



Financial Statements
June 30, 2023

South San Francisco
Unified School District

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Independent Auditor's Report

To the Governing Board
South San Francisco Unified School District
South San Francisco, California

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South San Francisco Unified School District, as of June 30, 2023 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Notes 1 and 18 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Rancho Cucamonga, California
December 9, 2023



SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SUPERINTENDENT

Shawnterra Moore, Ed.D.

BOARD OF TRUSTEES

Amanda Anthony
Chialin Hsieh
Daina R. Lujan
Patricia A. Murray
Mina A. Richardson

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

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

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

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

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

The Primary unit of the government is the South San Francisco Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

In the *Statement of Net Position* and the *Statement of Activities*, the District reports all of its services in the following category:

Governmental Activities - This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

FINANCIAL HIGHLIGHTS

Total Net Position increased 96.0% over the course of the year. Overall revenues were \$186,504,021, \$11,222,738 more than expenses. The total cost of basic programs was \$175,281,283.

THE DISTRICT AS A WHOLE

Net Position

The District's Net Position was \$22,918,571 for the fiscal year ended June 30, 2023. Of this amount, \$(55,767,006) was unrestricted (deficit). Restricted Net Position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use that Net Position for day-to-day operations. Our analysis below, in summary form, focuses on the Net Position (Table 1) and change in Net Position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2023	2022 as restated
Assets		
Current and other assets	\$ 293,013,559	\$ 116,901,302
Capital assets, right-to-use leased assets, and right-to-use subscription IT assets	187,048,088	195,566,546
Total assets	480,061,647	312,467,848
Deferred outflows of resources	40,770,010	37,076,772
Liabilities		
Current liabilities	14,430,730	7,452,094
Long-term liabilities	462,402,176	271,892,553
Total liabilities	476,832,906	279,344,647
Deferred inflows of resources	21,080,180	58,504,140
Net Position		
Net investment in capital assets	21,229,199	32,100,866
Restricted	57,456,378	35,892,340
Unrestricted (deficit)	(55,767,006)	(56,297,373)
Total net position	\$ 22,918,571	\$ 11,695,833

The \$(55,767,006) in unrestricted (deficit) net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted (deficit) net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements decreased by 0.9% (\$55,767,006) compared to (\$56,297,373).

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2023	2022 *
Revenues		
Program revenues		
Charges for services and sales	\$ 931,968	\$ 1,944,101
Operating grants and contributions	42,719,860	22,411,291
Capital grants and contributions	1,898,945	4,153,433
General revenues		
Federal and State aid not restricted	7,691,092	6,717,141
Property taxes	139,423,793	118,550,030
Other general revenues	(6,161,637)	(2,789,512)
Total revenues	186,504,021	150,986,484
Expenses		
Instruction-related	115,371,814	106,725,609
Pupil services	21,409,089	17,501,858
Administration	7,868,814	6,265,136
Plant services	19,438,877	13,314,777
All other services	11,192,689	8,308,692
Total expenses	175,281,283	152,116,072
Change in net position	\$ 11,222,738	\$ (1,129,588)

* The revenues and expenses for fiscal year 2022 were not restated to show the effects of GASB Statement No. 96 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$175,281,283. The amount that our taxpayers ultimately financed for these activities through local taxes was only \$139,423,793. The District also collected \$931,968 in charges for services from those that benefited from the programs. Other governmental agencies and organizations subsidized certain programs with grants and contributions of \$44,618,805. We paid for the remaining "public benefit" portion of our governmental activities with \$1,529,455 in unrestricted State and Federal funds, and with other revenues and other entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2023	2022 *	2023	2022 *
Instruction-related	\$ 115,371,814	\$ 106,725,609	\$ (85,922,737)	\$ (88,932,011)
Pupil services	21,409,089	17,501,858	(14,274,737)	(12,425,210)
Administration	7,868,814	6,265,136	(7,200,233)	(5,740,580)
Plant services	19,438,877	13,314,777	(13,535,597)	(12,701,432)
All other services	11,192,689	8,308,692	(8,797,206)	(3,808,014)
Total	\$ 175,281,283	\$ 152,116,072	\$ (129,730,510)	\$ (123,607,247)

* The total and net cost of services for fiscal year 2022 were not restated to show the effects of GASB Statement No. 96 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$276,078,366, which is an increase of \$173,898,017 from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	July 1, 2022	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2023
General Fund	\$ 55,790,944	\$ 169,408,446	\$ 150,587,756	\$ 74,611,634
Student Activity Fund	910,871	1,422,990	1,272,568	1,061,293
Adult Education Fund	1,607,881	1,564,659	1,384,420	1,788,120
Child Development Fund	933,175	4,178,638	3,963,084	1,148,729
Cafeteria Fund	1,034,347	5,085,846	4,561,078	1,559,115
Deferred Maintenance	12,243,754	1,557,608	1,253,180	12,548,182
Building Fund	9,287,929	148,552,408	986,762	156,853,575
Capital Facilities Fund	7,428,380	463,948	54,674	7,837,654
County School Facilities Fund	(129,736)	2,043,616	1,913,874	6
Special Reserve Fund for Capital Outlay Projects	4,543,972	2,935,213	3,759,732	3,719,453
Bond Interest and Redemption Fund	8,443,630	16,893,570	10,473,328	14,863,872
Debt Service Fund for Blended Component Units	85,202	4,568,475	4,566,944	86,733
Total	\$ 102,180,349	\$ 358,675,417	\$ 184,777,400	\$ 276,078,366

The primary reasons for these increases/decreases are:

- The General Fund balance increase of \$23,320,690 is due to a net increase in property taxes and RDA revenue, increased in revenue from new one-time Federal and State stimulus grants, unspent one-time stimulus funds carried over from the prior year, and increased in local grants and donations.
- Student Activity Fund balance increase by \$150,422 due to an increase in school fundraising activities after the pandemic is more settled.
- Child Development Fund balance increased by \$215,554 due to some one-time Federal and State Grants.
- Deferred Maintenance Fund balance increased by \$304,428 due to additional contribution and reduction of facility projects.
- Building Fund balance increase of \$147,565,646 is due to receipt of State matching funds for facilities and revenue from the recently passed Measure T bond.
- Special Reserve Fund for Capital Outlay Projects Fund balance decrease of \$824,519 is due to a net increase RDA pass-through funds and an increase in one-time facility projects.
- Adult Education Fund balance increased by \$180,239 due to an increase in revenue and reduction in expenditures.
- Cafeteria Fund increased by \$524,768 is due to an increase in student participation in the school meals program, which increase reimbursement from the State.
- Capital Facilities Fund increase of \$409,274 is due to increased developer fees collected.
- Bond Interest and Redemption Fund balance increased by \$810,753. This fund is relatively stable as it serves as a holding fund.
- Debt Service Fund for Blended Component Units Fund increased by \$1,531. This fund is relatively stable as its services as a holding fund.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 30, 2023. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 65).

- The District received its share of the proceeds (\$1.3 million) from the City of South San Francisco for the sale of RDA property.
- During the year, the District received one-time State stimulus funds of over \$13 million to address student learning loss and help with learning recovery.
- Contributions to Deferred Maintenance of \$1.3 million for facilities upkeep.

- Received new State allocation of \$862 million for transportation expense reimbursement.
- The district settled negotiation with its employee bargaining units in 2022-2023 for three years and provided on-going salary increases of 5% (2022-23), 5% (2023-24), and 3% (2024-25) to support its employees.

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

Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets

At June 30, 2023, the District had \$187,048,088 in a broad range of capital assets, right-to-use leased assets, and right-to-use subscription IT assets (net of depreciation and amortization). This amount represents a net decrease (including additions, deductions, depreciation, and amortization) of \$8,518,458, or 4.4%, from last year (Table 5).

	Governmental Activities	
	2023	2022 as restated
Land and construction in progress	\$ 16,446,845	\$ 12,989,617
Buildings and improvements	167,397,454	178,473,629
Furniture and equipment	2,882,501	3,496,424
Right-to-use leased assets	63,095	143,099
Right-to-use subscription IT	258,193	463,777
Total	\$ 187,048,088	\$ 195,566,546

Additional information can be found in the Notes to the financial statements.

Several capital projects are planned for the 2023-2024 year. We anticipate capital additions to be approximately \$6 million for the 2023-2024 year.

Long-Term Liabilities

At June 30, 2023, the District had \$462,402,176 in long-term liabilities outstanding versus \$271,892,553 last year, an increase of 70.1%. Those liabilities consisted of:

Table 6

	Governmental Activities	
	2023	2022 as restated
Long-Term Liabilities		
General obligation bonds	\$ 307,579,135	\$ 158,146,711
Unamortized debt premiums	11,903,507	6,714,045
Revenue bonds	4,365,000	8,590,000
Finance purchase agreement	2,770,000	2,980,000
Leases	60,705	142,239
Subscription-based IT arrangements	267,095	463,777
Compensated absences	1,270,051	1,218,864
Other postemployment benefits liability	25,455,663	24,464,793
Aggregate net pension liability	108,731,020	69,172,124
Total	\$ 462,402,176	\$ 271,892,553

Additional information can be found in the Notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The key assumptions in our revenue forecast are:

Lottery and Mandated Block Grant revenues are budgeted.

1. Carryover of unspent categorical funds from prior year is budgeted.
2. Increase in in Federal and State revenues from additional one-time stimulus funds is budgeted.
3. Other revenue categories were also adjusted as grants became available from the Federal, State, and local agencies.
4. Gift and donations are budgeted when they are received.
5. General Fund contributions to the Special Education program and transportation are budgeted.

Expenditures are based on the following forecasts:

1. District's contribution to the State Teacher Retirement System (CalSTRS) remain flat at 19.10%; the District's contribution to the Public Employee Retirement System (CalPERS) increased from 25.37% to 26.68% of the employees' gross payroll.
2. Budget expenditures were adjusted in accordance to the increase in categorical program revenues.
3. Budget for unspent categorical programs (entitlements) with fund balance from the prior year were increased.
4. Other expenditure categories were adjusted to cover any unexpected changes during the year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent of Business Services at South San Francisco Unified School District, 398 B Street, South San Francisco, California 94080.

