BERRYESSA UNION SCHOOL DISTRICT

SANTA CLARA COUNTY

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2019

BERRYESSA UNION SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2019
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SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT

Board of Education
Berryessa Union School District
San Jose, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Berryessa Union School District, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Berryessa Union School District, as of June 30, 2019, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA, EA

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Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 64 to 69 and the schedule of expenditures of federal awards on page 70 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 63 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 22, 2019, 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 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 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.

Nigro & Nigro, PC

Murrieta, California
November 22, 2019

This discussion and analysis of Berryessa Union School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status decreased overall as a result of this year's operations. Net position of governmental activities decreased by $12.2 million due primarily to increases in the net pension liability and spending down bond funds.
- Governmental expenses were about $96.9 million. Revenues were about $84.7 million.
- The District acquired approximately $13.5 million in new capital assets during the year.
- The District decreased its outstanding long-term debt by $2.2 million. This was primarily due to paying down the general obligation bonds outstanding.
- Grades K-8 average daily attendance (ADA) decreased by 122.
- Governmental funds decreased by $17.8 million, or 23.4%.
- Reserves for the General Fund decreased by $5.0 million, or 30.5%.

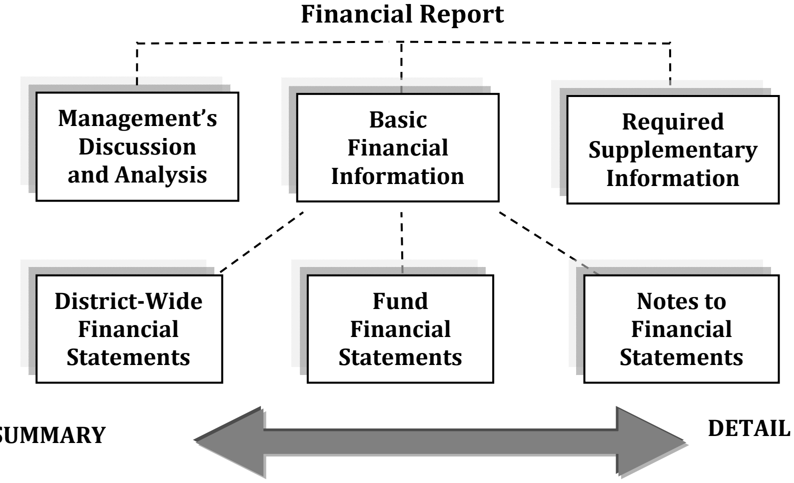
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Berryessa Union School District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Fiduciary Net Position • Statement of Changes in Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements
The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.

- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

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

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that is properly using certain revenues.

The District has two kinds of funds:

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

2) ***Fiduciary funds*** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds and retiree benefits fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2019, than it was the year before – decreasing 43.7% to $(40.1) million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2019	**2018**	
Assets			
Current assets	$ 62,199,155	$ 79,695,229	$ (17,496,074)
Capital assets	121,108,583	113,827,912	7,280,671
Total assets	183,307,738	193,523,141	(10,215,403)
Deferred outflows of resources	24,259,935	23,298,130	961,805
Liabilities			
Current liabilities	5,234,469	5,193,892	40,577
Long-term liabilities	152,459,014	154,609,187	(2,150,173)
Net pension liability	82,206,806	76,798,973	5,407,833
Total liabilities	239,900,289	236,602,052	3,298,237
Deferred inflows of resources	7,719,346	8,081,742	(362,396)
Net position			
Net investment in capital assets	43,796,820	42,481,719	1,315,101
Restricted	23,857,421	13,757,421	10,100,000
Unrestricted	(107,706,203)	(84,101,663)	(23,604,540)
Total net position	$ (40,051,962)	$ (27,862,523)	$ (12,189,439)

Changes in net position, governmental activities. The District's total revenues increased 1.3% to $84.7 million (See Table A-2). The increase is due primarily to increases in operating grants.

The total cost of all programs and services increased 7.0% to $96.9 million. The District's expenses are predominantly related to educating and caring for students, 78.9%. The purely administrative activities of the District accounted for just 8.9% of total costs. A significant contributor to the increase in costs was negotiated salary increases.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2019	**2018**	
Revenues			
Program Revenues:			
Charges for services	$ 1,245,123	$ 1,105,236	$ 139,887
Operating grants and contributions	10,639,003	9,037,709	1,601,294
General Revenues:			
Property taxes	42,920,451	44,929,190	(2,008,739)
Federal and state aid not restricted	26,850,246	25,965,195	885,051
Other general revenues	3,094,536	2,659,593	434,943
Total Revenues	84,749,359	83,696,923	1,052,436
Expenses			
Instruction-related	67,778,640	64,603,523	3,175,117
Pupil services	8,746,004	8,205,799	540,205
Administration	8,606,457	5,823,950	2,782,507
Plant services	7,322,387	7,037,195	285,192
All other activities	4,485,310	4,966,479	(481,169)
Total Expenses	96,938,798	90,636,946	6,301,852
Increase (decrease) in net position	(12,189,439)	(6,940,023)	$ (5,249,416)
Total Net Position	$ (40,051,962)	$ (27,862,523)	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $58.3 million, which is below last year's ending fund balance of $76.1 million. The primary cause of the decreased fund balance is spending down bond funds for ongoing capital projects.

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2018	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2019
Fund					
General Fund	$ 18,491,459	$ 79,806,896	$ 80,560,481	$ (759,851)	$ 16,978,023
Cafeteria Fund	-	2,717,509	2,870,350	229,851	77,010
Deferred Maintenance Fund	737,870	113,399	102,659	-	748,610
Special Reserve Fund (Other Than Capital Outlay)	2,511,650	51,142	-	-	2,562,792
Special Reserve Fund (Postemployment Benefits)	2,483,198	49,382	-	-	2,532,580
Building Fund	25,142,429	406,949	12,016,195	-	13,533,183
Capital Facilities Fund	2,273,528	1,105,762	266,744	-	3,112,546
Special Reserve Fund (Capital Outlay)	16,204,167	390,968	2,500,413	1,291,978	15,386,700
Bond Interest and Redemption Fund	8,254,230	3,234,047	8,095,589	-	3,392,688
	$ 76,098,531	$ 87,876,054	$ 106,412,431	$ 761,978	$ 58,324,132

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by $1.0 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased $82,311 due to negotiated salary increases.
- Other non-personnel expenses – increased $3.9 million to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $7.5 million, the actual results for the year show that expenditures exceeded revenues by roughly $0.8 million. Actual revenues were $4.4 million more than anticipated, and expenditures were $2.3 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2019, that will be carried over into the 2019-20 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018-19 the District had invested $13.5 million in new capital assets. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded $6.2 million.

Table A-4: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance Increase (Decrease)
	2019	2018	
Land	$ 2,523,593	$ 2,523,593	$ -
Improvement of sites	38,823,875	41,073,680	(2,249,805)
Buildings	51,959,579	49,016,686	2,942,893
Equipment	3,994,840	2,522,678	1,472,162
Construction in progress	23,806,696	18,691,275	5,115,421
Total	$ 121,108,583	$ 113,827,912	$ 7,280,671

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had $152.5 million in general obligation bonds, energy conservation loans, capital leases, qualified school zone bonds, and employment benefits – a decrease of 1.4% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance Increase
	2019	2018	(Decrease)
General obligation bonds	$ 99,897,793	$ 103,849,461	$ (3,951,668)
Energy conservation assistance loan	848,134	-	848,134.00
Capital leases	86,039	124,585	(38,546)
QZABs	4,370,052	4,836,550	(466,498)
Other postemployment benefits	47,078,757	45,561,746	1,517,011
Compensated absences	178,239	236,845	(58,606)
Total	$ 152,459,014	$ 154,609,187	$ (2,150,173)

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature passed the final budget package on June 13, 2019. The Governor signed the *2019-20 Budget Act* and 15 other budget-related bills on June 27, 2019.

