BERRYESSA UNION SCHOOL DISTRICT

SANTA CLARA COUNTY

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2020

NIGRO & NIGRO PC

FINANCIAL SECTION

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SUPPLEMENTARY INFORMATION

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Financial Section

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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, 2020, 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 *2019-20 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, 2020, 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 | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

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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 69 to 74 and the schedule of expenditures of federal awards on page 75 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 68 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 January 5, 2021, 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 the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
January 5, 2021

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, 2020. 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 $20.0 million due primarily to increased OPEB liabilities and spending down the Building Fund balance.
- Governmental expenses were about $101.8 million. Revenues were about $81.8 million.
- The District acquired approximately $4.4 million in new capital assets during the year.
- The District increased its outstanding long-term debt other than pensions by $3.5 million. This was primarily due to increased OPEB liabilities.
- Grades K-8 average daily attendance (ADA) decreased by 132.
- Governmental funds decreased by $9.6 million, or 16.4%.
- Reserves for the General Fund decreased by $4.1 million, or 35.7%. Revenues were $77.6 million and expenditures were $81.9 million.

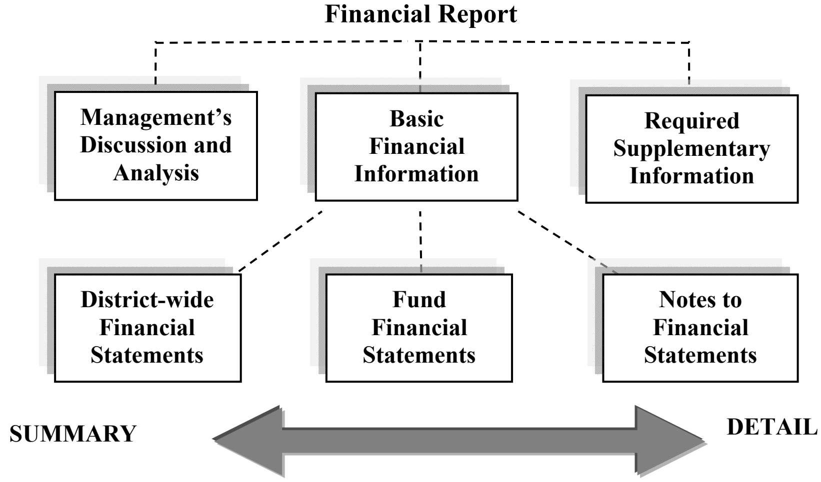
OVERVIEW OF THE FINANCIAL STATEMENTS

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)

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

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, 2020, than it was the year before – decreasing 49.9% to $(60.0) million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase
	2020	2019	(Decrease)
Assets			
Current assets	$ 51,669,235	$ 62,199,155	$ (10,529,920)
Capital assets	117,638,869	121,108,583	(3,469,714)
Total assets	169,308,104	183,307,738	(13,999,634)
Deferred outflows of resources	24,478,247	24,259,935	218,312
Liabilities			
Current liabilities	4,237,984	5,234,469	(996,485)
Long-term liabilities	155,965,419	152,459,014	3,506,405
Net pension liability	82,064,761	82,206,806	(142,045)
Total liabilities	242,268,164	239,900,289	2,367,875
Deferred inflows of resources	11,555,128	7,719,346	3,835,782
Net position			
Net investment in capital assets	36,500,112	43,796,820	(7,296,708)
Restricted	23,471,481	23,857,421	(385,940)
Unrestricted	(120,008,534)	(107,706,203)	(12,302,331)
Total net position	$ (60,036,941)	$ (40,051,962)	$ (19,984,979)

Changes in net position, governmental activities. The District's total revenues decreased 3.5% to $81.8 million (See Table A-2). The decrease is due primarily to lower operating grants and contributions.