South San Francisco Unified School District

Statement of Net Position

June 30, 2023

	Governmental Activities
Assets	
Deposits and investments	\$ 274,985,018
Receivables	11,961,475
Prepaid expense	188,697
Stores inventories	150,406
Long-term receivable	4,472,993
Lease receivable	1,254,970
Capital assets not depreciated	16,446,845
Capital assets, net of accumulated depreciation	170,279,955
Right-to-use leased assets, net of accumulated amortization	63,095
Right-to-use subscription IT assets, net of accumulated amortization	258,193
	<u>480,061,647</u>
Deferred Outflows of Resources	
Deferred charge on refunding	1,231,521
Deferred outflows of resources related to OPEB	4,751,026
Deferred outflows of resources related to pensions	34,787,463
	<u>40,770,010</u>
Liabilities	
Accounts payable	9,683,343
Interest payable	3,198,179
Unearned revenue	1,549,208
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	5,980,217
Long-term liabilities other than OPEB and pensions due in more than one year	322,235,276
Other postemployment benefits (OPEB) liability	25,455,663
Aggregate net pension liability	108,731,020
	<u>476,832,906</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	9,289,823
Deferred inflows of resources related to pensions	10,560,708
Deferred inflows of resources related to leases	1,229,649
	<u>21,080,180</u>
Net Position	
Net investment in capital assets	21,229,199
Restricted for	
Debt service	11,752,426
Capital projects	7,837,660
Educational programs	33,997,313
Other activities	3,868,979
Unrestricted	(55,767,006)
	<u>\$ 22,918,571</u>

South San Francisco Unified School District
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$ 97,601,412	\$ 75,799	\$ 25,113,071	\$ 1,898,945	\$ (70,513,597)
Instruction-related activities					
Supervision of instruction	4,580,347	12,531	647,591	-	(3,920,225)
Instructional library, media, and technology	3,685,190	-	11,388	-	(3,673,802)
School site administration	9,504,865	23,957	1,665,795	-	(7,815,113)
Pupil services					
Home-to-school transportation	2,926,907	-	-	-	(2,926,907)
Food services	4,425,985	260,508	5,058,006	-	892,529
All other pupil services	14,056,197	1,309	1,814,529	-	(12,240,359)
Administration					
Data processing	296,694	-	-	-	(296,694)
All other administration	7,572,120	6,800	661,781	-	(6,903,539)
Plant services	19,438,877	137,733	5,765,547	-	(13,535,597)
Ancillary services	1,272,568	-	1,422,990	-	150,422
Community services	78,904	-	-	-	(78,904)
Interest on long-term liabilities	7,917,555	-	-	-	(7,917,555)
Other outgo	1,923,662	413,331	559,162	-	(951,169)
Total governmental activities	<u>\$ 175,281,283</u>	<u>\$ 931,968</u>	<u>\$ 42,719,860</u>	<u>\$ 1,898,945</u>	<u>(129,730,510)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					125,641,334
Property taxes, levied for debt service					11,013,459
Taxes levied for other specific purposes					2,769,000
Federal and State aid not restricted to specific purposes					7,691,092
Interest and investment earnings					(2,405,250)
Miscellaneous					(3,756,387)
Subtotal, general revenues and subventions					<u>140,953,248</u>
Change in Net Position					11,222,738
Net Position - Beginning, as restated					<u>11,695,833</u>
Net Position - Ending					<u>\$ 22,918,571</u>

South San Francisco Unified School District
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 78,523,533	\$ 155,921,823	\$ 40,539,662	\$ 274,985,018
Receivables	8,859,056	921,107	2,181,312	11,961,475
Due from other funds	1,246,355	10,515	4,347,984	5,604,854
Prepaid expenditures	188,372	325	-	188,697
Stores inventories	54,934	-	95,472	150,406
Lease receivable	1,254,970	-	-	1,254,970
Total assets	\$ 90,127,220	\$ 156,853,770	\$ 47,164,430	\$ 294,145,420
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 8,811,113	\$ -	\$ 872,230	\$ 9,683,343
Due to other funds	4,329,002	195	1,275,657	5,604,854
Unearned revenue	1,145,822	-	403,386	1,549,208
Total liabilities	14,285,937	195	2,551,273	16,837,405
Deferred Inflows of Resources				
Deferred inflows of resources related to leases	1,229,649	-	-	1,229,649
Fund Balances				
Nonspendable	273,179	325	96,702	370,206
Restricted	33,997,313	156,853,250	26,657,244	217,507,807
Committed	-	-	14,139,758	14,139,758
Assigned	25,992,034	-	3,719,453	29,711,487
Unassigned	14,349,108	-	-	14,349,108
Total fund balances	74,611,634	156,853,575	44,613,157	276,078,366
Total liabilities, deferred inflows of resources, and fund balances	\$ 90,127,220	\$ 156,853,770	\$ 47,164,430	\$ 294,145,420

South San Francisco Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2023

Total Fund Balance - Governmental Funds		\$ 276,078,366
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is		\$ 350,812,626
Accumulated depreciation is		<u>(164,085,826)</u>
Net capital assets		186,726,800
Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of right-to-use leased assets is		203,505
Accumulated amortization is		<u>(140,410)</u>
Net right-to-use leased assets		63,095
Right-to-use subscription IT assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of right-to-use subscription IT assets is		463,777
Accumulated amortization is		<u>(205,584)</u>
Net right-to-use subscription IT assets		258,193
Long-term receivables related to South San Francisco Unified School District Schools Facilities Financing Authority are not received in the near term (within a year) and therefore, are not reported as receivable in the governmental funds.		
		4,472,993
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		
		(3,198,179)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings (deferred charge on refunding)		1,231,521
Other postemployment benefits (OPEB) liability		4,751,026
Aggregate net pension liability		<u>34,787,463</u>
Total deferred outflows of resources		40,770,010

South San Francisco Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2023

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

Other postemployment benefits (OPEB) liability	\$ (9,289,823)
Aggregate net pension liability	<u>(10,560,708)</u>

Total deferred inflows of resources	\$ (19,850,531)
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Aggregate net pension liability are not due and payable in the current period, and is not reported as a liability in the funds.	(108,731,020)
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The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.	(25,455,663)
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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 funds.

Long-term liabilities at year-end consist of

General obligation bonds	(304,537,353)
Unamortized debt premium	(11,903,507)
Revenue bonds	(4,365,000)
Finance purchase agreement	(2,770,000)
Leases	(60,705)
Subscription-based IT arrangements	(267,095)
Compensated absences (vacations)	(1,270,051)

In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(3,041,782)</u>
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Total long-term liabilities	<u>(328,215,493)</u>
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Total net position - governmental activities	<u><u>\$ 22,918,571</u></u>
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South San Francisco Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	\$ 129,155,892	\$ -	\$ 1,342,944	\$ 130,498,836
Federal sources	7,823,456	-	3,002,855	10,826,311
Other State sources	26,533,946	-	6,900,217	33,434,163
Other local sources	5,881,851	(3,361,466)	16,313,242	18,833,627
Total revenues	<u>169,395,145</u>	<u>(3,361,466)</u>	<u>27,559,258</u>	<u>193,592,937</u>
Expenditures				
Current				
Instruction	85,621,283	-	3,266,424	88,887,707
Instruction-related activities				
Supervision of instruction	4,658,967	-	148,383	4,807,350
Instructional library, media, and technology	3,746,807	-	-	3,746,807
School site administration	8,415,741	-	1,486,562	9,902,303
Pupil services				
Home-to-school transportation	2,536,604	-	-	2,536,604
Food services	24,476	-	4,449,801	4,474,277
All other pupil services	14,128,622	-	-	14,128,622
Administration				
Data processing	296,694	-	-	296,694
All other administration	7,402,565	-	282,905	7,685,470
Plant services	18,214,761	294,262	900,260	19,409,283
Ancillary services	-	-	1,272,568	1,272,568
Community services	79,846	-	-	79,846
Other outgo	1,921,787	-	1,875	1,923,662
Facility acquisition and construction	-	-	4,428,532	4,428,532
Debt service				
Principal	488,216	-	5,275,000	5,763,216
Interest and other	68,554	692,500	5,200,414	5,961,468
Total expenditures	<u>147,604,923</u>	<u>986,762</u>	<u>26,712,724</u>	<u>175,304,409</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>21,790,222</u>	<u>(4,348,228)</u>	<u>846,534</u>	<u>18,288,528</u>
Other Financing Sources (Uses)				
Transfers in	13,301	1,913,874	7,545,816	9,472,991
Other sources - proceeds from issuance of general obligation bonds	-	150,000,000	-	150,000,000
Other sources - premium on issuance of general obligation bonds	-	-	5,609,489	5,609,489
Transfers out	(2,982,833)	-	(6,490,158)	(9,472,991)
Net Financing Sources (Uses)	<u>(2,969,532)</u>	<u>151,913,874</u>	<u>6,665,147</u>	<u>155,609,489</u>
Net Change in Fund Balances	18,820,690	147,565,646	7,511,681	173,898,017
Fund Balance - Beginning	<u>55,790,944</u>	<u>9,287,929</u>	<u>37,101,476</u>	<u>102,180,349</u>
Fund Balance - Ending	<u>\$ 74,611,634</u>	<u>\$ 156,853,575</u>	<u>\$ 44,613,157</u>	<u>\$ 276,078,366</u>

South San Francisco Unified School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities
 Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds \$ 173,898,017

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

Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expenses in the Statement of Activities. This is the amount by which depreciation and amortization expense exceeds capital outlay in the period.

Depreciation and amortization expense	\$ (13,295,697)
Capital outlay	<u>4,777,239</u>

Net expense adjustment (8,518,458)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.

(51,187)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and aggregate net pension liability during the year.

3,220,424

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and OPEB liability during the year.

(960,715)

Proceeds received from general obligation bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

(150,000,000)

Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium on issuance of GO bonds recognized	(5,609,489)
Amortization of deferred charge on refunding	(492,608)
Amortization of premium on issuance	420,027

South San Francisco Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2023

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	\$ 1,050,000
Revenues bonds	4,225,000
Finance purchase agreement	210,000
Leases	81,534
Subscription-based IT arrangements	196,682

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.

(1,883,506)

The collection of local obligations are revenues in the governmental funds, but it reduces the long-term receivable in the Statement of Net Position and does not affect the Statement of Activities.

(4,562,983)

Change in net position of governmental activities

\$ 11,222,738

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

The South San Francisco Unified School District was unified on July 1, 1960 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates nine elementary schools, three middle schools, two comprehensive high schools, and one continuation high school.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units may be other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units described below have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units* and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District.

