in the amount of \$1,855,000. The 2016 GO Refunding Bonds were issued to advance refund a portion of the District's outstanding 2010 General Obligation Refunding Bonds, Series A. The 2016 GO Refunding Bonds Series A bear interest at rates ranging from 2.0% to 4.0% and mature through August 2026.

On October 26, 2016 the District issued 2016 General Obligation Refunding Bonds, Series B in the amount of \$7,055,000. The 2016 GO Refunding Bonds were issued to advance refund a portion of the District's outstanding 2007 General Obligation Refunding Bonds. The 2016 GO Refunding Bonds Series B bear interest at rates ranging from 1.0% to 2.625% and mature through August 2026.

On October 26, 2016 the District issued 2016 General Obligation Refunding Bonds, Series A in the amount of \$1,855,000. The 2016 GO Refunding Bonds were issued to advance refund a portion of the District's outstanding 2010 General Obligation Refunding Bonds, Series A. The 2016 GO Refunding Bonds Series A bear interest at rates ranging from 2.0% to 4.0% and mature through August 2026.

On July 19, 2022, the District issued Election of 2016, Series A General Obligation Bonds totaling \$40,000,000, and were issued to finance the renovating and equipping of school facilities, and to prepay the remaining balance of the District's 2010 Certificates of Participation. The 2016 Series A Bonds bear interest at rates ranging from 4.0% to 5.25% and mature in varying amounts through August 2047.

On May 24, 2023 the District issued Election of 2022, Series A in the amount of \$19,000,000. The 2022 Series A Bonds were issued to finance the renovating and equipping of school facilities, construct below-market rate employee housing, and provide for various technology upgrades for the District. The 2022 Series A Bonds bear interest at 5.0% and mature in varying amounts through August 2053.

On May 24, 2023 the District issued 2023 General Obligation Refunding Bonds in the amount of \$29,280,000. The 2023 GO Refunding Bonds were issued to refund, on a current basis, all remaining maturities of the District's outstanding Election of 2012 Series A Bonds. The 2023 GO Refunding Bonds bear interest at rates ranging from 5.0% and mature through August 2043. As a result of the refunding, the District in effect reduced its aggregate debt service payments by \$7,691,833, and obtained an economic gain of \$5,928,494.

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (Continued)

A summary of General Obligation Bonds payable as of June 30, 2023 follows:

<u>Series</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2022</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2023</u>
2010-A GORB	3.00%-5.00%	2027	\$ 1,345,000	\$ -	\$ 225,000	\$ 1,120,000
2012-A CIB	4.00%-4.25%	2044	32,400,000	-	32,400,000	-
2012-B CIB	0.496%-2.641%	2024	400,000	-	260,000	140,000
2015 GORB	3.00%-5.00%	2034	34,815,000	-	1,395,000	33,420,000
2012-C CIB	2.00%-5.25%	2041	15,735,000	-	-	15,735,000
2016-A GORB	2.00%-4.00%	2027	1,560,000	-	260,000	1,300,000
2016-B GORB	1.00% - 2.625%	2027	3,970,000	-	1,325,000	2,645,000
2016-A GOB	4.00%-5.25%	2048	-	40,000,000	-	40,000,000
2022-A GOB	5.00%	2054	-	19,000,000	-	19,000,000
2023 GORB	5.00%	2044	-	29,280,000	-	29,280,000
Total			<u>\$90,225,000</u>	<u>\$88,280,000</u>	<u>\$35,865,000</u>	<u>\$ 142,640,000</u>

The District's General Obligation Bonds outstanding as of June 30, 2023, are scheduled to mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2024	\$ 6,845,000	\$ 7,007,164	\$ 13,852,164
2025	8,245,000	6,332,766	14,577,766
2026	6,470,000	5,974,282	12,444,282
2027	4,915,000	5,695,466	10,610,466
2028	3,565,000	5,484,575	9,049,575
2029-2033	23,745,000	24,860,628	48,605,628
2034-2038	24,475,000	19,045,072	43,520,072
2039-2043	32,485,000	12,121,077	44,606,077
2044-2048	24,020,000	4,865,085	28,885,085
2049-2053	6,250,000	1,245,500	7,495,500
2054	1,625,000	40,625	1,665,625
	<u>\$ 142,640,000</u>	<u>\$ 92,672,240</u>	<u>\$ 235,312,240</u>

Supplemental Employee Retirement Plan: On July 1, 2019, the District established a Supplemental Employee Retirement Plan (SERP) for certain qualifying District employees. Under the terms of the SERP, the District will make annual contributions of \$666,022 to the plan for the future benefits to be paid to qualifying employees. Payments are made equally over a period of five fiscal years, for a total obligation of \$3,330,110. As of June 30, 2023, the total outstanding balance of future District contributions was \$666,022.

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2023 is shown below:

	Balance			Balance	Amounts
<u>Governmental Activities</u>	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>	<u>Due Within</u>
					<u>One Year</u>
<u>Debt</u>					
General Obligation Bonds	\$ 90,225,000	\$ 88,280,000	\$ 35,865,000	\$ 142,640,000	\$ 6,845,000
Unamortized premiums	3,952,534	8,432,551	301,687	12,083,398	490,268
Certificates of Participation	11,375,000	-	11,375,000	-	-
<u>Other long-term liabilities</u>					
Net pension liability					
(Notes 8 and 9)	66,578,000	44,780,000	-	111,358,000	-
Supplemental Employee					
Retirement Plan (SERP)	1,332,044	-	666,022	666,022	666,022
Compensated absences	-	88,726	88,726	-	-
	<u>\$ 173,462,578</u>	<u>\$ 141,581,277</u>	<u>\$ 48,296,435</u>	<u>\$ 266,747,420</u>	<u>\$ 8,001,290</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Building Fund. Payments on the Supplemental Employee Retirement Plan are made from the General Fund. Payments for compensated absences are made from the fund for which the related employee worked.