The total cost of all programs and services increased 5.0% to $101.8 million. The District's expenses are predominantly related to educating and caring for students, 81.4%. The purely administrative activities of the District accounted for just 7.3% 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 2020	Governmental Activities 2019	Variance Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	$ 1,192,303	$ 1,245,123	$ (52,820)
Operating grants and contributions	7,502,544	10,639,003	(3,136,459)
General Revenues:			
Property taxes	44,215,131	42,920,451	1,294,680
Federal and state aid not restricted	26,803,041	26,850,246	(47,205)
Other general revenues	2,068,584	3,094,536	(1,025,952)
Total Revenues	81,781,603	84,749,359	(2,967,756)
Expenses			
Instruction-related	73,114,262	67,778,640	5,335,622
Pupil services	9,685,300	8,746,004	939,296
Administration	7,410,400	8,606,457	(1,196,057)
Plant services	6,883,956	7,322,387	(438,431)
All other activities	4,672,664	4,485,310	187,354
Total Expenses	101,766,582	96,938,798	4,827,784
Increase (decrease) in net position	(19,984,979)	(12,189,439)	$ (7,795,540)
Total Net Position	$ (60,036,941)	$ (40,051,962)	

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 $48.8 million, which is below last year's ending fund balance of $58.3 million. The primary cause of the decreased fund balance is spending down the Building Fund on capital projects.

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2019	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2020
Fund					
General Fund	$ 16,978,023	$ 77,620,608	$ 81,908,570	$ (218,065)	$ 12,471,996
Cafeteria Fund	77,010	2,250,530	2,344,751	139,662	122,451
Deferred Maintenance Fund	748,610	13,591	-	-	762,201
Special Reserve Fund (Other Than Capital Outlay)	2,562,792	50,343	-	-	2,613,135
Special Reserve Fund (Postemployment Benefits)	2,532,580	49,750	-	-	2,582,330
Building Fund	13,533,183	220,621	5,408,394	-	8,345,410
Capital Facilities Fund	3,112,546	325,069	108,725	(21,000)	3,307,890
Special Reserve Fund (Capital Outlay)	15,386,700	524,221	680,804	99,403	15,329,520
Bond Interest and Redemption Fund	3,392,688	4,286,249	4,458,743	-	3,220,194
	$ 58,324,132	$ 85,340,982	$ 94,909,987	$ -	$ 48,755,127

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 $2.4 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased $2.1 million due to negotiated salary increases.
- Other non-personnel expenses – increased $3.0 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 $8.4 million, the actual results for the year show that expenditures exceeded revenues by roughly $4.3 million. Actual revenues were $1.9 million more than anticipated, and expenditures were $2.2 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2020, that will be carried over into the 2020-21 budget, offset by STRS on-behalf contributions from the State that were not budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019-20 the District had invested $4.4 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 $7.4 million.

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

	Governmental Activities		Variance
	2020	2019	Increase (Decrease)
Land	$ 2,523,593	$ 2,523,593	$ -
Improvement of sites	37,310,509	38,823,875	(1,513,366)
Buildings	58,843,786	51,959,579	6,884,207
Equipment	4,096,394	3,994,840	101,554
Construction in progress	14,864,587	23,806,696	(8,942,109)
Total	$ 117,638,869	$ 121,108,583	$ (3,469,714)

Long-Term Debt

At year-end the District had $156.0 million in long-term debt other than pensions – an increase of 2.3% 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).

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

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

	Governmental Activities		Variance Increase
	2020	2019	(Decrease)
General obligation bonds	$ 99,498,790	$ 99,897,793	$ (399,003)
Energy conservation assistance loan	801,016	848,134	(47,118)
Capital leases	48,106	86,039	(37,933)
QZABs	3,899,822	4,370,052	(470,230)
Other postemployment benefits	51,436,919	47,078,757	4,358,162
Compensated absences	280,766	178,239	102,527
Total	$ 155,965,419	$ 152,459,014	$ 3,506,405

Net pension liability decreased during the year by $142,045.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State Legislature passed a final budget package on June 26, 2020. The final budget package assumed that $2 billion in federal funds would be forthcoming and took the Governor's approach in the May Revision to make other spending reductions contingent on other federal money. In addition, relative to the June 15 initial package, the final package made several changes, including increasing school deferrals by $3.5 billion (assuming no federal money is forthcoming), increasing revenue assumptions by more than $1 billion, and eliminating the plan to reinstate General Fund payment deferrals. The Governor signed the 2020-21 Budget Act and related budget legislation on June 29, 2020.