Major Features of the 2019-20 Spending Plan

Makes $5.9 Billion in Additional Unfunded Liability Payments

Teachers, administrators, and other certificated employees of school districts earn pension benefits from the California State Teachers' Retirement System (CalSTRS). Other school district employees, such as clerical staff, also earn pension benefits administered by California Public Employees' Retirement System (CalPERS). The state and school districts each have full responsibility for their respective CalPERS' unfunded liabilities associated with their own employees. In the case of CalSTRS, the state and school districts share responsibility for the system's total unfunded liability (about one-third is the responsibility of the state and two-thirds of the districts).

The spending plan allocates $5.9 billion General Fund to pay down unfunded pension liabilities on behalf of both the state and school districts (some of which is counted toward the state's Proposition 2 debt payment requirements). In particular, the spending plan dedicates:

- ***$3.6 Billion to Address State's Unfunded Liabilities.*** The spending plan uses $2.5 billion in General Fund monies to pay down the state's CalPERS unfunded liability. The spending plan also devotes $1.1 billion General Fund to reduce the state's share of the CalSTRS unfunded liability, as part of the state's Proposition 2 debt payment requirements.
- ***$2.3 Billion to Address School Districts' Unfunded Liabilities.*** The spending plan also devotes $1.6 billion General Fund to reduce the school districts' share of the CalSTRS unfunded liability and $660 million General Fund to address the school districts' CalPERS unfunded liability.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-14 Education

Provides a Few Notable Ongoing Proposition 98 Augmentations
Under the spending plan, Proposition 98 funding for 2019-20 increases $2.9 billion (3.7 percent) from the revised 2018-19 level. The spending plan devotes the largest share of this increase—$2 billion—to school districts to cover changes in student attendance and provide a 3.26 percent cost-of-living adjustment (COLA) for the Local Control Funding Formula (general purpose per-student funding). The budget also provides two augmentations related to special education: (1) $493 million for school districts based on the number of three- and four-year old children identified with disabilities affecting their education and (2) $153 million for special education agencies with average or below average per-pupil funding rates.

Pays a Portion of Districts' Pension Costs for the Next Two Years
The spending plan also provides additional monies to school districts outside of the Proposition 98 funding requirement by paying a portion of districts' pension costs for the next two years. School districts' pension contribution rates for both CalPERS and CalSTRS have been rising and are set to continue increasing for at least the next few years. For CalSTRS, the budget provides $606 million for the state to pay a portion of districts' costs (reducing district contribution rates by about 1 percent of payroll in 2019-20 and 2020-21). Similarly, the budget provides $244 million for the state to cover a portion of districts' CalPERS costs (reducing district rates by about 1 percent of payroll in 2019-20 and 2020-21). Although district pension rates will continue to rise, the increases will be slower than previously projected.

All of these factors were considered in preparing the Berryessa Union School District budget for the 2019-20 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Services Department at the Berryessa Union School District, 1376 Piedmont Road, San Jose, California, 95132.

BERRYESSA UNION SCHOOL DISTRICT
Statement of Net Position
June 30, 2019

	Total Governmental Activities
ASSETS	
Cash	$ 58,850,107
Accounts receivable	3,105,872
Inventories	131,453
Prepaid expenses	111,723
Non-depreciable assets	26,330,289
Depreciable assets	183,016,041
Less, accumulated depreciation	(88,237,747)
Total assets	183,307,738
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	22,210,888
Deferred outflows related to OPEB	2,049,047
Total deferred outflows of resources	24,259,935
LIABILITIES	
Accounts payable	5,135,905
Unearned revenue	98,564
Long-term liabilities other than pensions:	
Due or payable within one year	2,208,914
Due or payable after one year	150,250,100
Net pension liability	82,206,806
Total liabilities	239,900,289
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	3,184,459
Deferred inflows related to OPEB	4,534,887
Total deferred inflows of resources	7,719,346
NET POSITION	
Net investment in capital assets	43,796,820
Restricted for:	
Capital projects	18,499,246
Debt service	3,392,688
Categorical programs	1,965,487
Unrestricted	(107,706,203)
Total net position	$ (40,051,962)

BERRYESSA UNION SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Instructional Services:				
Instruction	$ 56,384,427	$ -	$ 6,309,577	$ (50,074,850)
Instruction-Related Services:				
Supervision of instruction	3,174,051	-	532,202	(2,641,849)
Instructional library, media and technology	865,131	-	16,302	(848,829)
School site administration	7,355,031	-	270,968	(7,084,063)
Pupil Support Services:				
Home-to-school transportation	998,644	-	-	(998,644)
Food services	3,160,291	1,171,964	1,340,312	(648,015)
All other pupil services	4,587,069	-	555,400	(4,031,669)
General Administration Services:				
Data processing services	1,326,623	-	274	(1,326,349)
Other general administration	7,279,834	50,863	243,355	(6,985,616)
Plant Services	7,322,387	21,867	56,200	(7,244,320)
Ancillary Services	21,249	-	824	(20,425)
Enterprise Activities	10,153	-	139	(10,014)
Interest on Long-Term Debt	2,953,975	-	-	(2,953,975)
Other Outgo	1,499,933	429	1,313,450	(186,054)
Total Governmental Activities	$ 96,938,798	$ 1,245,123	$ 10,639,003	(85,054,672)

General Revenues:	
Property taxes	42,920,451
Federal and state aid not restricted to specific purpose	26,850,246
Interest and investment earnings	33,429
Miscellaneous	3,061,107
Total general revenues	72,865,233
Change in net position	(12,189,439)
Net position - July 1, 2018	(27,862,523)
Net position - June 30, 2019	$ (40,051,962)

BERRYESSA UNION SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2019

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 22,436,149	$ 14,897,577	$ 14,942,593	$ 6,573,788	$ 58,850,107
Accounts receivable	2,717,118	90,711	82,930	215,113	3,105,872
Due from other funds	457,414	-	530,000	232,197	1,219,611
Inventories	64,443	-	-	67,010	131,453
Prepaid expenditures	111,723	-	-	-	111,723
Total Assets	$ 25,786,847	$ 14,988,288	$ 15,555,523	$ 7,088,108	$ 63,418,766
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 2,104,081	$ 1,452,190	$ 168,823	$ 51,365	$ 3,776,459
Due to other funds	762,197	2,915	-	454,499	1,219,611
Unearned revenue	98,564	-	-	-	98,564
Total Liabilities	2,964,842	1,455,105	168,823	505,864	5,094,634
Fund Balances					
Nonspendable	201,166	-	-	77,010	278,176
Restricted	1,888,477	13,533,183	15,386,700	6,505,234	37,313,594
Assigned	9,257,273	-	-	-	9,257,273
Unassigned	11,475,089	-	-	-	11,475,089
Total Fund Balances	22,822,005	13,533,183	15,386,700	6,582,244	58,324,132
Total Liabilities and Fund Balances	$ 25,786,847	$ 14,988,288	$ 15,555,523	$ 7,088,108	$ 63,418,766

BERRYESSA UNION SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Total fund balances - governmental funds			$ 58,324,132
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:			
	Capital assets, at historical cost	$ 209,346,330	
	Accumulated depreciation	(88,237,747)	121,108,583
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The net OPEB liability at the end of the period was:			(47,078,757)
In governmental funds, deferred outflows and inflows of resources relating to pensions and other postemployment benefits (OPEB) are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows related to pensions and OPEB are reported. The combined deferred inflows and outflows for the period were:			
	Deferred outflows of resources	24,259,935	
	Deferred inflows of resources	(7,719,346)	16,540,589
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.			(82,206,806)
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
	General obligation bonds payable	99,897,793	
	Energy conservation loan payable	848,134	
	Capital leases payable	86,039	
	Compensated absences payable	178,239	
	QZAB payable	4,370,052	(105,380,257)
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(1,359,446)
Total net position - governmental activities			$ (40,051,962)