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 7 - FUND BALANCES

Fund balances, by category, at June 30, 2023 consisted of the following:

	General <u>Fund</u>	Building <u>Fund</u>	All Non-Major <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable:				
Revolving cash	\$ 20,000	\$ -	\$ 1,000	\$ 21,000
Stores inventory	-	-	84,895	84,895
Prepaid expenditures	<u>1,018,891</u>	<u>-</u>	<u>-</u>	<u>1,018,891</u>
Subtotal nonspendable	<u>1,038,891</u>	<u>-</u>	<u>85,895</u>	<u>1,124,786</u>
Restricted:				
Legally restricted:				
Grants	32,391,191	-	-	32,391,191
Student activity funds	-	-	255,558	255,558
Child development programs	-	-	112,576	112,576
Cafeteria programs	-	-	6,530,624	6,530,624
Deferred maintenance	-	-	945,340	945,340
Capital projects	-	47,158,660	900,727	48,059,387
Debt service	<u>-</u>	<u>-</u>	<u>12,134,595</u>	<u>12,134,595</u>
Subtotal restricted	<u>32,391,191</u>	<u>47,158,660</u>	<u>20,879,420</u>	<u>100,429,271</u>
Unassigned:				
Designated for economic uncertainty	4,650,323	-	-	4,650,323
Undesignated	<u>33,863,956</u>	<u>-</u>	<u>-</u>	<u>33,863,956</u>
Subtotal unassigned	<u>38,514,279</u>	<u>-</u>	<u>-</u>	<u>38,514,279</u>
Total fund balances	<u><u>\$ 71,944,361</u></u>	<u><u>\$ 47,158,660</u></u>	<u><u>\$ 20,965,315</u></u>	<u><u>\$ 140,068,336</u></u>

(Continued)

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

General Information about the State Teachers' Retirement Plan

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

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

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

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

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

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

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

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

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

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers, and the State of California to bring CalSTRS toward full funding by fiscal year 2046. California Senate Bill 90 and California Assembly Bill 84 (collectively the "Special Legislation") were signed into law in June 2019 and June 2020, respectively, and provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2022-2023.

A summary of statutory contribution rates and other sources of contributions to the DB Program pursuant to the CalSTRS Funding Plan, and the Special Legislation, are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.250 percent of applicable member earnings for fiscal year 2022-2023.

Under CalSTRS 2% at 62, pay 9% toward the normal cost and an additional 1.205 percent as per the CalSTRS Funding Plan for a total member contribution rate of 10.205 percent. The contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1% since the last time the member contribution rate was set. Based on the June 30, 2021, valuation adopted by the CalSTRS board in May 2022, the increase in normal cost was less than 1 percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2022.

Employers – Employers are required to contribute a base contribution rate set in statute at 8.25%. Pursuant to the CalSTRS Funding Plan, employers also have a supplemental contribution rate to eliminate their share of the CalSTRS unfunded actuarial obligation by 2046.

Beginning in fiscal year 2021–22, the CalSTRS Funding Plan authorized the CalSTRS board to adjust the employer supplemental contribution rate up or down by a maximum of 1% for a total rate of no higher than 20.25% and no lower than 8.25%. In May 2022, the CalSTRS board voted to keep the employer supplemental contribution rate at 10.85% for fiscal year 2022–23 for a total employer contribution rate of 19.10%.

Through the Special Legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately \$2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Specifically, employers will remit 1.03%, 2.95% and 2.18% less than is required by the CalSTRS Funding Plan for fiscal years 2019–20, 2020–21 and 2021–22, respectively.

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Beginning in fiscal year 2021–22, the CalSTRS Funding Plan authorizes the board to adjust the employer supplemental contribution rate up or down by a maximum of 1% for a total rate of no higher than 20.25% and no lower than 8.25%. In June 2021, the CalSTRS board voted to keep the employer supplemental contribution rate the same for fiscal year 2021–22; it remained at 10.85% effective July 1, 2021.

Through the Special Legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately \$2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Specifically, employers will remit 1.03%, 2.95% and 2.18% less than is required by the CalSTRS Funding Plan for fiscal years 2019–20, 2020–21 and 2021–22, respectively.

The CalSTRS employer contribution rates effective for fiscal year 2022-2023 through fiscal year 2046-47 are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>Total</u>
July 1, 2022	8.250%	10.850%	19.100%
July 1, 2023 to June 30, 2046	8.250%	(1)	(1)
July 1, 2046	8.250%	Increase from AB 1469 rate ends in 2046-47	

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

The District contributed \$10,645,723 to the plan for the fiscal year ended June 30, 2023.

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

The state is required to contribute a base contribution rate set in statute at 2.017%. Pursuant to the CalSTRS Funding Plan, the state also has a supplemental contribution rate, which the board can increase by up to 0.5% each fiscal year to help eliminate the state's share of the CalSTRS unfunded actuarial obligation by 2046. In May 2022, the CalSTRS board voted to keep the state supplemental contribution rate at 6.311% for fiscal year 2022–23 for a total contribution rate of 10.828%.