The South San Francisco Unified School District School Facilities Financing Authority's (the Authority) financial activity is presented in the financial statements as the Debt Service Fund for Blended Component Units. Revenue Bonds issued by the Authority are included as long-term liabilities in the government-wide financial statements.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

A fund currently defined as special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as extensions of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

Due to implementation of GASB Statement No. 84, *Fiduciary Activities*, the District's Fund 73, Foundation Private-Purpose Trust Fund is consolidated into the General Fund.

As a result, the General Fund reflects an increase in fund balance of \$16,575,567.

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

Non-Major Governmental Funds

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted and committed for adult education programs and is to be expended for adult education purposes only.

- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).
- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620 17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State Schools Facilities Fund (Proposition 1D), or the 2013 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

- **Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).
- **Debt Service Fund for Blended Component Units** The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared.

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

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

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

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

Investments

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

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets, Depreciation, and Amortization

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

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, five to 50 years; equipment, 2 to 15 years.

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

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

The District records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Leases

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

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Subscriptions

The District recognizes a subscription liability and an intangible right-to-use subscription IT asset (subscription IT asset) in the government-wide financial statements. At the commencement of the subscription term, the District measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription liability, plus certain initial direct costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over shorter of the subscription term or useful life of the underlying asset. The amortization period varies from 2 to 3 years.

Fund Balances - Governmental Funds

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

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

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

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority of the District. Commitments may be established, modified, or rescinded only through resolutions or other actions as approved by the governing board.

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

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for

which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

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

Net Position

Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net Position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position is available. The government-wide financial statements report \$57,456,378 of restricted Net Position restricted by enabling legislation.

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

Implementation of GASB Statement No. 96

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 18 and the additional disclosures required by this standard are included in Notes 7 and 11.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

Governmental funds	<u><u>\$ 274,985,018</u></u>
--------------------	------------------------------

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

Cash on hand and in banks	\$ 1,163,904
Cash in revolving	31,103
Investments	<u>273,790,011</u>
Total deposits and investments	<u><u>\$ 274,985,018</u></u>

Policies and Practices

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

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

The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The San Mateo County Treasury Investment Pool has a daily redemption frequency period and a one-day redemption notice period.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the Pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the San Mateo County Treasury Investment Pool and having the Pool purchase a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Reported Amount	Average Maturity Days
First American Treasury Obligations, Class D	\$ 86,733	1
Local Agency Investment Fund	34,553	260
San Mateo County Treasury Investment Pool	<u>273,668,725</u>	602
Total	<u><u>\$ 273,790,011</u></u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the San Mateo County Treasury Investment Pool is rated AAA by Standard & Poor's. In addition, the First American Treasury Obligation Money Market Funds is rated Aaa by Moody's Investor Service. The investment with Local Agency Investment Fund is not required to be rated, nor have been rated as of June 30, 2023.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the District's bank balance of \$876,536 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 3 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2023:

Investment Type	Reported Amount	Fair Value Measurements Using Level 2 Inputs	Uncategorized
First American Treasury Obligations, Class D	\$ 86,733	\$ 86,733	\$ -
Local Agency Investment Fund	34,553	-	34,553
San Mateo County Treasury Investment Pool	273,668,725	-	273,668,725
Total	\$ 273,790,011	\$ 86,733	\$ 273,703,278

All assets have been valued using a market approach, with quoted market prices.

Note 4 - Receivables

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 3,062,850	\$ -	\$ 648,186	\$ 3,711,036
State Government				
LCFF apportionment	391,910	-	-	391,910
Categorical aid	2,301,674	-	279,762	2,581,436
Lottery	481,019	-	-	481,019
Special education	1,568,396	-	-	1,568,396
Local Government				
Interest	619,447	921,107	282,249	1,822,803
Other local sources	433,760	-	971,115	1,404,875
Total	\$ 8,859,056	\$ 921,107	\$ 2,181,312	\$ 11,961,475

Note 5 - Long-Term Receivables

The proceeds from the issuance of 2006 Revenue Bonds issued by the South San Francisco Unified School Facilities Financing Authority (FFA) were used to purchase existing debt obligations related to the 2006 General Obligation Bonds. In accordance with the financing agreement, tax receipts from the General Obligation Bonds will be pledged to pay the debt service on the revenue bonds until the bonds are fully defeased. The total amount of benefit provided by the FFA through the issuance of revenues bonds was \$62,756,806. Current year payments totaling \$4,562,983 were received, leaving a total balance outstanding of \$4,472,993 as of June 30, 2023.

Note 6 - Lease Receivable

The District has entered into lease agreements with a lessee. Lease receivables are recorded by the District at the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the District charges the lessee. The District has accrued a receivable for leasing a portion of its facilities to one lessee. The lease is non-cancelable for a period more than one year. During the fiscal year, the District recognized \$155,430 in lease revenue and \$29,806 in interest revenue related to the agreement. As of June 30, 2023, the District recorded \$1,254,970 in lease receivable and \$1,229,649 in deferred inflows of resources for this arrangement. The interest rate on the leases was 3.00%.

Note 7 - Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets

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

	Balance July 1, 2022 as restated	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 4,305,188	\$ -	\$ -	\$ 4,305,188
Construction in progress	8,684,429	3,792,513	(335,285)	12,141,657
Total capital assets not being depreciated	<u>12,989,617</u>	<u>3,792,513</u>	<u>(335,285)</u>	<u>16,446,845</u>
Capital assets being depreciated				
Land improvements	109,397,865	415,823	-	109,813,688
Buildings and improvements	208,035,621	508,707	-	208,544,328
Furniture and equipment	15,612,284	395,481	-	16,007,765
Total capital assets being depreciated	<u>333,045,770</u>	<u>1,320,011</u>	<u>-</u>	<u>334,365,781</u>
Total capital assets	<u>346,035,387</u>	<u>5,112,524</u>	<u>(335,285)</u>	<u>350,812,626</u>
Accumulated depreciation				
Land improvements	(27,121,371)	(4,534,204)	-	(31,655,575)
Buildings and improvements	(111,838,486)	(7,466,501)	-	(119,304,987)
Furniture and equipment	(12,115,860)	(1,009,404)	-	(13,125,264)
Total accumulated depreciation	<u>(151,075,717)</u>	<u>(13,010,109)</u>	<u>-</u>	<u>(164,085,826)</u>
Net depreciable capital assets	<u>181,970,053</u>	<u>(11,690,098)</u>	<u>-</u>	<u>170,279,955</u>
Right-to-use leased assets being amortized				
Furniture and equipment	229,228	-	(25,723)	203,505
Accumulated amortization				
Furniture and equipment	(86,129)	(80,004)	25,723	(140,410)
Net right-to-use leased assets	<u>143,099</u>	<u>(80,004)</u>	<u>-</u>	<u>63,095</u>
Right-to-use subscription IT assets being amortized				
Right-to-use subscription IT assets	463,777	-	-	463,777
Accumulated amortization	-	(205,584)	-	(205,584)
Net right-to-use subscription IT assets	<u>463,777</u>	<u>(205,584)</u>	<u>-</u>	<u>258,193</u>
Governmental activities capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net	<u>\$ 195,566,546</u>	<u>\$ (8,183,173)</u>	<u>\$ (335,285)</u>	<u>\$ 187,048,088</u>

Depreciation and amortization expense were charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 11,881,827
Instructional library, media, and technology	52,610
Home-to-school transportation	390,303
All other pupil services	522,668
All other administration	9,799
Plant services	438,490
Total depreciation and amortization expense governmental activities	\$ 13,295,697

Note 8 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

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

Due To	Due From			Total
	General Fund	Building Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 195	\$ 1,246,160	\$ 1,246,355
Building Fund	-	-	10,515	10,515
Non-Major Governmental Funds	4,329,002	-	18,982	4,347,984
Total	\$ 4,329,002	\$ 195	\$ 1,275,657	\$ 5,604,854

A balance of \$115,440 due to the General Fund from the Adult Education Non-Major Governmental Fund resulted from reimbursement of benefits and other operating costs.

A balance of \$715,612 due to the General Fund from the Child Development Non-Major Governmental Fund resulted from reimbursement of benefits and other operating costs and transfer of grant revenues.

A balance of \$415,108 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from reimbursement of benefits and other operating costs.

A balance of \$214,441 due to the Child Development Non-Major Governmental Fund from the General Fund resulted from reimbursement of various operating costs.

A balance of \$1,342,944 due to the Deferred Maintenance Non-Major Governmental Fund from the General Fund resulted from a deferred maintenance contribution.

A balance of \$2,769,000 due to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects from the General Fund resulted from pass-through of RDA revenue.

All remaining balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2023, consisted of the following:

Transfer To	General Fund	Transfer From Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 13,301	\$ 13,301
Building Fund	-	1,913,874	1,913,874
Non-Major Governmental Funds	2,982,833	4,562,983	7,545,816
Total	\$ 2,982,833	\$ 6,490,158	\$ 9,472,991

The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects to set aside redevelopment funds received for future capital outlay projects. \$ 2,769,000

The General Fund transferred to the Child Development Non-Major Governmental Fund for operating contributions to compensate for deficit spending. 213,833

The Child Development Non-Major Governmental Fund transferred to the General Fund for reimbursement of benefits and other operating costs. 13,301

The County School Facilities Non-Major Governmental Fund transferred to the Building Fund for reimbursement of project expenditures related to State School Facility Funding received. 1,913,874

The Bond Interest and Redemption Non-Major Governmental Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for debt service payments for the revenue bonds. 4,562,983

Total \$ 9,472,991

Note 9 - Accounts Payable

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Salaries and benefits	\$ 1,280,334	\$ 32,662	\$ 1,312,996
Due to California Department of Education	1,147,621	-	1,147,621
Other payables	6,383,158	839,568	7,222,726
Total	\$ 8,811,113	\$ 872,230	\$ 9,683,343

Note 10 - Unearned Revenue

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 181,068	\$ 83,175	\$ 264,243
State categorical aid	964,754	320,211	1,284,965
Total	\$ 1,145,822	\$ 403,386	\$ 1,549,208

Note 11 - Long-Term Liabilities Other than OPEB and Pensions

Summary

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

	Balance July 1, 2022 as restated	Additions	Deductions	Balance June 30, 2023	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 158,146,711	\$ 150,482,424	\$ (1,050,000)	\$ 307,579,135	\$ 1,130,000
Unamortized debt premiums	6,714,045	5,609,489	(420,027)	11,903,507	-
Revenue bonds	8,590,000	-	(4,225,000)	4,365,000	4,365,000
Finance purchase agreement	2,980,000	-	(210,000)	2,770,000	210,000
Leases	142,239	-	(81,534)	60,705	60,705
Subscription-based IT arrangements	463,777	-	(196,682)	267,095	214,512
Compensated absences	1,218,864	51,187	-	1,270,051	-
Total	\$ 178,255,636	\$ 156,143,100	\$ (6,183,243)	\$ 328,215,493	\$ 5,980,217