BERRYESSA UNION SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 62,133,120	$ -	$ -	$ -	$ 62,133,120
Federal sources	2,763,402	-	-	1,271,086	4,034,488
Other state sources	10,248,966	2,900	-	159,435	10,411,301
Other local sources	4,875,331	404,049	390,968	5,626,797	11,297,145
Total Revenues	80,020,819	406,949	390,968	7,057,318	87,876,054
EXPENDITURES					
Current:					
Instruction	52,015,826	-	-	-	52,015,826
Instruction-related services:					
Supervision of instruction	2,950,052	-	-	-	2,950,052
Instructional library, media and technology	768,967	-	-	-	768,967
School site administration	6,718,483	-	-	-	6,718,483
Pupil support services:					
Home-to-school transportation	857,670	-	-	-	857,670
Food services	-	-	-	2,715,951	2,715,951
All other pupil services	4,636,277	-	-	-	4,636,277
Ancillary services	21,878	-	-	-	21,878
Enterprise Activities	2,587	-	-	-	2,587
General administration services:					
Data processing services	1,157,636	-	-	-	1,157,636
Other general administration	4,926,202	-	-	20,174	4,946,376
Plant services	6,093,506	4,297	6,104	59,931	6,163,838
Transfers of indirect costs	(107,978)	-	-	107,978	-
Capital Outlay	88,547	12,011,898	1,976,673	233,060	14,310,178
Intergovernmental	482,140	-	-	-	482,140
Debt Service:					
Principal	38,546	-	466,498	4,955,000	5,460,044
Interest	12,801	-	51,138	3,140,589	3,204,528
Total Expenditures	80,663,140	12,016,195	2,500,413	11,232,683	106,412,431
Excess (Deficiency) of Revenues Over (Under) Expenditures	(642,321)	(11,609,246)	(2,109,445)	(4,175,365)	(18,536,377)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	-	-	530,000	229,851	759,851
Interfund transfers out	(759,851)	-	-	-	(759,851)
All other financing sources	-	-	761,978	-	761,978
Total Other Financing Sources and Uses	(759,851)	-	1,291,978	229,851	761,978
Net Change in Fund Balances	(1,402,172)	(11,609,246)	(817,467)	(3,945,514)	(17,774,399)
Fund Balances, July 1, 2018	24,224,177	25,142,429	16,204,167	10,527,758	76,098,531
Fund Balances, June 30, 2019	$ 22,822,005	$ 13,533,183	$ 15,386,700	$ 6,582,244	$ 58,324,132

BERRYESSA UNION SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2019

Total net change in fund balances - governmental funds		$ (17,774,399)
Amounts reported for governmental *activities* in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay, governmental funds	13,546,933	
Depreciation expense	(6,266,262)	
Net:		7,280,671
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		5,460,044
The issuance of long-term debt is reported in the governmental funds as a source of financing, but in the government-wide statements it is not reported in the statement of activities, but rather as a long-term liability in the statement of net position. Debt issued, net of issuance premiums, during the period was:		(848,134)
Accreted interest on capital appreciation bonds is not recognized as an expenditure in the fund financial statements. However, it is accrued as an expense in the government-wide financial statements in the period that the interest accretes. Accreted interest earned exceeded the amount paid during the year by:		(1,186,964)
In governmental funds, other postenployment benefit (OPEB) costs are recognized when employer contributions are made, in the statement of activities, OPEB costs are recognized on the accrual basis. This year the difference between the accrual basis OPEB costs and actual employer contributions was:		(2,299,156)
In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized over the life of the debt. Amortization of the premium for the period is:		183,632
In governmental funds, pension costs are recognized when employer contributions are made, in the statement of activities, pension costs are recognized on the accrual basis. This year the difference between the accrual basis pension costs and actual employer contributions was:		(3,301,491)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		237,752
In the statement of activities, compensated absences 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 year vacation leave earned exceeded the amounts used by:		58,606
Change in net position of governmental activities		$ (12,189,439)

BERRYESSA UNION SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2019

	Agency Funds		Trust Funds		
	Student Body Funds		Scholarship Fund		Total
ASSETS					
Cash	$ 114,744		$ 5,957		$ 120,701
Accounts receivable	-		33		33
Total Assets	$ 114,744		5,990		120,734
LIABILITIES					
Due to student groups	$ 114,744		-		114,744
Total Liabilities	$ 114,744		-		114,744
NET POSITION					
Restricted for student scholarships			5,990		5,990
Total Net Position			$ 5,990		$ 5,990

BERRYESSA UNION SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2019

	Trust Funds
	Scholarship Fund
ADDITIONS	
Interest	$ 119
Net increase (decrease) in net position	119
Net Position - July 1, 2018	5,871
Net Position - June 30, 2019	$ 5,990

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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, and agencies that are not legally separate from the District. For Berryessa Union School District, this includes general operations, food service, and student related activities of the District.

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 are 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.

The District has identified no organizations that are required to be reported as component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements
The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds (and blended component units). Separate statements for each fund category - *governmental* and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fund Financial Statements (continued)
Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds
The District maintains the following major governmental funds:

General Fund: This is the chief operating fund for the District. 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. The District also maintains a Deferred Maintenance Fund, Special Reserve Fund for Other Than Capital Outlay Projects, and a Special Reserve Fund for Postemployment Benefits which do not currently meet the definition of a special revenue fund as they are not primarily composed of restricted or committed revenue sources. Because these funds do not meet the definition of a special revenue fund under GASB 54, the activity in the funds are being reported within the General Fund.

Building Fund: This 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.

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 21, 25, 30, 35, or 49.

Non-Major Governmental Funds
The District maintains the following non-major governmental funds:

Special Revenue Funds: Special revenue funds are established 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.

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090 and 38093).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Projects Funds: Capital projects funds are established 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: This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* sections 17620-17626 and *Government Code* Section 65995 et seq.).

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code* sections 15125-15262).

Fiduciary Funds
Fiduciary funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District maintains the following fiduciary funds:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not.

Scholarship Fund: This fund may be used to report formal arrangements under which principal and interest benefit other individuals, private organizations, or other governments. This fund was established to account for funds received and held with the purpose of providing scholarships.

2. Measurement Focus, Basis of Accounting
The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The agency fund has no measurement focus and utilizes the accrual basis of accounting for reporting its assets and liabilities.

3. 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. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. 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 requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

C. Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the Board of Education to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District Board of Education satisfied these requirements. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data (continued)

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. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

D. Encumbrances

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

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	5-40 years
Furniture and Equipment	5-40 years
Vehicles	5-40 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

4. Unearned Revenue
Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

5. Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

6. Compensated Absences
The liability for compensated absences reported in the government-wide statements consists of unpaid and accumulated annual balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. 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 District Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

8. 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 District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition 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. Investments are reported at fair value.

9. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets -** This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted -** This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position -** This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Minimum Fund Balance Policy

The District has not adopted a formal minimum fund balance policy, as recommended by GASB Statement No. 54; however, the District follows the guidelines recommended in the Criteria and Standards of Assembly Bill (AB) 1200, which recommend a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of total General Fund expenditures and other financing uses.

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 Board of Education has provided otherwise in its commitment or assignment actions.

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

I. New GASB Pronouncements
During the 2018-19 fiscal year, the following GASB Pronouncements became effective:

1. In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

   This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

   The District has implemented the provisions of this Statement as of June 30, 2019.

2. In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

   This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

   This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. (continued)
For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

J. Future Accounting Pronouncements
Other GASB pronouncements, which will be effective in future periods, are as follows:

1. In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

   This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

2. In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

3. In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

   This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

   This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

4. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

   For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

4. (continued)
This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

5. In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements – often characterized as leases – that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.

Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

NOTE 2 – CASH

Cash at June 30, 2019, are reported at fair value and consisted of the following:

	Governmental Activities	
	Governmental Funds	Fiduciary Funds
Pooled Funds:		
Cash in county treasury	$ 58,808,520	$ 5,957
Deposits:		
Cash on hand and in banks	6,587	114,744
Cash in revolving fund	35,000	-
Total Deposits	41,587	114,744
Total Cash	$ 58,850,107	$ 120,701

Pooled Funds
In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2019, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits
Custodial credit risk 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. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

NOTE 2 – CASH (continued)

As of June 30, 2019, none of the District's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

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 date 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.