Special legislation appropriated supplemental state contributions to reduce the state's portion of the unfunded actuarial obligation of the DB Program in fiscal years 2019-20 through 2021-22. These contributions are funded from future excess General Fund revenues, pursuant to the requirements of California Proposition 2, the "Rainy-Day Budget Stabilization Fund Act", which passed in 2014. Accordingly, the contribution amounts are subject to change each year based on the availability of funding. For fiscal year 2021–22, CalSTRS received \$410.0 million in supplemental state contributions from Proposition 2 funds. Additionally, CalSTRS received a one-time supplemental payment of \$173.7 million from the General Fund in fiscal year 2021–22 to offset forgone contributions due to the suspension of the 0.5% increase to the state supplemental contribution rate in fiscal year 2020–21.

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

The CalSTRS state contribution rates effective for fiscal year 2022-2023 and beyond are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>SBMA Funding⁽¹⁾</u>	<u>Total</u>
July 01, 2022	2.017%	6.311%	2.50%	10.828%
July 01, 2023 to June 30, 2046	2.017%	(2)	2.50%	(2)
July 01, 2046	2.017%	(3)	2.50%	(3)

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

Pension Liabilities, Pension Expense, 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:

District's proportionate share of the net pension liability	\$ 63,146,000
State's proportionate share of the net pension liability associated with the District	<u>31,624,000</u>
Total	<u><u>\$ 94,770,000</u></u>

The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2022, the District's proportion was 0.091 percent, which was an increase of 0.009 percent from its proportion measured as of June 30, 2021.

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

For the year ended June 30, 2023, the District recognized pension expense of \$5,450,636 and revenue of \$5,073,025 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
Difference between expected and actual experience	\$ 52,000	\$ 4,735,000
Changes of assumptions	3,132,000	-
Net differences between projected and actual earnings on investments	-	3,088,000
Changes in proportion and differences between District contributions and proportionate share of contributions	6,268,000	14,789,000
Contributions made subsequent to measurement date	10,645,723	-
Total	<u>\$ 20,097,723</u>	<u>\$ 22,612,000</u>

\$10,645,723 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2024	\$ (2,870,267)
2025	\$ (5,695,267)
2026	\$ (6,653,767)
2027	\$ 2,879,235
2028	\$ (1,647,267)
2029	\$ 827,333

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2022 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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

Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB, maintain 85% Purchasing power level for DB, not applicable for DBS/CBB

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

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

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

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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

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

* 20-year geometric average

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

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

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
District's proportionate share of the net pension liability	<u>\$ 107,245,000</u>	<u>\$ 63,146,000</u>	<u>\$ 26,530,000</u>

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

(Continued)

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

General Information about the Public Employer's Retirement Fund B

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and non-certified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at: <https://www.calpers.ca.gov/docs/forms-publications/acfr-2022.pdf>.

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

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2023 were as follows:

Members - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2022-23.

Employers - The employer contribution rate was 25.37 percent of applicable member earnings.

The District contributed \$6,211,074 to the plan for the fiscal year ended June 30, 2023.

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 of \$48,212,000 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2022 the District's proportion was 0.140 percent, which was a decrease of 0.005 percent from its proportion measured as of June 30, 2021.

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

For the year ended June 30, 2023, the District recognized pension expense of \$4,815,015. 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 <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 218,000	\$ 1,200,000
Changes of assumptions	3,566,000	-
Net differences between projected and actual earnings on investments	5,692,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	133,000	1,855,000
Contributions made subsequent to measurement date	<u>6,211,074</u>	<u>-</u>
Total	<u>\$ 15,820,074</u>	<u>\$ 3,055,000</u>

\$6,211,074 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2024	\$ 772,417
2025	\$ 1,383,417
2026	\$ 927,417
2027	\$ 3,470,749

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 3.9 years as of the June 30, 2022 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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

Valuation Date	June 30, 2021
Experience Study	June 30, 2000 through June 30, 2019
Actuarial Cost Method	Entry age normal
Investment Rate of Return	6.90%
Consumer Price Inflation	2.30%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies, 2.30% thereafter

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 80% of scale MP 2020. For more details on this table, please refer to the 2021 experience study report.

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from 2000 to 2019, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

During the 2021-22 measurement period, the financial reporting discount rate for PERF B was lowered from 7.15 percent to 6.90 percent. In addition, the inflation assumption was reduced from 2.50 percent to 2.30 percent. Lastly, demographic assumptions for mortality rates were updated.

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Expected Real Rates of Return Years 1-10 (1, 2)</u>
Global Equity – cap-weighted	30.00%	4.45%
Global Equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	.27%
Mortgage-backed Securities	5.00%	.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

(1) An expected inflation rate of 2.30% used for this period

(2) Figures are based on the 2021-22 CalPERS Asset Liability Management Study

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Discount Rate: The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

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

In determining the long-term expected rate of return, CalPERS took into account 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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	\$ 69,644,000	\$ 48,212,000	\$ 30,498,000

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

NOTE 10 - JOINT POWERS AUTHORITIES

Self-Insured Schools of California Health and Welfare Benefits Program (SISC III): SISC III provides transportation for special education students for its members. The membership includes various school districts in the county. SISC III is governed by an Executive Board consisting of representatives from member districts. The Executive Board controls the operations of SISC III, including selections of management and approval of operating budgets.

The following is a summary of the financial information for SISC III at September 30, 2022 (the latest information available):

Total assets	\$ 972,650,846
Total liabilities	\$ 272,859,018
Total net position	\$ 699,791,828
Total revenues	\$ 2,881,328,800
Total expenditures	\$ 2,971,121,829

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 - COMMITMENTS AND CONTINGENCIES

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

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not be material.