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund. Payments on the revenue bonds are made by the Debt Service Fund for Blended Component Units. Payments on the finance purchase agreement, leases, and subscription-based IT arrangements are made by the General Fund. The compensated absences will be paid by primarily by the General Fund and the Cafeteria Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2022	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2023
06/24/2015	9/1/2040	2.00-5.00%	\$ 26,000,000	\$ 1,374,556	\$ -	\$ 48,870	\$ -	\$ 1,423,426
06/21/2016	9/1/2041	2.00-5.00%	128,999,061	130,347,155	-	433,554	(600,000)	130,180,709
1/26/2022	9/1/2040	0.673-3.130%	26,425,000	26,425,000	-	-	(450,000)	25,975,000
4/26/2023	9/1/2052	4.00-5.00%	150,000,000	-	150,000,000	-	-	150,000,000
				<u>\$ 158,146,711</u>	<u>\$ 150,000,000</u>	<u>\$ 482,424</u>	<u>\$ (1,050,000)</u>	<u>\$ 307,579,135</u>

2015 General Obligation Bonds, Series B

On June 24, 2015, South San Francisco Unified School District issued the 2015 General Obligation Bonds, Series B in the amount of \$26,000,000. The Series B bonds were issued as both current interest and capital appreciation bonds, with the value of the capital appreciation bonds accreting to \$4,165,000. The bonds have an aggregate principal debt service balance of \$30,165,000. The bonds have a final maturity to occur on September 1, 2040 and interest rates ranging from 2.00 to 5.00%. Proceeds from the sale of bonds were used to defease the remaining balance on the District's 2012 General Obligation Bonds Anticipation Notes, Series C. At June 30, 2023, the principal outstanding, including accreted interest, was \$1,423,426.

2016 General Obligation Bonds, Series C

On June 21, 2016, South San Francisco Unified School District issued the 2016 General Obligation Bonds, Series C in the amount of \$128,999,061. The Series C bonds were issued as current interest bonds and capital appreciation bonds with the value of the capital appreciation bonds accreting to \$4,440,939, and an aggregate principal debt service balance of \$133,440,000. The bonds have a final maturity which occurs on September 1, 2041 and interest rates ranging from 2.00 to 5.00%. A portion of the proceeds from the sale of Series C bonds were used to pay and defease the District's outstanding General Obligation Bond Anticipation Notes Series D, Series E, Series F, and Series G. The proceeds were used to finance the renovation, acquisition, and construction of District buildings and facilities. At June 30, 2023, the principal outstanding, including accreted interest, was \$130,180,709.

General Obligation Refunding Bonds, Series 2022

On January 26, 2022, South San Francisco Unified School District issued the General Obligation Refunding Bonds, Series 2022 in the amount of \$26,425,000. The Series 2022 bonds were issued as current interest bonds. The bonds have a final maturity to occur on September 1, 2040 and interest rates ranging from 0.673 to 3.130%. The refunding resulted in a cumulative cash flow savings of \$3,606,975 over the life of the new debt and an economic gain of \$2,482,644 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.79%. At June 30, 2023, the principal outstanding was \$25,975,000.

2022 General Obligation Bonds, Series 2023

On April 12, 2023, South San Francisco Unified School District issued the 2022 General Obligation Bonds, Series 2023 in the amount of \$150,000,000. The Series 2023 bonds were issued as current interest bonds. The bonds have a final maturity to occur on September 1, 2052 and interest rates ranging from 4.00% to 5.00%. Proceeds from the sale of bonds will be used to finance specific construction, reconstruction, rehabilitation, or replacement projects. At June 30, 2023, the principal outstanding was \$150,000,000.

The bonds mature through 2053 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Interest to Maturity	Total
2024	\$ 1,130,000	\$ -	\$ 10,263,110	\$ 11,393,110
2025	16,193,374	136,626	10,921,637	27,251,637
2026	15,392,540	272,460	10,344,636	26,009,636
2027	4,545,519	319,481	10,060,357	14,925,357
2028	4,728,359	476,641	10,042,189	15,247,189
2029-2033	32,579,343	635,657	48,060,531	81,275,531
2034-2038	62,000,000	-	39,263,166	101,263,166
2039-2043	78,050,000	-	24,902,396	102,952,396
2044-2048	37,090,000	-	15,141,800	52,231,800
2049-2053	55,870,000	-	5,931,400	61,801,400
Total	<u>\$ 307,579,135</u>	<u>\$ 1,840,865</u>	<u>\$ 184,931,222</u>	<u>\$ 494,351,222</u>

2006 Revenue Bonds

In January 2006, South San Francisco Unified School District School Facilities Financing Authority issued the 2006 Revenue Bonds in the amount of \$39,035,000. The revenue bonds were issued as current interest bonds. The bonds have a final maturity to occur on September 1, 2023 with interest rates ranging from 4.00 to 5.25%. Proceeds from the revenue bonds were used to purchase the 2006 General Obligation Refunding Bonds, to finance the new construction and renovation of District's facilities, and to cover the cost arising from the issuance of the bonds. The 2006 Revenue Bonds were issued simultaneously with 2006 General Obligation Refunding Bonds. Under the financing agreement, tax receipts from the General Obligation Bonds will be pledged to pay the debt service on the revenue bonds until the bonds are fully defeased. At June 30, 2023, the principal outstanding was \$4,365,000.

The revenue bonds mature through 2024 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2024	<u>\$ 4,365,000</u>	<u>\$ 114,581</u>	<u>\$ 4,479,581</u>

Finance Purchase Agreement

On November 1, 2016, the District entered into a finance purchase agreement with the South San Francisco Unified School District School Facilities Financing Authority (the Authority) for the energy efficiency renovations performed on the property. Payment period commenced on September 1, 2017 and the final payment is set to occur on September 1, 2034. At June 30, 2023, the principal balance outstanding was \$2,770,000.

The payments are due through September 1, 2034 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2024	\$ 210,000	\$ 60,600	\$ 270,600
2025	220,000	55,862	275,862
2026	220,000	50,956	270,956
2027	230,000	45,994	275,994
2028	230,000	40,865	270,865
2029-2033	1,260,000	123,319	1,383,319
2034-2035	400,000	8,976	408,976
	<u>\$ 2,770,000</u>	<u>\$ 386,572</u>	<u>\$ 3,156,572</u>
Total			

Leases

The District has entered into agreements to lease various equipment. At June 30, 2023, the District has recognized right-to-use leased asset of \$63,095 (net of accumulated amortization) and lease liability of \$60,705 related to the lease agreements. The District is required to make principal and interest payments through fiscal year 2024. The lease agreements have an interest rate of 3.00%.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	<u>\$ 60,705</u>	<u>\$ 836</u>	<u>\$ 61,541</u>

Subscriptions-Based Information Technology Arrangements (SBITAs)

The District has entered into SBITAs for the use of various software. At June 30, 2023, the District has recognized a right-to-use subscriptions IT asset of \$258,193 and a SBITA liability of \$267,095 related to these agreements. During the fiscal year, the District recorded \$205,584 in amortization expense. The District is required to make annual principal and interest payments through November 2024. The subscriptions have an interest rate of 4.00%.

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

Year Ending June 30,	Principal	Interest	Total
2024	\$ 214,512	\$ 10,684	\$ 225,196
2025	52,583	2,103	54,686
Total	<u>\$ 267,095</u>	<u>\$ 12,787</u>	<u>\$ 279,882</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2023, amounted to \$1,270,051.

Note 12 - Other Postemployment Benefit (OPEB) Liability

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

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 25,005,807	\$ 4,751,026	\$ 9,289,823	\$ 1,800,304
Medicare Premium Payment (MPP) Program	449,856	-	-	(99,789)
Total	<u>\$ 25,455,663</u>	<u>\$ 4,751,026</u>	<u>\$ 9,289,823</u>	<u>\$ 1,700,515</u>

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

At June 30, 2022, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	409
Active employees	882
	882
Total	1,291

Benefits Provided

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

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the South San Francisco Classroom Teachers Association (SSFCTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, SSFCTA, CSEA, and the unrepresented groups. For measurement period of June 30, 2023, the District paid \$739,800 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$25,005,807 was measured as of June 30, 2023, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions

The total OPEB liability as of June 30, 2023 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total OPEB liability to June 30, 2023. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

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

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actual experience study for the period July 1, 2021 to June 30, 2022.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance, June 30, 2022	<u>\$ 23,915,148</u>
Service cost	1,399,448
Interest	858,272
Changes of assumptions	(427,261)
Benefit payments	<u>(739,800)</u>
Net change in total OPEB liability	<u>1,090,659</u>
Balance, June 30, 2023	<u><u>\$ 25,005,807</u></u>

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

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

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

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (2.65%)	\$ 29,196,381
Current discount rate (3.65%)	25,005,807
1% increase (4.65%)	21,670,020

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

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

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (3.00%)	\$ 20,880,116
Current healthcare cost trend rate (4.00%)	25,005,807
1% increase (5.00%)	30,391,857

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$1,800,304. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,336,733
Changes of assumptions	4,751,026	4,953,090
Total	<u>\$ 4,751,026</u>	<u>\$ 9,289,823</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ (457,416)
2025	(457,416)
2026	(457,416)
2027	(457,416)
2028	(489,398)
Thereafter	<u>(2,219,735)</u>
Total	<u>\$ (4,538,797)</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

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

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2023, the District reported a liability of \$449,856 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.1366%, and 0.1378%, resulting in a net decrease in the proportionate share of 0.0012%.

For the year ended June 30, 2023, the District recognized OPEB expense of \$(99,789).

Actuarial Methods and Assumptions

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

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

For the valuation as of June 30, 2021, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP 2019) table, issued by the Society of Actuaries.