Uncategorized – Investments in the Santa Clara County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019, consisted of the following:

	Governmental Funds					
	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total	Scholarship Fund
Federal Government:						
Categorical aid programs	$ 1,681,098	$ -	$ -	$ 167,465	$ 1,848,563	$ -
State Government:						
Lottery	315,777	-	-	-	315,777	-
Special education	88,892	-	-	-	88,892	-
Categorical aid programs	288,135	-	-	11,416	299,551	-
Local:						
Interest	139,066	90,711	82,930	29,768	342,475	33
Other local	204,150	-	-	6,464	210,614	-
Total	$ 2,717,118	$ 90,711	$ 82,930	$ 215,113	$ 3,105,872	$ 33

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2019, consisted of the following:

General Fund due to Cafeteria Fund for nutrition bad debt and operating expenses	$ 232,197
General Fund due to Special Reserve Fund for Capital Outlay Projects to support debt payments	530,000
Cafeteria Fund due to General Fund for indirect costs and repayment of temporary loan, and retiree costs	453,555
Building Fund due to General Fund for expenditure reimbursements and retiree costs	2,915
Capital Facilities Fund due to General Fund for expenditure reimbursements	944
	$ 1,219,611

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2019, consisted of the following:

General Fund transfer to Cafeteria Fund for program contribution and cash flow	$ 229,851
General Fund transfer to Special Reserve Fund for Capital Outlay Projects to support debt payments	530,000
Total	$ 759,851

NOTE 5 – FUND BALANCES

At June 30, 2019, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	$ 25,000	$ -	$ -	$ 10,000	$ 35,000
Stores inventories	64,443	-	-	67,010	131,453
Prepaid expenditures	111,723	-	-	-	111,723
Total Nonspendable	201,166	-	-	77,010	278,176
Restricted:					
Categorical programs	1,888,477	-	-	-	1,888,477
Capital projects	-	13,533,183	15,386,700	3,112,546	32,032,429
Debt service	-	-	-	3,392,688	3,392,688
Total Restricted	1,888,477	13,533,183	15,386,700	6,505,234	37,313,594
Assigned:					
Other assignments	5,976,083	-	-	-	5,976,083
Deferred maintenance program	748,610	-	-	-	748,610
Postemployment benefits	2,532,580	-	-	-	2,532,580
Total Assigned	9,257,273	-	-	-	9,257,273
Unassigned:					
Reserve for economic uncertainties	2,502,044	-	-	-	2,502,044
Remaining unassigned balances	8,973,045	-	-	-	8,973,045
Total Unassigned	11,475,089	-	-	-	11,475,089
Total	$ 22,822,005	$ 13,533,183	$ 15,386,700	$ 6,582,244	$ 58,324,132

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance, July 1, 2018	Additions	Retirements	Balance, June 30, 2019
Capital assets not being depreciated:				
Land	$ 2,523,593	$ -	$ -	$ 2,523,593
Construction in progress	18,691,275	5,277,428	162,007	23,806,696
Total capital assets not being depreciated	21,214,868	5,277,428	162,007	26,330,289
Capital assets being depreciated:				
Improvement of sites	59,585,934	273,017	-	59,858,951
Buildings	110,342,350	6,438,334	-	116,780,684
Equipment	4,656,245	1,720,161	-	6,376,406
Total capital assets being depreciated	174,584,529	8,431,512	-	183,016,041
Accumulated depreciation for:				
Improvement of sites	(18,512,254)	(2,522,822)	-	(21,035,076)
Buildings	(61,325,664)	(3,495,441)	-	(64,821,105)
Equipment	(2,133,567)	(247,999)	-	(2,381,566)
Total accumulated depreciation	(81,971,485)	(6,266,262)	-	(88,237,747)
Total capital assets being depreciated, net	92,613,044	2,165,250	-	94,778,294
Governmental activity capital assets, net	$ 113,827,912	$ 7,442,678	$ 162,007	$ 121,108,583

Depreciation expense is allocated to the following functions in the statement of activities:

Governmental Activities:	
Instruction	$ 4,702,263
Supervision of instruction	253,475
Instructional library, media and technology	68,010
School site administration	506,777
Home-to-school transportation	67,902
Food services	269,681
Data processing services	104,917
All other general administration	293,237
Total depreciation expense	$ 6,266,262

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2019, were as follows:

	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	$ 86,708,031	$ -	$ 4,955,000	$ 81,753,031	$ 1,470,000
Accreted Interest	12,321,974	1,186,964	-	13,508,938	-
Unamortized Issuance Premium	4,819,456	-	183,632	4,635,824	183,632
Total G.O. Bonds	103,849,461	1,186,964	5,138,632	99,897,793	1,653,632
Capital Leases	124,585	-	38,546	86,039	37,933
Qualified School Zone Bonds	4,836,550	-	466,498	4,370,052	470,230
Other Postemployment Benefits	45,561,746	5,022,602	3,505,591	47,078,757	-
Compensated Absences	236,845	-	58,606	178,239	-
Direct Borrowings:					
Energy Conservation Assistance Loan	-	848,134	-	848,134	47,119
Total	$ 154,609,187	$ 7,057,700	$ 9,207,873	$ 152,459,014	$ 2,208,914

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the QZAB, energy conservation loan, capitalized lease obligations are made from the General and Special Reserve for Capital Outlay Projects Funds. Payments related to compensated absences and other postemployment benefits are made from the fund for which the related employee worked.

A. General Obligation Bonds

Election of 1999
On November 2, 1999, the voters of the District approved a measure by more than a two-thirds vote authorizing the District to issue up to $48 million of general obligation bonds to finance the repair and renovation of schools.

Election of 2014
Bonds were authorized at an election of the registered voters of the District held on November 4, 2014, at which the requisite 55% or more of the persons voting on a proposition voted to authorize the issuance and sale of $77 million aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to repair, upgrade, acquire, construct, and equip certain District property and facilities and to pay the costs of issuing the Bonds.

Prior-Year Defeasance of Debt
In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2019, none of the defeased debt remains outstanding.

The bonds represent general obligations of the District, payable from the proceeds of an ad valorem property tax, which the Board of Supervisors of Santa Clara County is empowered and is obligated to levy upon all property within the District subject to taxation.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

A. General Obligation Bonds (continued)

A summary of all bonds issued and outstanding at June 30, 2019 follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019
1999A	6/1/2000	2/1/2025	4.35%-6.2%	11,998,182	$ 1,878,183	$ -	$ -	$ 1,878,183
1999B	7/1/2001	8/1/2026	4.0%-5.63%	17,999,707	3,019,706	-	-	3,019,706
1999C	6/3/2003	2/1/2028	2.0%-5.26%	18,000,142	3,690,142	-	-	3,690,142
2006 Ref.	5/30/2006	8/1/2018	4.0%-5.38%	22,415,000	3,470,000	-	3,470,000	-
2014A	2/26/2014	8/1/2044	3.125%-5.0%	40,000,000	37,650,000	-	-	37,650,000
2014B	5/1/2017	8/1/2044	2.0%-5.0%	37,000,000	37,000,000	-	1,485,000	35,515,000
					$ 86,708,031	$ -	$ 4,955,000	$ 81,753,031
				Accreted Interest				
				1999A	$ 3,623,292	$ 345,471	$ -	$ 3,968,763
				1999B	4,550,261	430,952	-	4,981,213
				1999C	4,148,421	410,541	-	4,558,962
					$ 12,321,974	$ 1,186,964	$ -	$ 13,508,938

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2019, are as follows:

Fiscal Year	Principal	Interest	Total
2019-2020	$ 1,470,000	$ 2,986,363	$ 4,456,363
2020-2021	678,430	3,766,833	4,445,263
2021-2022	1,409,674	4,890,513	6,300,187
2022-2023	2,136,332	5,887,855	8,024,187
2023-2024	2,269,871	6,014,442	8,284,313
2024-2029	12,278,724	25,201,839	37,480,563
2029-2034	12,605,000	10,957,450	23,562,450
2034-2039	17,960,000	7,956,469	25,916,469
2039-2044	24,990,000	3,635,350	28,625,350
2044-2045	5,955,000	112,600	6,067,600
	$ 81,753,031	$ 71,409,714	$ 153,162,745

B. Qualified Zone Academy Bond

In May 2011, the District issued a Qualified Zone Academy Bond (QZAB) in the amount of $8,000,000. The QZAB is scheduled to mature in August 2027, and the unpaid principal balance was $4,370,052 as of June 30, 2019.