Proposition 98

Proposition 98 Establishes Minimum Funding Level for Schools and Community Colleges
This minimum funding requirement is commonly called the minimum guarantee. The state calculates the minimum guarantee by comparing three main formulas or "tests". Each test takes into account certain inputs, such as state General Fund revenue, per capita personal income, and K-12 student attendance. The state can choose to fund at the minimum guarantee or any level above it. It also can suspend the guarantee with a two-thirds vote of each house of the Legislature, allowing the state to provide less funding than the formulas require that year. The state meets the guarantee through a combination of state General Fund and local property tax revenue.

Minimum Funding Requirement Down Significantly in 2019-20 and 2020-21
Estimates of the minimum guarantee under the June 2020 budget plan have dropped significantly compared with June 2019 estimates. For 2019-20, the minimum requirement is down $3.4 billion (4.2 percent). For 2020-21, the minimum requirement is down $6.8 billion (8.7 percent) from the revised 2019-20 level and $10.2 billion (12.5 percent) from the 2019-20 level estimated in June 2019. These drops mainly reflect reductions in state General Fund revenue. Test 1 remains operative in both years, with the drop in the General Fund portion of the guarantee equal to nearly 40 percent of the drop in revenues. The local property tax portion of the guarantee, by contrast, grows slowly from 2019-20 to 2020-21.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

Budget Plan Implements Significant Payment Deferrals
In both 2019-20 and 2020-21, the budget plan reduces school and community college funding to the lower minimum requirement. It implements these reductions primarily by deferring $12.5 billion in payments. (When the state defers payments from one fiscal year to the next, the state can reduce spending while allowing school districts to maintain programs by borrowing or using cash reserves.) Of the $12.5 billion, $11 billion applies to K-12 schools and $1.5 billion applies to community colleges. Although the budget plan authorized the Department of Finance to rescind up to $6.6 billion of the deferrals if the state received additional federal funding by October 15, 2020, Congress did not approve any additional funds prior to this deadline.

Makes a Few Other Spending Adjustments
In addition to the deferrals, the budget plan makes a few other adjustments to school and community college funding. Most notably, it does not provide the 2.31 percent statutory cost-of-living adjustment for school and community college programs in 2020-21. The budget plan also uses $833 million in one-time funds to cover costs for the K-12 Local Control Funding Formula (LCFF) and community college apportionments in 2019-20 and 2020-21. These one-time funds consist of $426 million in unspent prior-year funds and a $407 million settle-up payment. In addition, the budget plan withdraws the entire $377 million the state deposited into the Proposition 98 Reserve in the fall of 2019. (Formulas in the State Constitution govern Proposition 98 Reserve deposits and withdrawals.) Finally, the budget plan obtains $240 million in savings ($110 million in 2019-20 and $130 million in 2020-21) from eliminating unallocated State Preschool slots.

Creates Supplemental Obligation to Increase Funding Beginning in 2021-22
This obligation has two parts. First, it requires the state to make temporary payments on top of the Proposition 98 guarantee beginning in 2021-22. Each payment will equal 1.5 percent of annual General Fund revenue. The state can allocate these payments for any school or community college purpose. Payments will continue until the state has paid $12.4 billion—the amount of funding schools and community colleges could have received under Proposition 98 if state revenues had continued to grow. (Technically, the obligation equals the total difference between the Test 1 and Test 2 funding levels in 2019-20 and 2020-21.) Second, the obligation requires the state to increase the minimum share of General Fund revenue allocated to schools and community colleges from 38 percent to 40 percent on an ongoing basis. This increase is set to phase in over the 2022-23 and 2023-24 fiscal years.

K-12 Education

Proposition 98 Funding Decreases 12 Percent
The budget package includes $62.5 billion in Proposition 98 funding for K-12 education in 2020-21—$8.7 billion (12.2 percent) less than the 2019-20 Budget Act level.