Construction Commitments: As of June 30, 2023, the District had approximately \$77.7 million in outstanding commitments on construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
GENERAL FUND BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2023

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 89,165,453	\$ 88,397,116	\$ 86,337,022	\$ (2,060,094)
Local sources	19,525,518	26,415,203	28,827,199	2,411,996
Total LCFF	108,690,971	114,812,319	115,164,221	351,902
Federal sources	25,551,857	32,286,768	15,441,111	(16,845,657)
Other state sources	24,721,202	48,194,641	44,898,170	(3,296,471)
Other local sources	3,563,500	14,276,376	10,533,933	(3,742,443)
Total revenues	162,527,530	209,570,104	186,037,435	(23,532,669)
Expenditures:				
Current:				
Certificated salaries	61,232,742	61,974,674	60,453,845	1,520,829
Classified salaries	22,721,780	22,459,592	21,402,293	1,057,299
Employee benefits	42,865,410	41,330,588	39,186,776	2,143,812
Books and supplies	4,564,132	27,101,609	4,625,058	22,476,551
Contract services and operating expenditures	17,646,171	45,512,761	26,804,188	18,708,573
Other outgo	70,000	70,000	30,000	40,000
Capital outlay	300,000	4,615,075	2,085,871	2,529,204
Debt service:				
Principal retirement	666,022	666,022	666,022	-
Total expenditures	150,066,257	203,730,321	155,254,053	48,476,268
Excess of revenues over expenditures	12,461,273	5,839,783	30,783,382	24,943,599
Other financing sources (uses):				
Transfers in	284,565	270,058	243,296	(26,762)
Transfers out	-	-	(250,000)	(250,000)
Total other financing sources (uses)	284,565	270,058	(6,704)	(276,762)
Net change in fund balance	12,745,838	6,109,841	30,776,678	24,666,837
Fund balance, July 1, 2022	41,167,683	41,167,683	41,167,683	-
Fund balance, June 30, 2023	\$ 53,913,521	\$ 47,277,524	\$ 71,944,361	\$ 24,666,837

See note to required supplementary information.

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2023

	State Teachers' Retirement Plan Last 10 Fiscal Years								
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of the net pension liability	0.113%	0.114%	0.106%	0.109%	0.107%	0.105%	0.098%	0.082%	0.091%
District's proportionate share of the net pension liability	\$ 66,084,000	\$ 76,636,000	\$ 86,037,000	\$ 101,100,000	\$ 98,336,000	\$ 94,535,000	\$ 94,937,000	\$ 37,185,000	\$ 63,146,000
State's proportionate share of the net pension liability associated with the District	<u>39,905,000</u>	<u>40,532,000</u>	<u>48,984,000</u>	<u>59,810,000</u>	<u>56,302,000</u>	<u>51,576,000</u>	<u>51,883,000</u>	<u>22,124,000</u>	<u>31,624,000</u>
Total pension liability	<u>\$ 105,989,000</u>	<u>\$ 117,168,000</u>	<u>\$ 135,021,000</u>	<u>\$ 160,910,000</u>	<u>\$ 154,638,000</u>	<u>\$ 146,111,000</u>	<u>\$ 146,820,000</u>	<u>\$ 59,309,000</u>	<u>\$ 94,770,000</u>
District's covered payroll	\$ 50,369,000	\$ 52,835,000	\$ 53,014,000	\$ 57,940,000	\$ 58,549,000	\$ 56,402,000	\$ 51,350,000	\$ 44,648,000	\$ 52,704,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	174.49%	167.96%	167.61%	184.88%	83.28%	119.81%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%	87.21%	81.20%

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

All years prior to 2015 are not available.

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2023

	Public Employer's Retirement Fund B Last 10 Fiscal Years								
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of the net pension liability	0.150%	0.162%	0.157%	0.153%	0.162%	0.158%	0.144%	0.145%	0.140%
District's proportionate share of the net pension liability	\$ 17,060,000	\$ 23,854,000	\$ 31,048,000	\$ 36,439,000	\$ 43,234,000	\$ 46,070,000	\$ 44,062,000	\$ 29,393,000	\$ 48,212,000
District's covered payroll	\$ 15,776,000	\$ 17,916,000	\$ 18,860,000	\$ 19,461,000	\$ 22,542,000	\$ 22,126,000	\$ 21,312,000	\$ 20,717,000	\$ 21,475,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.62%	187.24%	191.79%	208.22%	206.75%	141.88%	224.50%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%	70.00%	80.97%	69.76%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.
All years prior to 2015 are not available.

See note to required supplementary information.

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2023

	State Teachers' Retirement Plan Last 10 Fiscal Years								
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 4,691,711	\$ 5,688,415	\$ 7,288,797	\$ 8,448,549	\$ 9,182,218	\$ 9,309,679	\$ 8,527,795	\$ 8,981,611	\$ 10,645,723
Contributions in relation to the contractually required contribution	<u>(4,691,711)</u>	<u>(5,688,415)</u>	<u>(7,288,797)</u>	<u>(8,448,549)</u>	<u>(9,182,218)</u>	<u>(9,309,679)</u>	<u>(8,527,795)</u>	<u>(8,981,611)</u>	<u>(10,645,723)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 52,835,000	\$ 53,014,000	\$ 57,940,000	\$ 58,549,000	\$ 56,402,000	\$ 51,350,000	\$ 44,648,000	\$ 52,704,000	\$ 55,737,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10% *	16.15%**	16.92%***	19.10%

All years prior to 2015 are not available.