The Qualified Zone Academy Bonds are scheduled to mature as follows:

Fiscal Year	Principal	Interest	Total
2019-2020	$ 470,230	$ 233,624	$ 703,854
2020-2021	473,992	206,950	680,942
2021-2022	477,784	180,062	657,846
2022-2023	481,606	152,959	634,565
2023-2024	485,459	125,640	611,099
2024-2028	1,980,981	224,966	2,205,947
Total	$ 4,370,052	$ 1,124,201	$ 5,494,253

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

C. Capitalized Lease Obligations

The District leases various vehicles and office equipment valued at $221,449 under capital lease agreements, and also leases modular buildings from the City of San Jose to provide child care services. The District has included in equipment, capital assets which were acquired under capitalized lease obligations.

Future yearly payments on capitalized lease obligations are as follows:

Fiscal Year		Lease Payment
2019-20		$ 42,431
2020-21		32,051
2021-22		15,756
2022-23		4,184
	Total payments	94,422
	Less amount representing interest	(8,383)
	Present value of minimum lease payments	$ 86,039

D. Direct Borrowings

Energy Conservation Assistance Loan

In May 2017 the District was approved for an Energy Conservation Assistance Act zero percent interest loan, which is considered a direct borrowing. The loan was approved for a maximum of $911,000 to be disbursed on a reimbursement basis based on invoices submitted by the District to the Energy Resources Conservation and Development Commission. The district incurred $848,134 of reimbursable expenses and received a disbursement for this amount on December 26, 2018. In the event of default, the Energy Commission may declare the loan immediately due and payable.

Future yearly payments on this loan are as follows:

Fiscal Year	Principal
2019-2020	$ 47,119
2020-2021	47,119
2021-2022	47,119
2022-2023	47,119
2023-2024	47,119
2024-2029	235,593
2029-2034	235,593
2034-2037	141,353
Total	$ 848,134

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

E. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 46,685,487	$ 2,049,047	$ 4,534,887	$ 3,658,688
MPP Program	393,270	-	-	(20,768)
Total	$ 47,078,757	$ 2,049,047	$ 4,534,887	$ 3,637,920

The details of each plan are as follows:

<u>District Plan</u>

Plan description

The District's single-employer defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided

The District contributes toward post-retirement health benefits for employees who retire after meeting certain age and service requirements. All employees who retire after age 55 and choose coverage under a CalPERS health plan are eligible to receive the District Basic Contribution (DBC) for as long as the retired person or his/her spouse lives (if the retirement option the employee selected provides the spouse with monthly benefits after the employee's death). The DBC is $125 per month in 2016, and expected to continue to increase in future years. The amounts described in the following paragraphs are paid in addition to the DBC.

Certificated (and management employees hired into a management position on or after 7/1/2010) who retire with at least 15 years of service, and who are at least age 55, are paid the excess of the Kaiser single-employee premium over the DBC. If the employee had at least 20 years of service, dental and vision coverage for the retired employee is included. If the employee had at least 30 years of service, the employee's spouse is also covered for medical, dental and vision benefits. Certificated employees must be continuously employed prior to June 30, 2015. All these benefits, except for the DBC, cease when the retired employee reaches age 65.

Management employees. The maximum monthly benefit paid to retired management employees (age 55 and 5 consecutive years in management position) is $1,100. Management employees must be hired before July 1, 2010 to be eligible for benefits. Employees promoted into a Management position after July 1, 2010 without interruption in service will be eligible for the early retirement which is provided to employees in the bargaining unit from which he/she was promoted.

Classified employees (CSEA) hired before 7/1/2007 who retire with at least 15 years of service, and who are at least age 55, are paid the excess of the Kaiser single-employee premium (Kaiser premium amount is fixed at the time of retirement) over the DBC. If hired before 7/1/2007 and retiring with at least 20 years of service, or if hired after 1/1/2002 and retiring with at least 30 years of service, dental and vision coverage for the retired employee are included (all premium amounts are fixed at the time of retirement). If the employee was hired before 2002 and had at least 30 years of service, the employee's spouse is also covered for medical, dental and vision benefits (total benefits not to exceed the Kaiser two-party rate); in this case, premium amounts are not fixed at the time of retirement.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

E. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Benefits provided (continued)
All these benefits, except for the DBC, cease when the retired employee reaches age 65. Classified employees hired after 6/30/2007 receive the DBC. All benefits are pro-rated based on the number of hours worked, if the employee was working part-time at the time of retirement.

Teamster employees hired before 7/1/2007 who retire with at least 15 years of service, and who are at least age 55, are paid the excess of the Kaiser single-employee premium over the DBC. The rate cap is increased by 5% on the first two January 1st's after retirement, and remains unchanged thereafter. If hired before 7/1/2007 and retiring with at least 20 years of service, dental and vision coverage for the retired employee are included (rate caps are increased by 5% on the first two January 1st's after retirement, and remain unchanged thereafter). If the employee was hired before 7/1/2007 and had at least 30 years of service, the benefit payable is (1) medical coverage for the employee and spouse (not to exceed the Kaiser two-party rate, fixed at the time of retirement), and (2) employee-only dental and vision. All these benefits, except for the DBC, cease when the retired employee reaches age 65. Teamster employees hired after 6/30/2007 only receive the DBC.

Retiree Contributions: Retirees pay all amounts in excess of the District's payments.

Lump Sum Option: In lieu of receiving the benefits described above, a retiring employee may choose to receive a lump sum equal to $500 multiplied by the number of years of service (not to exceed 30 years).

Employees covered by benefit terms
At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	316
Active employees	676
Total	992

Total OPEB Liability
The District's total OPEB liability of $46,685,487 for the Plan was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs
The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2018
Inflation	2.75% per year
Salary increases	3.00%
Healthcare cost trend rates	5.5% for medical; 4.0% for dental and vision
Retirees' share of benefit-related costs	Dependent upon employees classification and tenure of service provided to the District.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

E. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Discount Rate
Since the benefits are not funded, the discount rate is equal to the 20-Year Bond Rate. The District has chosen to use the "S&P Municipal Bond 20-Year High Grade Rate Index" as its 20-year bond rate. That Index was 2.71% at June 30, 2016, 3.13% at June 30, 2017, and 2.98% at June 30, 2018.

Mortality Rates
Mortality rates are taken from the 2014 CalPERS OPEB Assumptions Model for classified and Teamster employees, and from the 2016 Cal STRS valuation for 15 certificated and management employees. In the 2016 valuation, the 2010 Cal STRS rates were used for certificated and management employees.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	$ 45,147,708
Changes for the year:	
Service cost	2,587,815
Interest	1,396,237
Differences between expected and actual experience	(2,405,852)
Changes of assumptions	1,038,550
Benefit payments	(1,078,971)
Net changes	1,537,779
Balance at June 30, 2019	$ 46,685,487

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

Discount Rate	OPEB Liability
1% decrease (1.98%)	$ 54,574,947
Current discount rate (2.98%)	$ 46,685,487
1% increase (3.98%)	$ 40,358,930

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

E. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

Healthcare Cost Trend Rate	OPEB Liability
1% decrease (4.5% to 4.8%)	$ 40,279,474
Current rate (5.5% to 5.8%)	$ 46,685,487
1% increase (6.5% to 6.8%)	$ 54,807,984

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2019, the District recognized OPEB expense of $3,658,688. In addition, at June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,211,832
Changes of assumptions	954,796	2,323,055
District contributions subsequent to the measurement date of the net OPEB liability	1,094,251	-
Total	$ 2,049,047	$ 4,534,887

The deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent fiscal year. The deferred outflows of resources related to the differences between expected and actual experience and changes of assumptions in the measurement of the total OPEB liability 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 12.4 years.