Defers $11 Billion in K-12 Payments, Allows Exemptions in Limited Circumstances
The state distributes funding for LCFF and special education following a monthly payment schedule established in law. The budget plan modifies this schedule in 2019-20 to defer $1.9 billion in payments to the following fiscal year. In 2020-21, the budget plan maintains these deferrals and adopts $9.1 billion in additional deferrals. Under the modified schedule, portions of the payments otherwise scheduled for the months of February through June will be paid over the July through November period. The total amount deferred equates to about 16 percent of all state and local funding schools receive for LCFF and special education, or 24 percent of the General Fund allocated for these programs. If a district or charter school can demonstrate it would be unable to meet its financial obligations because of the deferrals, and has exhausted all other sources of internal and external borrowing, it can apply for an exemption. The law allows the Department of Finance, State Controller, and State Treasurer to authorize up to $300 million in deferral exemptions per month. If these exemption requests exceed the funding available, the earliest applications will be approved first.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education (continued)

Addresses Historically Low-Funded Special Education Regions
Most state special education funding is provided to Special Education Local Plan Areas (SELPAs) based on total student attendance within the area. (Most SELPAs are regional collaborations of neighboring districts, county offices of education [COEs], and charter schools, though some consist of only a single large district.) Each SELPA receives a unique per-student rate linked to certain historical factors. In 2019-20, these per-student rates varied from $557 to more than $900. The budget provides $545 million to bring low-funded SELPAs to a new rate of $625 per student. This rate is roughly equivalent to the 93rd percentile of current rates.

Allocates $6.4 Billion in One-Time Federal Funding
The budget package allocates $6.4 billion in one-time federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding for K-12 education. The majority of funding ($4.8 billion) is provided for learning loss mitigation. The budget also includes $1.5 billion that can be used for a variety of activities and is distributed based on counts of low-income and disadvantaged children. The remaining funds are used to provide higher reimbursement rates for some school meals, create a competitive grant program for implementing the community schools model, and cover state costs of allocating and overseeing how CARES Act funds are spent.

Funds Learning Loss Mitigation Activities
The budget package provides $5.3 billion in one-time funding for activities mitigating learning loss due to coronavirus disease 2019 (COVID-19) school closures. This amount consists of $4.4 billion from the federal Coronavirus Relief Fund, $540 million Proposition 98 General Fund, and $355 million from the federal Governor's Emergency Education Relief Fund. Allocations from the Coronavirus Relief Fund can be used to cover eligible costs incurred between March 1, 2020 and December 30, 2020, while the remainder of the funding covers costs incurred between March 13, 2020 and September 30, 2022. Allowable activities include expanding learning supports, increasing instructional time, offering additional academic services (such as diagnostic assessments and devices and connectivity for distance learning), and addressing other barriers to learning (such as mental health services, professional development for teachers and parents, and student meals). Of this funding, $2.9 billion is to be allocated based on LCFF supplemental and concentration grants, $1.5 billion based on the number of students with disabilities, and $980 million based on total LCFF allocation.

Funds Schools Based on 2019-20 Attendance Levels, Allows Growth Under Certain Conditions
For funding purposes, the state ordinarily credits school districts with their average daily attendance in the current or prior year, whichever is higher. Charter schools and COEs are funded according to their attendance in the current year only. In 2020-21, however, the state will not collect average daily attendance data. Instead, districts, charter schools, and COEs will be funded according to their 2019-20 attendance levels unless they had previously budgeted for attendance growth. Any attendance growth for a district or charter school is limited to the lower of its (1) previously projected increase in enrollment or attendance, as documented in its budget, or (2) actual increase in enrollment from October 2019 to October 2020. (For this calculation, enrollment numbers are converted to an equivalent amount of average daily attendance by adjusting them for the statewide average absence rate.) The trailer legislation also allows a few other attendance-related adjustments. Most notably, if a charter school closes during the 2020-21 school year, the attendance it previously generated will be credited to its sponsoring school district.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education (continued)

Modifies Instructional Requirements to Allow for Distance Learning
The budget package suspends requirements for annual instructional minutes for 2020-21 to provide additional flexibility to schools and allows minimum instructional day requirements be met through a combination of in-person instruction and distance learning. The budget package also sets expectations for distance learning. Among other specified activities, distance learning must be substantially equivalent to in-person instruction; include daily live interaction between teachers and students; and provide appropriate supports to students with disabilities, English learners, and other student subgroups.

Includes Additional Fiscal Flexibility in a Few Areas
Budget trailer legislation includes several changes to provide more spending flexibility for school districts:

- For the purposes of calculating minimum routine maintenance deposits, excludes one-time funding for state pension payments on behalf of school districts, learning loss mitigation funds, and federal Elementary and Secondary School Emergency Relief funds. Typically, school districts receiving funding from the state's School Facility Program are required to establish a restricted account for routine maintenance of school facilities and deposit 3 percent of the district's annual expenditures.