- * This rate reflects the original employer contribution rate of 18.13 percent under AB 1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB90.
- ** This rate reflects the original employer contribution rate of 19.10 percent under AB 1469, reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB90.
- *** This rate reflects the original employer contribution rate of 19.10 percent under AB 1469, reduced for the 2.18 percentage points to be paid on behalf of employers pursuant to SB90.

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2023

	Public Employer's Retirement Fund B Last 10 Fiscal Years								
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 2,108,914	\$ 2,234,330	\$ 2,703,172	\$ 3,500,924	\$ 3,996,472	\$ 4,202,875	\$ 4,288,349	\$ 4,920,015	\$ 6,211,074
Contributions in relation to the contractually required contribution	<u>(2,108,914)</u>	<u>(2,234,330)</u>	<u>(2,703,172)</u>	<u>(3,500,924)</u>	<u>(3,996,472)</u>	<u>(4,202,875)</u>	<u>(4,288,349)</u>	<u>(4,920,015)</u>	<u>(6,211,074)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 17,916,000	\$ 18,860,000	\$ 19,461,000	\$ 22,542,000	\$ 22,126,000	\$ 21,312,000	\$ 20,717,000	\$ 21,475,000	\$ 24,482,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%	22.91%	25.37%

All years prior to 2015 are not available.

See note to required supplementary information.

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

NOTE 1 - PURPOSE OF SCHEDULES

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

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

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

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

Changes of Assumptions: The discount rates used for the Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, 7.15, 7.15 and 6.90 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021 actuarial reports, respectively.

The inflation rate used for the PERF B plan was 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, and 2.30 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 actuarial reports, respectively.

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

<u>Assumption</u>	<u>Measurement Period as of June 30,</u>							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Consumer price inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2023

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total
ASSETS								
Cash in County Treasury	\$ 261,007	\$ 1,264,683	\$ 4,974,040	\$ 806,427	\$ 278,661	\$ 618,875	\$ 12,080,489	\$ 20,284,182
Cash in revolving fund	-	-	1,000	-	-	-	-	1,000
Receivables	2,109	810,035	1,876,492	6,895	1,354	4,875	54,106	2,755,866
Due from other funds	184	-	38,057	250,000	-	-	-	288,241
Stores inventory	-	-	84,895	-	-	-	-	84,895
Total assets	<u>\$ 263,300</u>	<u>\$ 2,074,718</u>	<u>\$ 6,974,484</u>	<u>\$ 1,063,322</u>	<u>\$ 280,015</u>	<u>\$ 623,750</u>	<u>\$ 12,134,595</u>	<u>\$ 23,414,184</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Payables	\$ 7,742	\$ 1,090,675	\$ 125,604	\$ 117,982	\$ 3,038	\$ -	\$ -	\$ 1,345,041
Due to other funds	-	23,759	232,361	-	-	-	-	256,120
Unearned revenue	-	847,708	-	-	-	-	-	847,708
Total liabilities	<u>7,742</u>	<u>1,962,142</u>	<u>357,965</u>	<u>117,982</u>	<u>3,038</u>	<u>-</u>	<u>-</u>	<u>2,448,869</u>
Fund balances:								
Nonspendable	-	-	85,895	-	-	-	-	85,895
Restricted	<u>255,558</u>	<u>112,576</u>	<u>6,530,624</u>	<u>945,340</u>	<u>276,977</u>	<u>623,750</u>	<u>12,134,595</u>	<u>20,879,420</u>
Total fund balance	<u>255,558</u>	<u>112,576</u>	<u>6,616,519</u>	<u>945,340</u>	<u>276,977</u>	<u>623,750</u>	<u>12,134,595</u>	<u>20,965,315</u>
Total liabilities and fund balances	<u>\$ 263,300</u>	<u>\$ 2,074,718</u>	<u>\$ 6,974,484</u>	<u>\$ 1,063,322</u>	<u>\$ 280,015</u>	<u>\$ 623,750</u>	<u>\$ 12,134,595</u>	<u>\$ 23,414,184</u>

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2023

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total
Revenues:								
Federal sources	\$ -	\$ 112,576	\$ 6,573,848	\$ -	\$ -	\$ -	\$ -	\$ 6,686,424
Other state sources	-	1,970,202	2,127,835	-	-	-	59,358	4,157,395
Other local sources	260,432	12,827	202,781	36,317	262,197	623,750	10,910,553	12,308,857
Total revenues	260,432	2,095,605	8,904,464	36,317	262,197	623,750	10,969,911	23,152,676
Expenditures:								
Current:								
Certificated salaries	-	8,676	-	-	-	-	-	8,676
Classified salaries	-	18,796	2,581,559	-	-	-	-	2,600,355
Employee benefits	-	8,467	1,749,160	-	-	-	-	1,757,627
Books and supplies	182,196	104,079	3,406,099	36,165	-	-	-	3,728,539
Contract services and operating expenditures	65,476	1,832,076	111,434	30,600	-	-	-	2,039,586
Capital outlay	-	-	-	153,824	-	-	-	153,824
Debt service:								
Principal retirement	-	-	-	-	-	-	3,465,000	3,465,000
Interest	-	-	-	-	-	-	5,310,186	5,310,186
Total expenditures	247,672	1,972,094	7,848,252	220,589	-	-	8,775,186	19,063,793
Excess (deficiency) of revenues over (under) expenditures	12,760	123,511	1,056,212	(184,272)	262,197	623,750	2,194,725	4,088,883
Other financing (uses) sources:								
Transfers in	-	-	-	250,000	-	-	-	250,000
Transfers out	-	(10,935)	(232,361)	-	-	-	-	(243,296)
Premiums from the issuance of debt	-	-	-	-	-	-	4,216,997	4,216,997
Total other financing (uses) sources	-	(10,935)	(232,361)	250,000	-	-	4,216,997	4,223,701
Net change in fund balances	12,760	112,576	823,851	65,728	262,197	623,750	6,411,722	8,312,584
Fund balance, July 1, 2022	242,798	-	5,792,668	879,612	14,780	-	5,722,873	12,652,731
Fund balance, June 30, 2023	\$ 255,558	\$ 112,576	\$ 6,616,519	\$ 945,340	\$ 276,977	\$ 623,750	\$ 12,134,595	\$ 20,965,315