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

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

Discount Rate

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

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

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.54%)	\$ 490,429
Current discount rate (3.54%)	449,856
1% increase (4.54%)	414,724

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

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

<u>Medicare Costs Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease (3.50% Part A and 4.40% Part B)	\$ 412,759
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	449,856
1% increase (5.50% Part A and 6.40% Part B)	491,906

Note 13 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 29,873	\$ -	\$ 1,230	\$ 31,103
Stores inventories	54,934	-	95,472	150,406
Prepaid expenditures	188,372	325	-	188,697
Total nonspendable	<u>273,179</u>	<u>325</u>	<u>96,702</u>	<u>370,206</u>
Restricted				
Legally restricted programs	33,997,313	-	2,389,248	36,386,561
Food service	-	-	1,432,634	1,432,634
Capital projects	-	156,853,250	10,664,396	167,517,646
Debt service	-	-	14,950,605	14,950,605
Total restricted	<u>33,997,313</u>	<u>156,853,250</u>	<u>26,657,244</u>	<u>217,507,807</u>
Committed				
Adult education program	-	-	1,591,576	1,591,576
Deferred maintenance program	-	-	12,548,182	12,548,182
Total committed	<u>-</u>	<u>-</u>	<u>14,139,758</u>	<u>14,139,758</u>
Assigned				
STRS/PERS Increases:2026-27	359,384	-	-	359,384
STRS/PERS Increases:2027-28	733,791	-	-	733,791
Property tax repayment litigation	8,500,000	-	-	8,500,000
Carryover- Site discretionary funds	288,592	-	-	288,592
Capital projects	-	-	892,717	892,717
Other assigned	16,110,267	-	47,097	16,157,364
Total assigned	<u>25,992,034</u>	<u>-</u>	<u>3,719,453</u>	<u>29,711,487</u>
Unassigned				
Reserve for economic uncertainties	7,303,837	-	-	7,303,837
Remaining unassigned	7,045,271	-	-	7,045,271
Total unassigned	<u>14,349,108</u>	<u>-</u>	<u>-</u>	<u>14,349,108</u>
Total	<u>\$ 74,611,634</u>	<u>\$ 156,853,575</u>	<u>\$ 44,613,157</u>	<u>\$ 276,078,366</u>

Note 14 - Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2023, the District contracted with San Mateo County Schools Insurance Group (SMCSIG) risk pool for property and liability insurance coverage.

Workers' Compensation

For fiscal year 2023, the District participated in San Mateo County Schools Insurance Group (SMCSIG) entity risk pool. The intent of SMCSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SMCSIG. The workers' compensation experience of the participating district is calculated as one experience and a common premium rate is applied to all districts in the SMCSIG. Each participant pays its workers' compensation premium based on its individual rate.

Employee Medical Benefits

The District has contracted with the California Public Employees' Retirement System (CalPERS) to provide employee medical insurance and San Mateo County Schools Insurance Group (SMCSIG) for dental and vision benefits. CalPERS and SMCSIG are shared risk pools. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts.

Note 15 - Employee Retirement Systems

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

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

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 63,228,134	\$ 18,676,897	\$ 9,248,468	\$ 6,518,353
CalPERS	45,502,886	16,110,566	1,312,240	6,550,148
Total	<u>\$ 108,731,020</u>	<u>\$ 34,787,463</u>	<u>\$ 10,560,708</u>	<u>\$ 13,068,501</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

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

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

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the District's total contributions were \$10,751,148.

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

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

Total Net Pension Liability, Including State Share	
Proportionate share of net pension liability	\$ 63,228,134
State's proportionate share of the net pension liability	<u>31,664,402</u>
Total	<u><u>\$ 94,892,536</u></u>

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively was 0.0910% and 0.0917%, resulting in a net decrease in the proportionate share of 0.0007%.

South San Francisco Unified School District

Notes to Financial Statements

June 30, 2023

For the year ended June 30, 2023, the District recognized pension expense of \$6,518,353. In addition, the District recognized pension expense and revenue of \$2,553,713 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 10,751,148	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,738,227	1,415,700
Differences between projected and actual earnings on pension plan investments	-	3,091,978
Differences between expected and actual experience in the measurement of the total pension liability	51,867	4,740,790
Changes of assumptions	3,135,655	-
Total	\$ 18,676,897	\$ 9,248,468

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

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

Year Ended June 30,	Deferred Inflows of Resources
2024	\$ (2,271,287)
2025	(2,460,556)
2026	(3,696,255)
2027	5,336,120
Total	\$ (3,091,978)

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 3,097,424
2025	23,747
2026	(253,733)
2027	(16,991)
2028	(627,763)
Thereafter	<u>(453,425)</u>
Total	<u>\$ 1,769,259</u>

Actuarial Methods and Assumptions

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 107,384,823
Current discount rate (7.10%)	63,228,134
1% increase (8.10%)	26,564,807

California Public Employees Retirement System (CalPERS)

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the total District contributions were \$5,537,777.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$45,502,886. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.1322% and 0.1350%, resulting in a net decrease in the proportionate share of 0.0028%.

For the year ended June 30, 2023, the District recognized pension expense of \$6,550,148. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,537,777	\$ -
Change in proportion and differences between contributions made and District’s proportionate share of contributions	1,628,444	180,070
Differences between projected and actual earnings on pension plan investments	5,372,653	-
Differences between expected and actual experience in the measurement of the total pension liability	205,647	1,132,170
Changes of assumptions	3,366,045	-
Total	\$ 16,110,566	\$ 1,312,240

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2024	\$ 895,988
2025	794,679
2026	405,933
2027	<u>3,276,053</u>
Total	<u>\$ 5,372,653</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 1,766,242
2025	1,459,696
2026	702,924
2027	<u>(40,966)</u>
Total	<u>\$ 3,887,896</u>

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	\$ 65,731,222
Current discount rate (6.90%)	45,502,886
1% increase (7.90%)	28,784,909

Social Security

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

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$5,079,646 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 16 - Commitments and Contingencies**Grants**

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

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2023.

Construction Commitments

As of June 30, 2023, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Serra Vista Elementary Fire Alarm	\$ 14,836	August 31, 2023
South San Francisco High School Roof Replacement	81,500	September 30, 2023
District Office Roof Replacement	134,468	September 30, 2023
El Camino High School Kitchen Improvement	54,760	September 30, 2023
South SF High School Kitchen Improvement	144,288	September 30, 2023
El Camino High School Accessible Bridge	38,376	September 30, 2023
Alta Loma Middle School Flooding	6,000	September 30, 2023
El Camino High School Athletic Fields	132,389	September 30, 2023
District Office Technology Infrastructure	531,128	November 30, 2023
Hillside Preschool Improvement	770,180	November 30, 2023
El Camino High School Accessible Pathway (ADA)	36,929	November 30, 2023
Toilet Pod Repair	227,749	November 30, 2023
District Office Accessible Pathway (ADA)	134,205	December 31, 2023
District Office Electric Vehicle Charging	117,099	February 28, 2024
Distictwide HVAC Projects Review	450,588	September 30, 2024
Baden High School Classroom Renovation	444,898	November 30, 2024
Total	<u>\$ 3,319,393</u>	

Note 17 - Participation in Public Entity Risk Pools, Joint Powers Authorities and Other Related Party Transactions

The District is a member of the San Mateo County Schools Insurance Group (SMCSIG) and California Public Employees' Retirement System (CalPERS) public entity risk pools. The District pays an annual premium to be applicable entity for its workers' compensation, property and liability, and health coverage. The relationship between the District and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2023, the District made payments of \$5,086,205 and \$10,796,730 to SMCSIG and CalPERS, respectively.

Note 18 - Adoption of New Accounting Standard

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

Governmental Activities	
Net Position - Beginning, as previously reported on June 30, 2022	\$ 11,695,833
Right-to-use subscription IT assets, net of amortization	463,777
Subscription liabilities	<u>(463,777)</u>
Net Position - Beginning, as restated on July 1, 2022	<u>\$ 11,695,833</u>



Required Supplementary Information
June 30, 2023

**South San Francisco
Unified School District**

South San Francisco Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$115,074,523	\$129,155,893	\$ 129,155,892	\$ (1)
Federal sources	3,179,976	10,458,689	7,823,456	(2,635,233)
Other State sources	14,148,801	28,839,498	26,533,946	(2,305,552)
Other local sources	3,133,102	5,942,028	5,881,851	(60,177)
Total revenues ¹	<u>135,536,402</u>	<u>174,396,108</u>	<u>169,395,145</u>	<u>(5,000,963)</u>
Expenditures				
Current				
Certificated salaries	55,000,333	57,762,356	57,758,935	3,421
Classified salaries	20,993,842	20,199,783	20,157,409	42,374
Employee benefits	36,043,324	35,580,986	35,200,321	380,665
Books and supplies	4,312,213	32,080,201	5,056,710	27,023,491
Services and operating expenditures	16,120,987	24,403,618	26,886,539	(2,482,921)
Other outgo	3,929,227	1,729,224	349,357	1,379,867
Capital outlay	529,936	536,479	1,638,882	(1,102,403)
Debt service				
Debt service - principal	70,006	65,284	488,216	(422,932)
Debt service - interest and other	205,278	210,000	68,554	141,446
Total expenditures ¹	<u>137,205,146</u>	<u>172,567,931</u>	<u>147,604,923</u>	<u>24,963,008</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,668,744)</u>	<u>1,828,177</u>	<u>21,790,222</u>	<u>19,962,045</u>
Other Financing Sources (Uses)				
Transfers in	13,301	13,301	13,301	-
Transfers out	(1,500,000)	(2,982,833)	(2,982,833)	-
Net Financing Uses	<u>(1,486,699)</u>	<u>(2,969,532)</u>	<u>(2,969,532)</u>	<u>-</u>
Net Change in Fund Balances	(3,155,443)	(1,141,355)	18,820,690	19,962,045
Fund Balance - Beginning	<u>55,790,944</u>	<u>55,790,944</u>	<u>55,790,944</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 52,635,501</u>	<u>\$ 54,649,589</u>	<u>\$ 74,611,634</u>	<u>\$ 19,962,045</u>

¹ Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects and Fund 73, Foundation Private-Purpose Trust Fund, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures; however, they are not included in the original and final General Fund budgets.