- Allows for proceeds from the sale or lease of surplus property purchased entirely with local funds to be used for one-time general fund purposes through 2023-24.

- For the purpose of spending restricted lottery revenues, permanently expands the definition of instructional materials to also include laptop computers and devices that provide internet access. Schools and community colleges receive about $450 million in lottery revenues annually that must be spent on instructional materials.

- Allows the California Department of Education (CDE) to waive several programmatic requirements for the After School Education and Safety program.

Repurposes Prior Pension Payment to Reduce District Costs Over the Next Two Years
School district pension costs have been rising relatively quickly over the past several years. To help mitigate future cost increases, the 2019-20 budget plan included $2.3 billion non-Proposition 98 General Fund to make a supplemental pension payment on behalf of schools and community colleges. Of this amount, $1.6 billion was for the California State Teachers' Retirement System and $660 million was for the California Public Employees' Retirement System. (Nearly all school employees are covered by one of these two pension systems.) At the time, the state estimated that the supplemental payment could reduce district pension costs by roughly 0.3 percent of annual pay over the next few decades. The 2020-21 budget plan repurposes this payment to reduce pension costs by a larger amount over the next two years. Specifically, districts will receive cost savings of approximately 2.2 percent of pay in 2020-21 and 2021-22, but will not experience savings over the following decades.

All of these factors were considered in preparing the Berryessa Union School District budget for the 2020-21 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, 2020

	Total Governmental Activities
ASSETS	
Deposits and investments	$ 46,274,837
Accounts receivable	5,071,872
Inventories	201,969
Prepaid expenses	120,557
Capital assets:	
Non-depreciable assets	17,388,180
Depreciable assets	195,902,293
Less, accumulated depreciation	(95,651,604)
Total assets	169,308,104
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	22,285,452
Deferred outflows related to OPEB	2,192,795
Total deferred outflows of resources	24,478,247
LIABILITIES	
Accounts payable	4,167,101
Unearned revenue	70,883
Long-term liabilities other than pensions:	
Due or payable within one year	2,229,340
Due or payable after one year	153,736,079
Net pension liability	82,064,761
Total liabilities	242,268,164
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	7,429,359
Deferred inflows related to OPEB	4,125,769
Total deferred inflows of resources	11,555,128
NET POSITION	
Net investment in capital assets	36,500,112
Restricted for:	
Capital projects	18,637,410
Debt service	3,220,194
Categorical programs	1,613,877
Unrestricted	(120,008,534)
Total net position	$ (60,036,941)

BERRYESSA UNION SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2020

		Program Revenues		Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				
Instructional Services:				
Instruction	$ 60,036,185	$ 14,603	$ 3,756,571	$ (56,265,011)
Instruction-Related Services:				
Supervision of instruction	3,527,667	1	636,583	(2,891,083)
Instructional library, media and technology	2,372,945	886	12,146	(2,359,913)
School site administration	7,177,465	14	91,337	(7,086,114)
Pupil Support Services:				
Home-to-school transportation	1,096,957	-	-	(1,096,957)
Food services	3,235,193	866,474	1,245,084	(1,123,635)
All other pupil services	5,353,150	7,400	456,342	(4,889,408)
General Administration Services:				
Data processing services	1,446,100	-	1,302	(1,444,798)
Other general administration	5,964,300	45,144	334,062	(5,585,094)
Plant Services	6,883,956	18,094	27,741	(6,838,121)
Ancillary Services	5,955	-	29	(5,926)
Interest on Long-Term Debt	4,081,419	-	-	(4,081,419)
Other Outgo	585,290	239,687	941,347	595,744
Total Governmental Activities	$ 101,766,582	$ 1,192,303	$ 7,502,544	(93,071,735)

General Revenues:	
Property taxes	44,215,131
Federal and state aid not restricted to specific purpose	26,803,041
Interest and investment earnings	793,651
Miscellaneous	1,274,933
Total general revenues	73,086,756
Change in net position	(19,984,979)
Net position - July 1, 2019	(40,051,962)
Net position - June 30, 2020	$ (60,036,941)