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
ORGANIZATION
June 30, 2023

Alum Rock Union Elementary School District was established in 1930 and is comprised of an area approximately eleven square miles located in Santa Clara County. The district is currently operating twenty-two schools – one TK-K and twelve TK-5, three TK-8, five middle schools 6-8, and one TK-8 locally funded charter school for a total population of about 8,000 students. There were no changes in the District's boundaries during the audit year.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Minh Pham	President	November 2026
Corina Herrera-Lorea	Vice President	November 2024
Andrés Quintero	Clerk	November 2026
Andrea Flores Shelton	Member	November 2024
Linda Chavez	Member	November 2026

ADMINISTRATION

Hilaria Bauer, Ph.D.
Superintendent

Kolvira Chheng
Assistant Superintendent of Business Services

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
June 30, 2023

	Second Period <u>Report</u>	Annual <u>Report</u>
District Certificate #:	3EF8DA79	5A2CDB89
Transitional Kindergarten through Third	2,895	2,938
Fourth through Sixth	2,193	2,202
Seventh through Eighth	1,435	1,443
Special Education	<u>12</u>	<u>12</u>
ADA Totals	<u>6,535</u>	<u>6,595</u>
Aptitude Community Academy at Goss Classroom Based		
Certificate #:	58C05C9E	357D62AA
Transitional Kindergarten through Third	155	158
Fourth through Sixth	150	151
Seventh through Eighth	<u>80</u>	<u>80</u>
ADA Totals	<u>385</u>	<u>389</u>

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2023

<u>Grade Level</u>	<u>Statutory Minutes Require- ment</u>	<u>2022-2023 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
District				
Kindergarten	36,000	36,000	180	In Compliance
Grade 1	50,400	51,240	180	In Compliance
Grade 2	50,400	51,240	180	In Compliance
Grade 3	50,400	51,240	180	In Compliance
Grade 4	54,000	54,840	180	In Compliance
Grade 5	54,000	54,840	180	In Compliance
Grade 6	54,000	54,840	180	In Compliance
Grade 7	54,000	54,840	180	In Compliance
Grade 8	54,000	54,840	180	In Compliance
Aptitud Community Academy at Goss - Classroom Based				
Kindergarten	36,000	36,000	180	In Compliance
Grade 1	50,400	51,240	180	In Compliance
Grade 2	50,400	51,240	180	In Compliance
Grade 3	50,400	51,240	180	In Compliance
Grade 4	54,000	54,840	180	In Compliance
Grade 5	54,000	54,840	180	In Compliance
Grade 6	54,000	54,840	180	In Compliance
Grade 7	54,000	54,840	180	In Compliance
Grade 8	54,000	54,840	180	In Compliance

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Assistance Listing (AL) Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through</u>			
<u>California Department of Education</u>			
	Special Education Cluster:		
84.027	COVID-19: Special Education: ARP IDEA Part B, Sec. 611 Local Assistance Entitlement	15638	\$ 343,409
84.027	Special Ed: IDEA Basic Local Assistance Entitlement	13379	1,659,243
84.027	COVID-19: Special Ed: ARP IDEA Local Assistance, Part B Sec. 611, Private School ISPs	10169	5,416
84.027	Special Ed: IDEA Local Assistance, Part B, Sec. 611 Private School ISPs	10115	32,101
84.173	COVID-19: Special Ed: ARP IDEA Pt B, Sec. 619 Preschool	15639	50,835
84.173	Special Education: IDEA Preschool Grants, Part B, Sec 619 (Age 3-4-5)	13430	86,713
84.027A	Special Ed: IDEA Mental Health Allocation Plan, Pt B, Sec. 611	15197	105,390
84.027A	Special Education: Alternate Dispute Resolution	13007	6,716
84.173	Special Education: IDEA Preschool Staff Development Part B, Section 619	13431	796
	Subtotal Special Education Cluster		<u>2,290,619</u>
	COVID-19: Education Stabilization Fund (ESF) programs:		
84.425	COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	15547	520,278
84.425	COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	15559	7,676,838
84.425U	COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	10155	810,384
84.425	COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	15618	162,086
84.425	COVID-19: Expanded Learning Opportunities (ELO) Grant: Governor's Emergency Education Relief II	15619	231,875
84.425	COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Emergency Needs	15620	544,890
84.425	COVID-19: Expanded Learning Opportunities Grant: ESSER III State Reserve Learning Loss	15621	310,241
84.425	COVID-19: American Rescue Plan - Homeless Children and Youth II (ARP HCY II)	15566	46,484
	Subtotal COVID-19 - ESF Programs		<u>10,303,076</u>