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

Year Ended June 30:	Deferred Outflows (Inflows) of Resources
2020	$ (325,364)
2021	(325,364)
2022	(325,364)
2023	(325,364)
2024	(325,364)
Thereafter	(1,953,271)
Total	$ (3,580,091)

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

E. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program

Plan Description
The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit 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, 2017 annual actuarial valuation report, Medicare Premium Payment Program. 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/actuarial-financial-and-investor-information.

Benefits Provided
The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the 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 MPP Program is closed to new entrants as members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2018, 5,984 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. 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.

Total OPEB Liability
At June 30, 2019, the District reported a liability of $393,270 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2018, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018. 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 and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	Percentage Share of MPP Program		
	Fiscal Year Ending June 30, 2019	**Fiscal Year Ending June 30, 2018**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net OPEB Liability	0.102743%	0.098415%	0.004329%

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

E. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

For the year ended June 30, 2019, the District reported OPEB expense of $(20,768).

Actuarial assumptions and other inputs
The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2018
Valuation Date	June 30, 2017
Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.87%
Healthcare Cost Trend Rates	3.70% for Medicare Part A, and
	4.10% for Medicare Part B

In addition, 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 459, or an average of 0.27 percent of the potentially eligible population (171,593).

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

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, 2018, 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 was 3.87%. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is The Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

E. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

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

Discount Rate	MPP OPEB Liability
1% decrease (2.87%)	$ 434,975
Current discount rate (3.87%)	$ 393,270
1% increase (4.87%)	$ 355,611

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

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 358,622
Current rate (3.7% Part A and 4.1% Part B)	$ 393,270
1% increase (4.7% Part A and 5.1% Part B)	$ 430,532

NOTE 8 – PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated 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, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 60,048,018	$ 15,602,275	$ 3,184,459	$ 7,817,063
CalPERS	22,158,788	6,608,613	-	4,666,321
Total	$ 82,206,806	$ 22,210,888	$ 3,184,459	$ 12,483,384

The details of each plan are as follows:

A. 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, 2017, 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/actuarial-financial-and-investor-information.

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.

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

Benefits Provided (continued)
The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
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 Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.28%	16.28%
Required State Contribution Rate	9.828%	9.828%

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 program for the year ended June 30, 2019, are presented above and the District's total contributions were $5,666,499.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	$	60,048,018
State's proportionate share of the net pension liability associated with the District		34,380,299
Total	$	94,428,317

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
The net pension liability was measured as of June 30, 2018. 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 proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2019	**Fiscal Year Ending June 30, 2018**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net Pension Liability	0.065336%	0.061834%	0.003502%

For the year ended June 30, 2019, the District recognized pension expense of $7,817,063. In addition, the District recognized pension expense and revenue of $1,172,361 for support provided by the State. At June 30, 2019, 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	$ 5,666,499	$ -
Net change in proportionate share of net pension liability	420,948	-
Difference between projected and actual earnings on pension plan investments	-	2,312,228
Changes of assumptions	9,328,621	-
Differences between expected and actual experience	186,207	872,231
Total	$ 15,602,275	$ 3,184,459

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability 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 7 years.

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 2,112,718
2021	1,245,714
2022	(332,141)
2023	1,224,154
2024	1,845,495
Thereafter	655,377
Total	$ 6,751,317

Actuarial Methods and Assumptions
The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

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 our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance–PCA) as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Methods and Assumptions (continued)
For each future valuation, CalSTRS' consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	(1.00)%

Discount Rate
The discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the 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%)	$ 87,963,319
Current discount rate (7.10%)	60,048,018
1% increase (8.10%)	36,903,524

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 pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions of $2,246,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $5,481,213.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Plan Description
Qualified employees are eligible to participate in the Schools Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer 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, 2017 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/employers/actuarial-services/gasb.

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

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.50%
Required Employer Contribution Rate	18.062%	18.062%

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Contributions
Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were $2,343,168.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $22,158,788. The net pension liability was measured as of June 30, 2018. 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 proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2019	**Fiscal Year Ending June 30, 2018**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net Pension Liability	0.083106%	0.082164%	0.000942%

For the year ended June 30, 2019, the District recognized pension expense of $4,666,321. At June 30, 2019, 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	$ 2,343,168	$ -
Net change in proportionate share of net pension liability	418,587	-
Difference between projected and actual earnings on pension plan investments	181,752	-
Changes of assumptions	2,212,457	-
Differences between expected and actual experience	1,452,649	-
Total	$ 6,608,613	$ -

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 2,450,224
2021	1,861,551
2022	39,753
2023	(86,083)
2024	-
Thereafter	-
Total	$ 4,265,445

Actuarial Methods and Assumptions
Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)
In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administration expenses.

The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92%)

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

The following presents the 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 (6.15%)	$ 32,262,136
Current discount rate (7.15%)	22,158,788
1% increase (8.15%)	13,776,615

On-Behalf Payments
The State of California normally makes no contributions to CalPERS on behalf of the District. However, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated contributions of $904,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $751,282.

NOTE 8 – PENSION PLANS (continued)

C. 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 the Social Security as its alternative plan.

D. Payables to the Pension Plans

At June 30, 2019, the District reported payables of $20,783 and $11,510 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2019.

NOTE 9 – JOINT VENTURES

The District is a member with other school districts in three joint powers agencies for common risk management and insurance related to workers' compensation, property/liability and health care, South Bay Area Schools Insurance Authority (SBASIA), Santa Clara County School Insurance Group (SCCSIG) and Schools Excess Liability Fund (SELF). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The District is also a member with other school districts in East Valley Schools Transportation Agency (EVSTA), a joint powers authority that provides bus services to member districts. There have been no significant reductions in the level of insurance coverage from the prior year. The relationship between the District and the Joint Powers Authorities is such that the Joint Powers Authorities are not component units of the District for financial reporting purposes.

The following is a summary of audited financial information of SBASIA, SCCSIG, SELF and EVSTA at June 30, 2018, the most current information available:

	SBASIA	SCCSIG	SELF	EVSTA
Assets	$ 5,582,088	$ 24,015,833	$ 118,692,006	$ 413,242
Deferred Outflows	-	222,165	497,939	-
Liabilities	4,772,429	8,779,268	101,064,545	128,961
Deferred Inflows	-	43,636	28,087	-
Net Position	$ 809,659	$ 15,415,094	$ 18,097,313	$ 284,281
Revenues	$ 3,887,880	$ 36,447,452	$ 15,139,473	$ 2,544,455
Expenses	4,674,775	36,420,341	19,471,187	2,527,838
Change in Net Position	$ (786,895)	$ 27,111	$ (4,331,714)	$ 16,617

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants
The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. Construction Commitments
As of June 30, 2019, the District had commitments with respect to unfinished capital projects of approximately $2.6 million to be paid from local funds.

C. Litigation
The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2019.

NOTE 11 – 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, 2019, the District participated in the SBASIA public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation
For the fiscal year 2018-19, the District participated in the Public Entity Protected Insurance Program (PEPIP), an insurance purchasing pool. The purpose of the PEPIP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the JPA.

Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to districts that can meet the JPA selection criteria. The firm of Keenan & Associates provides administrative, cost control, and actuarial services to the JPA.