BERRYESSA UNION SCHOOL DISTRICT

Balance Sheet – Governmental Funds

June 30, 2020

	General Fund	Cafeteria Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Deposits and investments	$ 15,061,677	$ 26,468	$ 9,381,755	$ 15,267,176	$ 6,537,761	$ 46,274,837
Accounts receivable	4,686,068	263,553	39,655	62,344	20,252	5,071,872
Due from other funds	1,095,924	557,067	-	-	-	1,652,991
Inventories	89,518	112,451	-	-	-	201,969
Prepaid expenditures	120,557	-	-	-	-	120,557
Total Assets	$ 21,053,744	$ 959,539	$ 9,421,410	$ 15,329,520	$ 6,558,013	$ 53,322,226
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 1,996,132	$ 35,831	$ 802,333	$ -	$ 8,929	$ 2,843,225
Due to other funds	557,067	801,257	273,667	-	21,000	1,652,991
Unearned revenue	70,883	-	-	-	-	70,883
Total Liabilities	2,624,082	837,088	1,076,000	-	29,929	4,567,099
Fund Balances						
Nonspendable	235,075	122,451	-	-	-	357,526
Restricted	1,491,426	-	8,345,410	15,329,520	6,528,084	31,694,440
Assigned	9,327,316	-	-	-	-	9,327,316
Unassigned	7,375,845	-	-	-	-	7,375,845
Total Fund Balances	18,429,662	122,451	8,345,410	15,329,520	6,528,084	48,755,127
Total Liabilities and Fund Balances	$ 21,053,744	$ 959,539	$ 9,421,410	$ 15,329,520	$ 6,558,013	$ 53,322,226

Total fund balances - governmental funds			$ 48,755,127
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	$ 213,290,473	
	Accumulated depreciation	(95,651,604)	117,638,869
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:			(51,436,919)
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	24,478,247	
	Deferred inflows of resources	(11,555,128)	12,923,119
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.			(82,064,761)
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	99,498,790	
	Energy conservation loan payable	801,016	
	Capital leases payable	48,106	
	Compensated absences payable	280,766	
	QZAB payable	3,899,822	(104,528,500)
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:			(1,323,876)
Total net position - governmental activities			$ (60,036,941)

BERRYESSA UNION SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General Fund	Cafeteria Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	$ 62,897,743	$ -	$ -	$ -	$ -	$ 62,897,743
Federal sources	2,573,767	1,208,240	-	-	-	3,782,007
Other state sources	7,214,461	72,922	-	-	26,971	7,314,354
Other local sources	5,048,321	969,368	220,621	524,221	4,584,347	11,346,878
Total Revenues	77,734,292	2,250,530	220,621	524,221	4,611,318	85,340,982
EXPENDITURES						
Current:						
Instruction	53,169,789	-	-	-	-	53,169,789
Instruction-related services:						
Supervision of instruction	3,120,332	-	-	-	-	3,120,332
Instructional library, media and technology	755,755	-	-	-	-	755,755
School site administration	6,050,661	-	-	-	-	6,050,661
Pupil support services:						
Home-to-school transportation	839,070	-	-	-	-	839,070
Food services	406,381	2,195,479	-	-	-	2,601,860
All other pupil services	5,202,483	-	-	-	-	5,202,483
Ancillary services	5,655	-	-	-	-	5,655
General administration services:						
Data processing services	1,179,110	-	-	-	-	1,179,110
Other general administration	4,517,017	-	-	-	22,322	4,539,339
Plant services	6,098,606	42,616	428	660	6,043	6,148,353
Transfers of indirect costs	(106,656)	106,656	-	-	-	-
Capital Outlay	37,276	-	5,407,966	116,816	80,360	5,642,418
Intergovernmental	584,540	-	-	-	-	584,540
Debt Service:						
Principal	37,933	-	-	517,348	1,470,000	2,025,281
Interest	10,618	-	-	45,980	2,988,743	3,045,341
Total Expenditures	81,908,570	2,344,751	5,408,394	680,804	4,567,468	94,909,987
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,174,278)	(94,221)	(5,187,773)	(156,583)	43,850	(9,569,005)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	21,000	139,662	-	99,403	-	260,065
Interfund transfers out	(239,065)	-	-	-	(21,000)	(260,065)
Total Other Financing Sources and Uses	(218,065)	139,662	-	99,403	(21,000)	-
Net Change in Fund Balances	(4,392,343)	45,441	(5,187,773)	(57,180)	22,850	(9,569,005)
Fund Balances, July 1, 2019	22,822,005	77,010	13,533,183	15,386,700	6,505,234	58,324,132
Fund Balances, June 30, 2020	$ 18,429,662	$ 122,451	$ 8,345,410	$ 15,329,520	$ 6,528,084	$ 48,755,127