South San Francisco Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total OPEB Liability			
Service cost	\$ 1,399,448	\$ 1,998,339	\$ 1,923,617
Interest	858,272	671,894	638,943
Difference between expected and actual experience	-	(2,727,187)	-
Changes of assumptions	(427,261)	(5,756,859)	206,063
Benefit payments	<u>(739,800)</u>	<u>(756,163)</u>	<u>(729,107)</u>
Net change in total OPEB liability	1,090,659	(6,569,976)	2,039,516
Total OPEB Liability - Beginning	<u>23,915,148</u>	<u>30,485,124</u>	<u>28,445,608</u>
Total OPEB Liability - Ending	<u>\$ 25,005,807</u>	<u>\$ 23,915,148</u>	<u>\$ 30,485,124</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 1,488,745	\$ 1,334,664	\$ 1,298,943
Interest	838,712	752,163	763,324
Difference between expected and actual experience	(3,669,686)	-	-
Changes of assumptions	6,939,557	1,033,908	-
Benefit payments	<u>(741,123)</u>	<u>(708,733)</u>	<u>(681,474)</u>
Net change in total OPEB liability	4,856,205	2,412,002	1,380,793
Total OPEB Liability - Beginning	<u>23,589,403</u>	<u>21,177,401</u>	<u>19,796,608</u>
Total OPEB Liability - Ending	<u>\$ 28,445,608</u>	<u>\$ 23,589,403</u>	<u>\$ 21,177,401</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

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

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

South San Francisco Unified School District
Schedule of District's Proportionate Share of Net OPEB Liability – MPP Program
Year Ended June 30, 2023

Year ended June 30,	2023	2022	2021
Proportion of the net OPEB liability	0.1366%	0.1378%	0.1537%
Proportionate share of the net OPEB liability	\$ 449,856	\$ 549,645	\$ 651,540
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020
Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.1464%	0.1490%	0.1456%
Proportionate share of the net OPEB liability	\$ 545,362	\$ 570,207	\$ 612,550
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

South San Francisco Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS
Year Ended June 30, 2023

CalSTRS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.0910%	0.0917%	0.0882%	0.0828%	0.0830%
Proportionate share of the net pension liability	\$ 63,228,134	\$ 41,719,520	\$ 85,506,190	\$ 74,767,499	\$ 76,279,006
State's proportionate share of the net pension liability	31,664,402	20,991,644	44,078,451	40,790,662	43,673,298
Total	<u>\$ 94,892,536</u>	<u>\$ 62,711,164</u>	<u>\$ 129,584,641</u>	<u>\$ 115,558,161</u>	<u>\$ 119,952,304</u>
Covered payroll	\$ 53,021,850	\$ 50,969,325	\$ 48,162,825	\$ 45,702,187	\$ 44,523,105
Proportionate share of the net pension liability as a percentage of its covered payroll	119.25%	81.85%	177.54%	163.60%	171.32%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
		2018	2017	2016	2015
Proportion of the net pension liability		0.0804%	0.0766%	0.0782%	0.0790%
Proportionate share of the net pension liability		\$ 74,375,113	\$ 61,926,585	\$ 52,680,238	\$ 46,177,004
State's proportionate share of the net pension liability		43,999,689	35,253,700	27,682,039	27,883,669
Total		<u>\$ 118,374,802</u>	<u>\$ 97,180,285</u>	<u>\$ 80,362,277</u>	<u>\$ 74,060,673</u>
Covered payroll		\$ 43,383,029	\$ 38,347,651	\$ 36,515,800	36,404,423
Proportionate share of the net pension liability as a percentage of its covered payroll		171.44%	161.49%	144.27%	126.84%
Plan fiduciary net position as a percentage of the total pension liability		69%	70%	74%	77%
Measurement Date		June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

South San Francisco Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS
Year Ended June 30, 2023

CalPERS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.1322%	0.1350%	0.1250%	0.1187%	0.1205%
Proportionate share of the net pension liability	\$ 45,502,886	\$ 27,452,604	\$ 38,346,948	\$ 34,596,810	\$ 32,129,742
Covered payroll	\$ 22,556,613	\$ 19,465,507	\$ 18,500,406	\$ 16,613,320	\$ 20,090,954
Proportionate share of the net pension liability as a percentage of its covered payroll	201.73%	141.03%	207.28%	230.82%	159.92%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
		2018	2017	2016	2015
Proportion of the net pension liability		0.1189%	0.1155%	0.1200%	0.1136%
Proportionate share of the net pension liability		\$ 28,378,748	\$ 22,807,523	\$ 17,693,320	\$ 12,891,955
Covered payroll		\$ 19,500,634	\$ 18,959,897	\$ 18,748,271	13,270,962
Proportionate share of the net pension liability as a percentage of its covered payroll		145.53%	120.29%	94.37%	97.14%
Plan fiduciary net position as a percentage of the total pension liability		72%	74%	79%	83%
Measurement Date		June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

South San Francisco Unified School District
Schedule of the District's Contributions - CalSTRS
Year Ended June 30, 2023

CalSTRS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 10,751,148	\$ 8,971,297	\$ 8,231,546	\$ 8,235,843	\$ 7,440,316
Less contributions in relation to the contractually required contribution	<u>10,751,148</u>	<u>8,971,297</u>	<u>8,231,546</u>	<u>8,235,843</u>	<u>7,440,316</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 56,288,733</u>	<u>\$ 53,021,850</u>	<u>\$ 50,969,325</u>	<u>\$ 48,162,825</u>	<u>\$ 45,702,187</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>
		2018	2017	2016	2015
Contractually required contribution		\$ 6,424,684	\$ 5,457,585	\$ 4,114,703	\$ 3,242,603
Less contributions in relation to the contractually required contribution		<u>6,424,684</u>	<u>5,457,585</u>	<u>4,114,703</u>	<u>3,242,603</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		<u>\$ 44,523,105</u>	<u>\$ 43,383,029</u>	<u>\$ 38,347,651</u>	<u>\$ 36,515,800</u>
Contributions as a percentage of covered payroll		<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>

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

South San Francisco Unified School District
Schedule of the District's Contributions - CalPERS
Year Ended June 30, 2023

CalPERS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 5,537,777	\$ 5,167,720	\$ 4,029,360	\$ 3,648,465	\$ 2,994,717
Less contributions in relation to the contractually required contribution	<u>5,537,777</u>	<u>5,167,720</u>	<u>4,029,360</u>	<u>3,648,465</u>	<u>2,994,717</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 21,828,053</u>	<u>\$ 22,556,613</u>	<u>\$ 19,465,507</u>	<u>\$ 18,500,406</u>	<u>\$ 16,613,320</u>
Contributions as a percentage of covered payroll	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.026%</u>
		2018	2017	2016	2015
Contractually required contribution		\$ 3,120,326	\$ 2,708,248	\$ 2,246,179	\$ 2,206,859
Less contributions in relation to the contractually required contribution		<u>3,120,326</u>	<u>2,708,248</u>	<u>2,246,179</u>	<u>2,206,859</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		<u>\$ 20,090,954</u>	<u>\$ 19,500,634</u>	<u>\$ 18,959,897</u>	<u>\$ 18,748,271</u>
Contributions as a percentage of covered payroll		<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

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 and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

This schedule present information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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

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

- *Changes in Benefit Terms* – There were no changes to benefit terms.
- *Changes of Assumptions* – Changes of assumptions reflect a change in the discount rate from 3.54% in 2022 to 3.65% in 2023.

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

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

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

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

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

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

Schedule of the District's Contributions

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



Supplementary Information
June 30, 2023

South San Francisco
Unified School District

South San Francisco Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
Adult Basic Education & ELA	84.002A	14508	\$ 124,040
English Literacy & Civics Education	84.002A	14109	69,240
Adult Secondary Education	84.002	13978	<u>6,930</u>
Subtotal			<u>200,210</u>
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund			
COVID-19 Expanded Learning Opportunities (ELO) Grant	84.425U	15559	2,802,904
ESSER II State Reserve	84.425D	15618	782,375
COVID-19 Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	178,562
COVID-19 Expanded Learning Opportunities (ELO) Grant			
ESSER III State Reserve, Learning Loss	84.425U	15621	249,107
COVID-19 American Rescue Plan - Homeless Children and Youth II (ARP HYC II)	84.425W	15566	<u>5,504</u>
Subtotal			<u>4,018,452</u>
Strengthening Career and Technical Education for the 21st Century (Perkins V): Secondary, Section 131			
Title I, Part A, Basic Grants Low-Income and Neglected	84.048	14894	53,634
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.010	14329	890,206
Title II, Part A, Supporting Effective Instruction	84.011	14326	13,600
Title III, English Learner Student Program Program	84.367	14341	179,262
Title IV, Part A, Student Support and Academic Enrichment Grants	84.365	14346	237,059
	84.424	15396	71,878
Passed through San Mateo County Office of Education			
Special Education (IDEA) Cluster			
COVID-19 ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	336,812
COVID-19 ARP IDEA Part B, Sec. 611, Local Assistance Private School ISPs	84.027	10169	9,960
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,642,706
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	55,077
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	<u>87,977</u>
Subtotal			<u>2,132,532</u>
COVID-19 ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	43,291
Preschool Grants, Part B, Sec 619	84.173	13430	73,250
Preschool Staff Development, Part B, Sec 619	84.173A	13431	<u>639</u>
Subtotal			<u>117,180</u>
Subtotal Special Education (IDEA) Cluster			<u>2,249,712</u>
Passed through California Department of Rehabilitation			
Workability II, Transition Partnership	84.126	10006	<u>109,655</u>
Total U.S. Department of Education			<u>8,023,668</u>

South San Francisco Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through CDE			
Child Care and Development Fund Cluster			
Child Development Program	93.575	14551	\$ 110,173
Federal Child Care, Center-based	93.596	13609	<u>155,726</u>
Subtotal Child Care and Development Fund Cluster			<u>265,899</u>
Total U.S. Department of Health and Human Services			<u>265,899</u>
U.S. Department of Interior			
Payments in Lieu of Taxes	15.226	[1]	<u>341</u>
Total U.S. Department of Interior			<u>341</u>
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Cluster			
School Programs (NSL Sec 4)	10.555	13523	573,489
School Programs (NSL Sec 11)	10.555	13524	965,358
Commodities	10.555	13524	<u>274,748</u>
Subtotal			<u>1,813,595</u>
School Programs (School Breakfast Basic)	10.553	13525	23,697
School Programs (School Breakfast Needy)	10.553	13526	<u>255,970</u>
Subtotal			<u>279,667</u>
Subtotal Child Nutrition Cluster			<u>2,093,262</u>
Passed Through California Department of Social Services			
CACFP Claims - Centers and Family Day Care Homes	10.558	13529	71,188
CACFP Cash in Lieu of Commodities	10.558	13534	<u>4,139</u>
Subtotal			<u>75,327</u>
Total U.S. Department of Agriculture			<u>2,168,589</u>
Total Federal Financial Assistance			<u>\$ 10,458,497</u>