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Required Supplementary Information

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BERRYESSA UNION SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF Sources	$ 62,207,597	$ 62,671,844	$ 62,033,120	$ (638,724)
Federal Sources	2,444,009	2,866,364	2,763,402	(102,962)
Other State Sources	6,519,196	6,075,454	10,248,966	4,173,512
Other Local Sources	3,299,820	3,820,165	4,761,408	941,243
Total Revenues	74,470,622	75,433,827	79,806,896	4,373,069
Expenditures				
Current:				
Certificated Salaries	37,162,847	36,919,451	36,209,703	709,748
Classified Salaries	10,812,397	11,262,463	10,810,614	451,849
Employee Benefits	21,412,525	21,288,166	23,949,391	(2,661,225)
Books and Supplies	2,280,448	4,987,882	2,475,802	2,512,080
Services and Other Operating Expenditures	6,844,651	7,858,748	6,594,563	1,264,185
Capital Outlay	-	19,529	94,901	(75,372)
Other Outgo	441,399	568,522	425,507	143,015
Total Expenditures	78,954,267	82,904,761	80,560,481	2,344,280
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,483,645)	(7,470,934)	(753,585)	6,717,349
Other Financing Sources and Uses				
Interfund Transfers In	-	21,000	-	(21,000)
Interfund Transfers Out	(1,030,000)	(1,030,000)	(759,851)	270,149
Total Other Financing Sources and Uses	(1,030,000)	(1,009,000)	(759,851)	249,149
Net Change in Fund Balance	(5,513,645)	(8,479,934)	(1,513,436)	6,966,498
Fund Balances, July 1, 2018	18,491,459	18,491,459	18,491,459	-
Fund Balances, June 30, 2019	$ 12,977,814	$ 10,011,525	$ 16,978,023	$ 6,966,498

Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:

Deferred Maintenance Fund	748,610
Special Reserve Fund for Other Than Capital Outlay Projects	2,562,792
Special Revenue Fund for Postemployment Benefits	2,532,580
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:	$ 22,822,005

BERRYESSA UNION SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability

For the Fiscal Year Ended June 30, 2019

*Last Ten Fiscal Years**

	2017-18	2016-17	2015-16	2014-15	2013-14
CalSTRS					
District's proportion of the net pension liability	0.0653%	0.0618%	0.0630%	0.0660%	0.0650%
District's proportionate share of the net pension liability	$ 60,048,018	$ 57,184,276	$ 50,955,030	$ 44,302,000	$ 38,192,000
State's proportionate share of the net pension liability associated with the District	34,380,299	33,829,656	29,012,060	23,430,811	23,062,210
Totals	$ 94,428,317	$ 91,013,932	$ 79,967,090	$ 67,732,811	$ 61,254,210
District's covered-employee payroll	$ 34,923,243	$ 33,012,273	$ 31,623,234	$ 30,543,000	$ 29,110,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	171.94%	173.22%	161.13%	145.05%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%
CalPERS					
District's proportion of the net pension liability	0.0831%	0.0822%	0.0816%	0.0800%	0.0780%
District's proportionate share of the net pension liability	$ 22,158,788	$ 19,614,831	$ 16,115,050	$ 11,818,000	$ 8,823,000
District's covered-employee payroll	$ 13,005,730	$ 12,774,590	$ 12,533,798	$ 8,876,000	$ 8,159,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	170.38%	153.55%	128.57%	133.15%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2019

*Last Ten Fiscal Years**

	2018-19	2017-18	2016-17	2015-16	2014-15
CalSTRS					
Contractually required contribution	$ 5,666,499	$ 5,039,424	$ 4,152,944	$ 3,393,173	$ 2,712,184
Contributions in relation to the contractually required contribution	5,666,499	5,039,424	4,152,944	3,393,173	2,712,184
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 34,806,503	$ 34,923,243	$ 33,012,273	$ 31,623,234	$ 30,543,000
Contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS					
Contractually required contribution	$ 2,343,168	$ 2,019,920	$ 1,774,135	$ 1,484,879	$ 1,044,818
Contributions in relation to the contractually required contribution	2,343,168	2,019,920	1,774,135	1,484,879	1,044,818
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 12,972,915	$ 13,005,730	$ 12,774,590	$ 12,533,798	$ 8,876,000
Contributions as a percentage of covered-employee payroll	18.062%	15.531%	13.888%	11.847%	11.771%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2019

Last 10 Fiscal Years*

	2018	2017
Total OPEB liability		
Service cost	$ 2,587,815	$ 2,758,118
Interest	1,396,237	1,209,410
Differences between expected and actual experience	(2,405,852)	-
Changes of assumptions or other inputs	1,038,550	(2,753,251)
Benefit payments	(1,078,971)	(1,388,473)
Net change in total OPEB liability	1,537,779	(174,196)
Total OPEB liability - beginning	45,147,708	45,321,904
Total OPEB liability - ending	$ 46,685,487	$ 45,147,708
Covered-employee payroll	$ 46,511,882	$ 45,360,521
Total OPEB liability as a percentage of covered-employee payroll	100.37%	99.53%

Notes to Schedule:
The District has chosen to use the "S&P Municipal Bond 20-Year High Grade Rate Index" as its 20-year bond rate. That Index was 2.71% at June 30, 2016, 3.13% at June 30, 2017, and 2.98% at June 30, 2018.

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

BERRYESSA UNION SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2019

	2018	2017
District's proportion of net OPEB liability	0.1027%	0.0984%
District's proportionate share of net OPEB liability	$ 393,270	$ 414,038
Covered-employee payroll	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	0.40%	0.01%

Notes to Schedule:

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.

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

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 adoptions 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 presents 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 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.

Change in benefit terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Change of assumptions **-** In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Schedule of District 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.

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

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

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

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Supplementary Information

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Berryessa Union School District was established in 1855 and encompasses 6 square miles in northeastern Santa Clara County, including portions of the cities of San Jose and Milpitas and adjacent unincorporated areas. The District currently operates ten elementary schools and three middle schools. There were no changes in the boundaries of the District during the year.

The Board of Education of Berryessa Union School District is composed of five members elected at large within the boundaries of the District. The Board and Administrative Staff manage and control the affairs of the District.

GOVERNING BOARD

Member	Office	Term Expires
Khoa Nguyen	President	November, 2020
Richard Claspill	Vice President	November, 2020
David Cohen	Clerk	November, 2022
Thelma Boac	Member	November, 2022
Hugo Jimenez	Member	November, 2022

DISTRICT ADMINISTRATORS

Dr. Roxane Fuentes,
Superintendent

Phuong Le,[1]
Deputy Superintendent, Administrative Services

Darrien Johnson,
Assistant Superintendent, Human Services

Joseph M. McCreary, Ed.D.,
Assistant Superintendent, Education Services

[1] Retired effective June 30, 2019. The current Assistant Superintendent of Business Services is Kevin Franklin.

BERRYESSA UNION SCHOOL DISTRICT

Combining Balance Sheet - Non-Major Governmental Funds

June 30, 2019

	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
ASSETS				
Cash	$ 83,882	$ 3,109,717	$ 3,380,189	$ 6,573,788
Accounts receivable	185,345	17,269	12,499	215,113
Due from other funds	232,197	-	-	232,197
Inventories	67,010	-	-	67,010
Total Assets	$ 568,434	$ 3,126,986	$ 3,392,688	$ 7,088,108
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 37,869	$ 13,496	$ -	$ 51,365
Due to other funds	453,555	944	-	454,499
Total Liabilities	491,424	14,440	-	505,864
Fund Balances				
Nonspendable	77,010	-	-	77,010
Restricted	-	3,112,546	3,392,688	6,505,234
Total Fund Balances	77,010	3,112,546	3,392,688	6,582,244
Total Liabilities and Fund Balances	$ 568,434	$ 3,126,986	$ 3,392,688	$ 7,088,108

BERRYESSA UNION SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2019

	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
REVENUES				
Federal sources	$ 1,271,086	$ -	$ -	$ 1,271,086
Other state sources	137,588	-	21,847	159,435
Other local sources	1,308,835	1,105,762	3,212,200	5,626,797
Total Revenues	2,717,509	1,105,762	3,234,047	7,057,318
EXPENDITURES				
Current:				
Pupil support services:				
Food services	2,715,951	-	-	2,715,951
General administration services:				
Other general administration	-	20,174	-	20,174
Plant services	46,421	13,510	-	59,931
Transfers of indirect costs	107,978	-	-	107,978
Capital outlay	-	233,060	-	233,060
Debt service:				
Principal	-	-	4,955,000	4,955,000
Interest	-	-	3,140,589	3,140,589
Total Expenditures	2,870,350	266,744	8,095,589	11,232,683
Excess (Deficiency) of Revenues Over (Under) Expenditures	(152,841)	839,018	(4,861,542)	(4,175,365)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	229,851	-	-	229,851
Net Change in Fund Balances	77,010	839,018	(4,861,542)	(3,945,514)
Fund Balances, July 1, 2018	-	2,273,528	8,254,230	10,527,758
Fund Balances, June 30, 2019	$ 77,010	$ 3,112,546	$ 3,392,688	$ 6,582,244