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Assistance Listing (AL) <u>Number</u>	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying <u>Number</u>	Federal Expend- itures
<u>U.S. Department of Education - Passed through</u>			
<u>California Department of Education (Continued)</u>			
84.010	ESEA: Title I, Part A, Basic Grants Low Income and Neglected	14329	\$ 2,124,833
84.367	ESEA: Title II, Part A, Supporting Effective Instruction	14341	201,835
84.365	ESEA: Title III, English Learner Student Program	14346	324,810
84.424	ESSA: Title IV, Part A, Student Support and Academic Enrichment Grants	15396	<u>195,940</u>
	Total U.S. Department of Education		<u>15,441,113</u>
<u>U.S. Department of Agriculture - Passed through</u>			
<u>California Department of Education</u>			
10.555	Child Nutrition: School Programs - Child Nutrition Cluster	13396	5,612,012
10.558	Child and Adult Care Food Program (CCFP) Supper	13666	<u>1,304,615</u>
	Total U.S. Department of Agriculture		<u>6,916,627</u>
	Total Federal Programs		<u>\$ 22,357,740</u>

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

There were no adjustments proposed to any funds of the District.

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2023
(UNAUDITED)

	(Budgeted) <u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 156,274,232	\$ 186,280,731	\$ 153,686,240	\$ 149,986,490
Expenditures and transfers out	163,534,980	155,504,053	141,409,512	135,805,372
Total outgo	163,534,980	155,504,053	141,409,512	135,805,372
Change in fund balance	\$ (7,260,748)	\$ 30,776,678	\$ 12,276,728	\$ 14,181,118
Ending fund balance	\$ 64,683,613	\$ 71,944,361	\$ 41,167,683	\$ 28,890,955
Available reserves	\$ 9,786,698	\$ 38,514,279	\$ 26,232,229	\$ 18,246,437
Designated for economic uncertainties	\$ 5,591,717	\$ 4,650,323	\$ 4,228,572	\$ 4,049,437
Undesignated fund balance	\$ 4,194,981	\$ 33,863,956	\$ 22,003,657	\$ 14,197,000
Available reserves as percentages of total outgo	<u>5.98%</u>	<u>24.77%</u>	<u>18.55%</u>	<u>13.44%</u>
<u>All Funds</u>				
Total long-term liabilities	\$ 258,746,130	\$ 266,747,420	\$ 173,462,578	\$ 253,118,286
Average daily attendance at P-2 (excluding charter)	<u>6,718</u>	<u>6,535</u>	<u>7,261</u>	<u>8,390</u>

The fund balance of the General Fund has increased by \$57,234,524 over the last three years. The fiscal year 2023-24 budget, as originally adopted, projects a decrease of \$7,260,748. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. The District is in compliance with this requirement.

The District incurred operating surpluses in each of the past three years; but anticipates an operating deficit in fiscal year 2023-24.

Total long-term liabilities have increased by \$13,629,134 over the past two years.

Average daily attendance has decreased by 1,855 over the past two years. An increase of 183 ADA is projected for the 2023-24 fiscal year.

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2023

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
1521 - Aptitud Community Academy at Goss	Included in the District financial statements, in the General Fund
0628 - KIPP Heartwood Academy	Separate Report
1375 - Alpha: Blanca Alvarado	Separate Report
1609 - KIPP Prize Preparatory Academy	Separate Report

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

NOTE 1 - PURPOSE OF SCHEDULES

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

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

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

Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements: This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis – Unaudited: This schedule provides trend information on District's financial condition over the past three years and its anticipated condition for the 2023-24 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

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

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosures in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2023, the District did not adopt this program.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Alum Rock Union Elementary School District
San Jose, California

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

We have audited Alum Rock Union Elementary School District's (the District) compliance with the requirements specified in the State of California *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, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the District complied, in all material respects, with the compliance requirements 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 Qualified 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 and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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.

Matters Giving Rise to Qualified Opinion on State Compliance

As described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002, the District did not comply with requirements regarding Classroom Teacher Salaries and Attendance, respectively. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

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.

(Continued)

Auditor's Responsibilities for the Audit of Compliance

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

<u>2022-23 K-12 Audit Guide Procedures</u>	<u>Procedures Performed</u>
<i>Local Education Agencies Other than Charter Schools:</i>	
A. Attendance	Yes
B. Teacher Certification and Misassignments	Yes
C. Kindergarten Continuance	Yes
D. Independent Study	Yes
E. Continuation Education	N/A, see below
F. Instructional Time	Yes
G. Instructional Materials	Yes
H. Ratio of Administrative Employees to Teachers	Yes
I. Classroom Teacher Salaries	Yes
J. Early Retirement Incentive	N/A, see below
K. Gann Limit Calculation	Yes
L. School Accountability Report Card	Yes
M. Juvenile Court Schools	N/A, see below
N. Middle or Early College High Schools	N/A, see below
O. K-3 Grade Span Adjustment	Yes
P. Transportation Maintenance of Effort	Yes
Q. Apprenticeship: Related and Supplemental Instruction	N/A, see below
R. Comprehensive School Safety Plan	Yes
S. District of Choice	Yes
TT. Home to School Transportation Reimbursement	Yes
UU. Independent Study Certification for ADA Loss Mitigation	Yes

(Continued)

School Districts, County Offices of Education, and Charter Schools:

T. California Clean Energy Jobs Act	N/A, see below
U. After/Before School Education and Safety Program	Yes
V. Proper Expenditure of Education Protection Account Funds	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts	Yes
X. Local Control and Accountability Plan	Yes
Y. Independent Study – Course-Based	N/A, see below
Z. Immunizations	N/A, see below
AZ. Educator Effectiveness	Yes
BZ. Expanded Learning Opportunities Grant (ELO-G)	Yes
CZ. Career Technical Education Incentive Grant	Yes
EZ. Transitional Kindergarten	Yes

Charter Schools:

AA. Attendance	Yes
BB. Mode of Instruction	Yes
CC. Nonclassroom-Based Instruction/Independent Study	N/A, see below
DD. Determination of Funding for Nonclassroom-Based Instruction	N/A, see below
EE. Annual Instructional Minutes-Classroom Based	Yes
FF. Charter School Facility Grant Program	N/A, see below

We did not perform any procedures related to Continuation Education because the District did not report any Continuation Education ADA.

We did not perform any procedures related to Early Retirement Incentive because the District did not operate an early retirement incentive plan.

We did not perform any procedures related to Juvenile Court Schools or Middle or Early College High Schools, because the District does not operate any Juvenile Court Schools or Middle or Early College High Schools.

We did not perform any procedures related to Apprenticeship – Related and Supplemental Instruction because the District did not report any apprenticeship hours for related and supplemental instruction.

We did not perform any procedures related to District of Choice because the District is not classified as a District of Choice by the California Department of Education.

We did not perform any procedures related to California Clean Energy Jobs Act because the District did not make any expenditures from the California Clean Energy Jobs Act.

We did not perform any procedures related to Independent Study-Course based because the District did not report any Independent Study – Course Based ADA.

We did not perform any procedures related to Immunizations because per inspection of the state workbook on immunizations for kindergarten and 7th grade, Alum Rock is not included in the list of districts, therefore the compliance section is not applicable.

We did not perform any procedures related to Nonclassroom-Based Instruction/Independent Study and Determination of Funding for Nonclassroom-based instruction because the District did not report any Independent Study ADA for the only charter school included in this report, Aptitud Community Academy at Goss.

We did not perform any procedures related to Charter School Facility Grant Program because the District did not receive any funds for the charter school facility grant program.

(Continued)

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.

Other Matters

Government 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 responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002 to be material weaknesses.

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 by those charged with governance.

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.

Government 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.



Crowe LLP

Sacramento, California
December 12, 2023

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Alum Rock Union Elementary School District
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Alum Rock Union Elementary School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Alum Rock Union Elementary School District's basic financial statements, and have issued our report thereon dated December 12, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Sacramento, California
December 12, 2023

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

Audit Committee
Alum Rock Union Elementary School District
San Jose, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Alum Rock Union Elementary School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 Alum Rock Union Elementary School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Alum Rock Union Elementary School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

(Continued)

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

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

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

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, fluid style.

Crowe LLP

Sacramento, California
December 12, 2023

FINDINGS AND RECOMMENDATIONS

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

FEDERAL AWARDS

Internal control over major programs:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None reported	
Type of auditors' report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u> No	

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425, 84.425U	COVID-19: ESF Programs
10.555	Child Nutrition Cluster
84.010	ESEA: Title I, Part A Basic Grants Low Income and Neglected

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
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STATE AWARDS

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

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS
(Continued)

2023-001 MATERIAL WEAKNESS - STATE COMPLIANCE – CLASSROOM TEACHER SALARIES (61000)

Criteria: The District's expenditures related to classroom teacher salaries during the audit year, are required to meet or exceed 60% of the total current expense of education in the District's General Fund, as required by Education Code section 41372.

Context: We performed the audit procedures enumerated in the State of California *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Condition: The total current expense of education in the General Fund for the audit year was calculated to be \$133,834,451, and the classroom teacher salaries and related benefits totaled \$74,159,885. The ratio of classroom teacher salaries to the current expense of education was calculated to be 55.41%, which is deficient by 4.59% from the requirement of 60%, or a total deficient dollar value of \$6,143,001.

Effect: The District was not in compliance with the requirements of Classroom Teacher Salaries as required by Education Code section 41372.

Cause: The District did not establish adequate internal controls to ensure that total expenditures for classroom teacher salaries exceeded the minimum required percentage.

Recommendation: The District's management team should implement necessary internal controls to ensure that classroom teacher salaries meet or exceed the minimum required percentage of current expense of education, in the District's General Fund.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with the finding and will continue to work to implement necessary internal controls to ensure that classroom teacher salaries exceed the minimum required percentage in future reporting periods.

(Continued)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2023-002 MATERIAL WEAKNESS - STATE COMPLIANCE – ATTENDANCE (10000)

Criteria: Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Section 401 and 421 (b) and Education Code Section 44809 – Each LEA must develop and maintain accurate and adequate records to support attendance report to the State of California.

Condition: At one district site selected for attendance testing, one student was improperly reported as present, resulting in an overstatement of one day of attendance.

Context: We performed the audit procedures enumerated in the State of California *2022-23 Guide Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect: The effect of this finding is an overstatement of 0.01 ADA.

Cause: The error was the result of a clerical error in accounting for attendance.

Fiscal Impact: The error is below 0.50 ADA, therefore there is no fiscal impact.

Recommendation: The District should enforce controls to ensure accurate accounting for attendance.

Views of Responsible Officials and Planned Corrective Action: The District agrees with the auditor's recommendation and will continue to provide training to staff who are responsible for attendance reporting at the school sites.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2023

No matters were reported.