[1] Direct award

ORGANIZATION

The South San Francisco Unified School District was unified on July 1, 1960, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates nine elementary schools, three middle schools, two comprehensive high schools, and one continuation high school. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. Chialin Hsieh	President	2026
Mrs. Patricia A. Murray	Vice President	2024
Mrs. Mina A. Richardson	Clerk	2026
Ms. Daina R. Lujan	Member	2024
Ms. Amanda Anthony	Member	2026

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Dr. Shawnterra Moore	Superintendent
Mr. Ted O	Assistant Superintendent, Business Services
Mr. Keith Irish	Assistant Superintendent, Educational Services
Dr. Jay Spaulding	Assistant Superintendent, Human Resources and Student Services

South San Francisco Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2023

	Final Report	
	Second Period Report 5A041B0E	Annual Report 5A041B7B
Regular ADA		
Transitional kindergarten through third	2,174.59	2,186.55
Fourth through sixth	1,646.41	1,650.52
Seventh and eighth	1,046.99	1,047.62
Ninth through twelfth	2,331.03	2,330.08
Total Regular ADA	<u>7,199.02</u>	<u>7,214.77</u>
Extended Year Special Education		
Transitional kindergarten through third	38.50	38.50
Fourth through sixth	28.06	26.06
Seventh and eighth	9.89	9.89
Ninth through twelfth	25.05	25.05
Total Extended Year Special Education	<u>101.50</u>	<u>99.50</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.87	1.83
Fourth through sixth	4.56	4.55
Seventh and eighth	1.95	1.91
Ninth through twelfth	10.23	10.56
Total Special Education, Nonpublic, Nonsectarian Schools	<u>17.61</u>	<u>18.85</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	3.93	3.93
Seventh and eighth	3.00	3.00
Ninth through twelfth	9.46	9.46
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>16.39</u>	<u>16.39</u>
Total ADA	<u><u>7,334.52</u></u>	<u><u>7,349.51</u></u>

South San Francisco Unified School District
 Schedule of Instructional Time
 Year Ended June 30, 2023

Grade Level	1986-1987 Minutes Requirement	2022-2023 Actual Minutes	Number of Minutes Credited Form J-13A*	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number of Actual Days	Number of Days Credited Form J-13A*	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	41,890	240	42,130	179	1	180	N/A	N/A	N/A	Complied
Grades 1 - 3	50,400										
Grade 1		50,880	300	51,180	179	1	180	N/A	N/A	N/A	Complied
Grade 2		50,880	300	51,180	179	1	180	N/A	N/A	N/A	Complied
Grade 3		53,230	335	53,565	179	1	180	N/A	N/A	N/A	Complied
Grades 4 - 8	54,000										
Grade 4		53,685	316	54,001	179	1	180	N/A	N/A	N/A	Complied
Grade 5		53,665	336	54,001	179	1	180	N/A	N/A	N/A	Complied
Grade 6		61,510	644	62,154	178	2	180	N/A	N/A	N/A	Complied
Grade 7		61,510	644	62,154	178	2	180	N/A	N/A	N/A	Complied
Grade 8		61,510	644	62,154	178	2	180	N/A	N/A	N/A	Complied
Grades 9 - 12	64,800										
Grade 9		64,987	375	65,362	179	1	180	N/A	N/A	N/A	Complied
Grade 10		64,987	375	65,362	179	1	180	N/A	N/A	N/A	Complied
Grade 11		64,987	375	65,362	179	1	180	N/A	N/A	N/A	Complied
Grade 12		64,987	375	65,362	179	1	180	N/A	N/A	N/A	Complied

* The District received an approved J-13A for 1 day at all school sites and an additional day for Alta Loma Middle School.

South San Francisco Unified School District
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
 Year Ended June 30, 2023

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

	General Fund
Fund Balance	
Balance, June 30, 2023, Unaudited Actuals	\$ 79,111,634
Increase in Accounts payable	(4,500,000)
Balance, June 30, 2023, Audited Financial Statements	\$ 74,611,634

South San Francisco Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2023

	(Budget) 2024 ¹	2023	2022 ¹	2021 ¹
General Fund ³				
Revenues	\$ 150,274,079	\$ 168,996,309	\$ 128,502,311	\$ 132,945,458
Other sources	13,301	13,301	13,301	13,301
Total revenues and other sources	<u>150,287,380</u>	<u>169,009,610</u>	<u>128,515,612</u>	<u>132,958,759</u>
Expenditures	155,167,049	147,593,923	133,496,021	123,752,662
Other uses	3,000,000	2,982,833	1,919,321	2,558,621
Total expenditures and other uses	<u>158,167,049</u>	<u>150,576,756</u>	<u>135,415,342</u>	<u>126,311,283</u>
Increase/(Decrease) in Fund Balance	<u>(7,879,669)</u>	<u>18,432,854</u>	<u>(6,899,730)</u>	<u>6,647,476</u>
Ending Fund Balance	<u>\$ 50,156,398</u>	<u>\$ 58,036,067</u>	<u>\$ 39,603,213</u>	<u>\$ 46,502,943</u>
Available Reserves ²	<u>\$ 10,009,861</u>	<u>\$ 14,349,108</u>	<u>\$ 10,281,081</u>	<u>\$ 19,211,365</u>
Available Reserves as a Percentage of Total Outgo	<u>6.33%</u>	<u>9.53%</u>	<u>7.59%</u>	<u>15.21%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 462,402,176</u>	<u>\$ 271,892,553</u>	<u>\$ 335,032,236</u>
K-12 Average Daily Attendance at P-2	<u>7,055</u>	<u>7,335</u>	<u>7,361</u>	<u>7,976</u>

The General Fund balance has increased by \$11,533,124 over the past two years. The fiscal year 2023-2024 budget projects a decrease of \$7,879,669 (13.58%). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures and other uses (total outgo).

The District has incurred an operating surplus in 2 of the past 3 years, but anticipates incurring an operating deficit during the 2023-2024 fiscal year. Total long-term liabilities have increased by \$127,369,940 over the past two years.

Average daily attendance has decreased by 641 over the past two years. An additional decline of 280 ADA is expected in fiscal year 2023-2024.

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

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

³ General Fund amounts do not include activity related to the consolidation of the Fund 17, Special Reserve Fund for Other than Capital Outlay Projects, as required by GASB Statement No. 54 and Fund 73, Foundation Private-Purpose Trust Fund, as required by GASB Statement No. 84.

South San Francisco Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
Year Ended June 30, 2023

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Assets						
Deposits and investments	\$ 1,061,293	\$ 1,756,972	\$ 1,125,843	\$ 1,124,417	\$ 11,104,486	\$ 7,817,550
Receivables	-	162,520	958,629	799,007	88,553	61,734
Due from other funds	-	831	214,447	8,563	1,355,143	-
Stores inventories	-	-	-	95,472	-	-
Total assets	\$ 1,061,293	\$ 1,920,323	\$ 2,298,919	\$ 2,027,459	\$ 12,548,182	\$ 7,879,284
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ 16,757	\$ 27,478	\$ 50,173	\$ -	\$ 41,630
Due to other funds	-	115,446	722,389	415,108	-	-
Unearned revenue	-	-	400,323	3,063	-	-
Total liabilities	-	132,203	1,150,190	468,344	-	41,630
Fund Balances						
Nonspendable	-	-	230	96,472	-	-
Restricted	1,061,293	196,544	1,148,499	1,462,643	-	7,837,654
Committed	-	1,591,576	-	-	12,548,182	-
Assigned	-	-	-	-	-	-
Total fund balances	1,061,293	1,788,120	1,148,729	1,559,115	12,548,182	7,837,654
Total liabilities and fund balances	\$ 1,061,293	\$ 1,920,323	\$ 2,298,919	\$ 2,027,459	\$ 12,548,182	\$ 7,879,284

South San Francisco Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
Year Ended June 30, 2023

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Assets					
Deposits and investments	\$ 7	\$ 1,691,024	\$ 14,771,337	\$ 86,733	\$ 40,539,662
Receivables	2,217	16,117	92,535	-	2,181,312
Due from other funds	-	2,769,000	-	-	4,347,984
Stores inventories	-	-	-	-	95,472
Total assets	\$ 2,224	\$ 4,476,141	\$ 14,863,872	\$ 86,733	\$ 47,164,430
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 736,192	\$ -	\$ -	\$ 872,230
Due to other funds	2,218	20,496	-	-	1,275,657
Unearned revenue	-	-	-	-	403,386
Total liabilities	2,218	756,688	-	-	2,551,273
Fund Balances					
Nonspendable	-	-	-	-	96,702
Restricted	6	-	14,863,872	86,733	26,657,244
Committed	-	-	-	-	14,139,758
Assigned	-	3,719,453	-	-	3,719,453
Total fund balances	6	3,719,453	14,863,872	86,733	44,613,157
Total liabilities and fund balances	\$ 2,224	\$ 4,476,141	\$ 14,863,872	\$ 86,733	\$ 47,164,430

South San Francisco Unified School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2023

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Revenues						
Local Control Funding Formula	\$ -	\$ -	\$ -	\$ -	\$ 1,342,944	\$ -
Federal sources	-	200,210	386,223	2,416,081	-	-
Other State sources	-	1,286,775	1,265,178	2,423,085	-	-
Other local sources	1,422,990	77,674	2,313,404	246,680	214,664	463,948
Total revenues	1,422,990	1,564,659	3,964,805	5,085,846	1,557,608	463,948
Expenditures						
Current						
Instruction	-	531,645	2,734,779	-	-	-
Instruction-related activities						
Supervision of instruction	-	148,383	-	-	-	-
School site administration	-	514,784	971,778	-	-	-
Pupil services						
Food services	-	-	-	4,449,801	-	-
Administration						
All other administration	-	39,348	132,280	111,277	-	-
Plant services	-	150,260	110,946	-	6,960	54,674
Ancillary services	1,272,568	-	-	-	-	-
Other outgo	-	-	-	-	-	-
Facility acquisition and construction	-	-	-	-	1,246,220	-
Debt service						
Principal	-	-	-	-	-	-
Interest and other	-	-	-	-	-	-
Total expenditures	1,272,568	1,384,420	3,949,783	4,561,078	1,253,180	54,674
Excess (Deficiency) of Revenues Over Expenditures	150,422	180,239	15,022	524,768	304,428	409,274
Other Financing Sources (Uses)						
Transfers in	-	-	213,833	-	-	-
Other sources - premium on issuance of general obligation bonds						
obligation bonds	-	-	-	-	-	-
Transfers out	-	-	(13,301)	-	-	-
Net Financing Sources (Uses)	-	-	200,532	-	-	-
Net Change in Fund Balances	150,422	180,239	215,554	524,768	304,428	409,274
Fund Balance - Beginning	910,871	1,607,881	933,175	1,034,347	12,243,754	7,428,380
Fund Balance - Ending	\$ 1,061,293	\$ 1,788,120	\$ 1,148,729	\$ 1,559,115	\$ 12,548,182	\$ 7,837,654