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2019

	Second Period Report Certificate No. (6A45F412)	Annual Report Certificate No. (FE271FC8)
Regular ADA:		
Grades TK/K-3	2,963.72	2,963.82
Grades 4-6	2,238.98	2,236.07
Grades 7-8	1,557.77	1,552.76
Total Regular ADA	6,760.47	6,752.65
Special Education, Nonpublic, Nonsectarian Schools:		
Grades TK/K-3	0.23	0.54
Grades 4-6	3.53	3.46
Grades 7-8	1.86	1.87
Total Special Education, Nonpublic, Nonsectarian Schools	5.62	5.87
Total ADA	6,766.09	6,758.52

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2019

Grade Level	Required Minutes	2018-19 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	46,800	180	Complied
Grade 1	50,400	51,008	180	Complied
Grade 2	50,400	51,008	180	Complied
Grade 3	50,400	51,008	180	Complied
Grade 4	54,000	54,549	180	Complied
Grade 5	54,000	54,549	180	Complied
Grade 6	54,000	56,255	180	Complied
Grade 7	54,000	56,255	180	Complied
Grade 8	54,000	56,255	180	Complied

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2019

General Fund	(Budget) 2020[2]	2019[3]	2018	2017
Revenues and other financing sources	$ 73,310,188	$ 79,806,896	$ 73,656,964	$ 74,155,813
Expenditures	79,028,844	80,560,481	75,486,036	72,229,276
Other uses and transfers out	530,000	759,851	1,277,984	1,530,000
Total outgo	79,558,844	81,320,332	76,764,020	73,759,276
Change in fund balance (deficit)	(6,248,656)	(1,513,436)	(3,107,056)	396,537
Ending fund balance	$ 10,729,367	$ 16,978,023	$ 18,491,459	$ 21,598,515
Available reserves [1]	$ 8,837,901	$ 11,475,089	$ 16,519,570	$ 18,734,244
Available reserves as a percentage of total outgo	11.1%	14.1%	21.5%	25.4%
Total long-term debt	$ 232,456,906	$ 234,665,820	$ 213,408,160	$ 227,982,367
Average daily attendance at P-2	6,702	6,766	6,888	7,104

The General Fund balance has decreased by $4,620,494 over the past two years. The fiscal year 2019-20 adopted budget projects a decrease of $6,248,656. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years, and anticipates incurring an operating deficit during the 2019-20 fiscal year. Long-term debt has increased by $5,835,319 over the past two years.

Average daily attendance has decreased by 338 over the past two years. A decrease of 64 ADA is anticipated during the fiscal year 2019-20.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] Revised Final Budget September, 2019.

[3] The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, Special Reserve Fund for Other Than Capital Outlay Projects and Special Reserve Fund for Postemployment Benefits in accordance with the fund type definitions promulgated by GASB Statement No. 54.

BERRYESSA UNION SCHOOL DISTRICT
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2019

	Special Reserve Fund for Capital Outlay Projects
June 30, 2019, annual financial and budget report fund balance	$ 15,555,523
Adjustments and reclassifications:	
Increase (decrease) in total fund balances:	
Accounts payable understated	(168,823)
June 30, 2019, reported financial statement fund balances	$ 15,386,700

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Department of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	$ 205,037	
School Breakfast Program - Breakfast Basic	10.553	13525	7,315	
National School Lunch Program	10.555	13523	890,582	
USDA Donated Foods	10.555	13391	168,152	
Subtotal Child Nutrition Cluster				$ 1,271,086
Total U.S. Department of Agriculture				1,271,086
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants	84.010	14329		754,204
Title II, Part A, Supporting Effective Instruction	84.367	14341		184,231
English Language Acquisition Grants Cluster:				
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	238,809	
Title III, Immigrant Education Program	84.365	15146	47,154	
Subtotal English Language Acquisition Grants Cluster				285,963
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		29,410
Passed through California Department of Education:				
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,261,423	
Local Assistance, Part B, Private School ISPs	84.027	10115	21,317	
Preschool Grants, Part B, Sec 619 (Age 3-4-5)	84.173	13430	32,619	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	82,485	
Subtotal Special Education Cluster (IDEA)				1,397,844
Total U.S. Department of Education				2,651,652
U.S. Department of Health & Human Services:				
Passed through California Department of Education:				
Medi-Cal Billing Option	93.778	10013		48,874
Total U.S. Department of Health & Human Services				48,874
Total Expenditures of Federal Awards				$ 3,971,612

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

NOTE 1 – PURPOSE OF SCHEDULES

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 participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has met its LCFF target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the Education Code.

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.

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 Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2019.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 4,034,488
Differences between Federal Revenues and Expenditures:		
Medi-Cal Billing Option	93.778	(62,876)
Total Schedule of Expenditures of Federal Awards		$ 3,971,612

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Other Independent Auditors' Reports

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

Board of Education
Berryessa Union School District
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Berryessa Union School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Berryessa Union School District's basic financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Berryessa Union School District's internal control over financial reporting (internal control) to determine the 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 Berryessa Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Berryessa Union School District's internal control.

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

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

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether Berryessa Union School District's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Nigro & Nigro, PC

Murrieta, California
November 22, 2019

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

Board of Education
Berryessa Union School District
San Jose, California

Report on Compliance for Each Major Federal Program
We have audited Berryessa Union School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Berryessa Union School District's major federal programs for the year ended June 30, 2019. Berryessa Union School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Berryessa Union School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Berryessa Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Berryessa Union School District's compliance.

Opinion on Each Major Federal Program
In our opinion, Berryessa Union School District complied, in all material respects, with the types of 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, 2019.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA, EA

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Report on Internal Control Over Compliance

Management of Berryessa Union School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Berryessa Union School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Nigro & Nigro, PC

Murrieta, California
November 22, 2019

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Berryessa Union School District
San Jose, California

Report on State Compliance
We have audited Berryessa Union School District's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Berryessa Union School District's state government programs as noted on the following page for the fiscal year ended June 30, 2019.

Management's Responsibility
Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Berryessa Union School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Berryessa Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of Berryessa Union School District's compliance.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

Description	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	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

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Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
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	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because the ADA was under the level that requires testing.

Unmodified Opinion on Compliance with State Programs

In our opinion, Berryessa Union School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

Nigro & Nigro, PC

Murrieta, California
November 22, 2019

Findings and Questioned Costs

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SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 500.516	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster (IDEA)

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

State Awards

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

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2018-19.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2018-19.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs in 2018-19.

There were no findings or questioned costs in 2017-18.

To the Board of Education
Berryessa Union School District
San Jose, California

In planning and performing our audit of the basic financial statements of Berryessa Union School District for the year ending June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity 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 November 22, 2019, on the financial statements of Berryessa Union School District.

ASSOCIATED STUDENT BODIES

Observation: During our testing of cash receipts, we noted several deposits lacked sufficient documentation at **Morrill Middle**. Without supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important that all fundraisers be properly approved and that all proceeds can be tied to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for.

> ***Recommendation:*** We recommend that before any events are held, that they be properly approved and control procedures be established that will allow for the reconciliation between money collected and fundraiser sales.

Observation: In our test of cash disbursements, we noted several instances at **Piedmont Middle, Morrill Middle**, and **Sierramont Middle** in which disbursements were not approved by the District representative, the ASB advisor, and the student representative until after the expenditure had already been incurred or approval dates could not be verified.

> ***Recommendation:*** As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines. Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds.

DISTRICT OFFICE

Observation: During our testing of cash receipts, we noted several deposits lacked sufficient documentation. Without supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct account. In addition, we noted several receipts that were not deposited in a timely manner. Sound internal controls for handling receipts discourage misappropriation of funds and protect those who handle the cash receipts.

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DISTRICT OFFICE (continued)

Recommendation: We recommend that control procedures be established and enforced that will allow for the reconciliation between money collected and deposited. We further recommend that all collections be deposited into a district bank account within two weeks or less.

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

Nigro & Nigro, PC

Murrieta, California
November 22, 2019