South San Francisco Unified School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2023

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Revenues					
Local Control Funding Formula	\$ -	\$ -	\$ -	\$ -	\$ 1,342,944
Federal sources	-	-	341	-	3,002,855
Other State sources	1,898,945	-	26,234	-	6,900,217
Other local sources	144,671	166,213	11,257,506	5,492	16,313,242
	<u>2,043,616</u>	<u>166,213</u>	<u>11,284,081</u>	<u>5,492</u>	<u>27,559,258</u>
Expenditures					
Current					
Instruction	-	-	-	-	3,266,424
Instruction-related activities					
Supervision of instruction	-	-	-	-	148,383
School site administration	-	-	-	-	1,486,562
Pupil services					
Food services	-	-	-	-	4,449,801
Administration					
All other administration	-	-	-	-	282,905
Plant services	-	577,420	-	-	900,260
Ancillary services	-	-	-	-	1,272,568
Other outgo	-	-	-	1,875	1,875
Facility acquisition and construction	-	3,182,312	-	-	4,428,532
Debt service					
Principal	-	-	1,050,000	4,225,000	5,275,000
Interest and other	-	-	4,860,345	340,069	5,200,414
	<u>-</u>	<u>3,759,732</u>	<u>5,910,345</u>	<u>4,566,944</u>	<u>26,712,724</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,043,616</u>	<u>(3,593,519)</u>	<u>5,373,736</u>	<u>(4,561,452)</u>	<u>846,534</u>
Other Financing Sources (Uses)					
Transfers in	-	2,769,000	-	4,562,983	7,545,816
Other sources - premium on issuance of general obligation bonds					
obligation bonds	-	-	5,609,489	-	5,609,489
Transfers out	(1,913,874)	-	(4,562,983)	-	(6,490,158)
Net Financing Sources (Uses)	<u>(1,913,874)</u>	<u>2,769,000</u>	<u>1,046,506</u>	<u>4,562,983</u>	<u>6,665,147</u>
Net Change in Fund Balances	129,742	(824,519)	6,420,242	1,531	7,511,681
Fund Balance - Beginning	(129,736)	4,543,972	8,443,630	85,202	37,101,476
Fund Balance - Ending	<u>\$ 6</u>	<u>\$ 3,719,453</u>	<u>\$ 14,863,872</u>	<u>\$ 86,733</u>	<u>\$ 44,613,157</u>

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

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

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

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

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of COVID-19 Child Development: ARP California State Preschool Program – Rate Supplements and COVID-19 Supply Chain Assistance (SCA) funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2023. These unspent balances are reported as legally restricted ending balances within the Child Development Fund and Cafeteria Fund, respectively.

	<u>Federal Financial Assistance Listing Number</u>	<u>Amount</u>
Total Federal Revenues reported on the financial statements		\$ 10,826,311
COVID-19 Child Development: ARP California State Preschool Program - Rate Supplements	93.575	(120,324)
COVID-19 Supply Chain Assistance (SCA) Funds	10.555	(247,490)
Total Federal Financial Assistance		<u>\$ 10,458,497</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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



Independent Auditor's Reports
June 30, 2023

**South San Francisco
Unified School District**



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

To the Governing Board
South San Francisco Unified School District
South San Francisco, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South San Francisco Unified School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 9, 2023.

Adoption of New Accounting Standard

As discussed in Notes 1 and 18 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 9, 2023.

Purpose of this Report

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

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

Rancho Cucamonga, California
December 9, 2023



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

To the Governing Board
South San Francisco Unified School District
South San Francisco, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South San Francisco Unified School District’s (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2023. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

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

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

Rancho Cucamonga, California
December 9, 2023



Independent Auditor's Report on State Compliance

To the Governing Board
South San Francisco Unified School District
South San Francisco, California

Report on Compliance

Opinion on State Compliance

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

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

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

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

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

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

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

We did not perform Independent Study procedures because the Independent Study ADA was below the level that requires testing.

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

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

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

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

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

We did not perform procedures for the After/Before School Education and Safety Program because the District did not offer the program.

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

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

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

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

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 on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

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 *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.

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

Rancho Cucamonga, California
December 9, 2023



Schedule of Findings and Questioned Costs
June 30, 2023

**South San Francisco
Unified School District**

Financial Statements

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

Federal Awards

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

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing Number</u>
Special Education Cluster	84.027, 84.027A, 84.173, 84.173A
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U
COVID-19 Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D
COVID-19 Expanded Learning Opportunities (ELO) Grant GEER II	84.425C
COVID-19 Expanded Learning Opportunities (ELO) Grant ESSER III State Reserve, Learning Loss	84.425U
COVID-19 American Rescue Plan - Homeless Children and Youth II (ARP HYC II)	84.425W
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

State Compliance

Internal control over state compliance program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for programs	Unmodified

None reported.

None reported.

None reported.

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

Financial Statements Findings

2022-001 30000 – Internal Control over Financial Reporting (Material Weakness)

Criteria or Specific Requirements

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

Condition

During the course of our engagement, we identified certain material misstatements of balances within the District's 2021-2022 unaudited actuals financial report. Through review of supporting records, we noted that the District's beginning net position of the governmental activities and beginning fund balance of the General Fund were overstated as a result of overstatement of accounts receivable of \$2,341,813. This misstatement was caused by an error, which has been detailed in Note 19. In addition, we also noted that the ending net position and ending fund balances in the governmental funds were overstated as a result of fair market value adjustments to cash in county of \$3,199,791. This misstatement was caused by an error, which has been detailed in the Supplementary Information in the Reconciliation of Annual Financial and Budget Report with Audited Financial Statements schedule.

Cause

The cause of the condition identified appears to be due to inadequate review processes related to the preparation of the District's year-end financial statements, which includes the related conversion entries in preparation of the government-wide financial statements.

Effect

Due to the condition identified, the District's prior period ending net position and the prior period ending fund balance of the General Fund were overstated by \$2,341,813. In addition, the ending net position and governmental fund balances were overstated by \$3,199,791, as detailed in the Supplementary Information in the Reconciliation of Annual Financial and Budget Report with Audited Financial Statements schedule. The net effect of these errors resulted in misstatements that were not detected or prevented by the District's internal accounting control and review process.

Questioned Costs

There were no questioned costs associated with this condition.

Context

The condition was identified through review of available District records related to the financial account balances in the Governmental Funds.

Recommendation

A thorough review of the District's financial statements, including all adjusting entries, reclassifying entries, and conversion entries should take place before the financial statements are finalized by the District's business department.

Current Status

Implemented.

Federal Awards Findings

2022-002 50000 – COVID-19 Emergency Connectivity Fund Program – Equipment and Special Tests and Provisions (Material Weakness, Noncompliance)

Federal Program Affected

Program Name: COVID-19 Emergency Connectivity Fund Program
Assistance Listing Number: 32.009
Pass-Through Entity: N/A – Direct Award
Federal Agency: Federal Communications Commission

Criteria or Specific Requirements

In accordance with Federal Communications Commission (FCC) Report and Order 21-58 paragraphs 116-118, COVID-19 Emergency Connectivity Fund (ECF) Program participants are required to maintain asset and service inventories of the devices and services purchased with ECF Program support. Asset inventories are required to contain the following elements: (a) device type, (b) device make/model, (c) equipment serial number, (d) the name of the person to whom the device was provided, and (e) the dates the device was loaned out and returned to the school. The asset inventory for devices not provided to individual students or school staff, but used to provide service to multiple eligible users must include the following information: (a) device type, (b) device make/model, (c) equipment serial number,

(d) the name of the school or library employee responsible for that device, and (e) the dates the device was in service. Service records must include (a) type of service provided, (b) broadband plan details, including: upload and download speeds and monthly data cap, (c) the name(s) of the person(s) to whom the service was provided, and for fixed broadband service; (d) the service address, and (e) the installation date of service, and (f) the last date of service (as applicable).

In accordance with FCC Report and Order 21-58 paragraph 5, ECF Program support shall be used by schools to meet the otherwise unmet connectivity needs of students and school staff during the COVID-19 pandemic. In accordance with FCC Report and Order 21-58 paragraph 54, ECF Program support shall not be used to fund more than one connected device and more than one Wi-Fi hotspot per students or school staff member during the COVID-19 emergency period.

Condition

The District did not maintain adequate asset or service inventories for Wi-Fi hotspots purchased using ECF support, as inventory records are not up-to-date and do not contain all of the aforementioned required elements. In addition, the District did not maintain adequate documentation to substantiate unmet need and per-user limitations.

Cause

Due to the time-sensitive need to maintain connectivity for student learning, the District did not prioritize adequate record-keeping in accordance with program requirements.

Effect

The District is not in compliance with the Equipment or Restricted Purpose Special Tests for the ECF Program.

Questioned Costs

Due to lack of records to substantiate the unmet need, which was the primary goal of the program, we identify the entire program reimbursement of \$377,062 as questioned costs.

Context

The condition was identified through inquiries with District management and review of program records.

Recommendation

The District should ensure that program requirements are reviewed and adequate controls over compliance are in place prior to commencing program activities under new federal programs.

Current Status

Implemented.



Management
South San Francisco Unified School District
South San Francisco, California

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

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 9, 2023 on the government-wide financial statements of the District.

Associated Student Body (ASB)

Parkway Heights Middle School

Observation

Based on the review of the cash receipting procedures, it was noted that both deposits tested were not deposited in a timely manner. The delay in deposits ranged from approximately 23 to 26 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

El Camino High School

Observations

1. Based on the review of the cash receipting procedures, it was noted that two of five deposits tested were not deposited in a timely manner. The delay in deposits ranged from approximately 10 to 16 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Based on the review of the disbursement procedures, it was noted that 14 of 25 disbursements were made without explicit receiving documentation for goods being ordered.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.

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

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

Rancho Cucamonga, California
December 9, 2023