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, 2020

Total net change in fund balances - governmental funds		$ (9,569,005)
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	4,386,035	
Depreciation expense	(7,413,857)	
Net:		(3,027,822)
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:		2,025,281
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:		(1,254,629)
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:		(3,805,296)
If a planned capital project is canceled and will not be completed, costs previously capitalized as construction in progress must be written off to an expense. Costs written off for canceled projects were:		(441,892)
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:		(4,028,291)
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:		35,570
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:		(102,527)
Change in net position of governmental activities		$ (19,984,979)

BERRYESSA UNION SCHOOL DISTRICT

Statement of Fiduciary Net Position
June 30, 2020

	Agency Funds	Trust Funds	
	Student Body Funds	Scholarship Fund	Total
ASSETS			
Deposits and investments	$ 223,909	$ 6,083	$ 229,992
Accounts receivable	-	25	25
Total Assets	$ 223,909	6,108	230,017
LIABILITIES			
Due to student groups	$ 223,909	-	223,909
Total Liabilities	$ 223,909	-	223,909
NET POSITION			
Restricted for student scholarships		6,108	6,108
Total Net Position		$ 6,108	$ 6,108

BERRYESSA UNION SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2020

	Trust Funds
	Scholarship Fund
ADDITIONS	
Interest	$ 118
Net increase (decrease) in net position	118
Net Position - July 1, 2019	5,990
Net Position - June 30, 2020	$ 6,108

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 the 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

District-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. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

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.

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).

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.

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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

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 District-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.

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 District-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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Compensated Absences

The liability for compensated absences reported in the District-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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Fund Balances (continued)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Pronouncement

In May 2020, the GASB issued Statement No. 95. The primary objective of this Statement is to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update-2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update-2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in *each* pronouncement as originally issued.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements

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, 2019.

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 June 15, 2021.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

3. (continued)
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, 2020. 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.

   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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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, 2021. Earlier application is encouraged.

6. In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

   - The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
   - Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
   - The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74*, Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, as amended, to reporting assets accumulated for postemployment benefits
   - The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

6. (continued)

- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Earlier application is encouraged and is permitted by topic.

7. In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates.* Some governments have entered into agreements in which variable payments made or received depending on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

   Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases,* as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

   The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

7. (continued)

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of *reference rate,* as it is used in Statement 53, as amended

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

8. In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

   This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

   This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, *Leases,* as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

8. (continued)
This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement).

   This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts.

   This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination.

   An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

   The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Governmental funds	$ 46,274,837
Fiduciary funds	229,992
Total deposits and investments	$ 46,504,829

Deposits and investments as of June 30, 2020 consist of the following:

Cash on hand and in banks	$ 224,794
Cash in revolving fund	35,000
Investments	46,245,035
Total deposits and investments	$ 46,504,829

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.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Pooled Funds (continued)
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, 2020, 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.

As of June 30, 2020, $31,662 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments - Interest Rate Risk
The District's investment policy authorizes the district's chief fiscal officer to invest and reinvest any surplus monies not required for the immediate necessities of the district on behalf of the district. The investment objectives shall be to first safeguard the principal of the funds, then to meet the district's liquidity needs and, third, to achieve a return on the funds. The District's investment policy does not limit investment maturities. Maturities of investments held at June 30, 2020, consist of the following:

	Reported Amount	Less Than One Year	One Year Through Five Years	Fair Value Measurement	Rating
Investments:					
County Pool	$ 46,245,035	$ 46,245,035	$ -	Uncategorized	N/A

Investments - Credit Risk
The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by *State Government Code* Section 53600. At June 30, 2020, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments - Concentration of Credit Risk
The District does not place limits on the amount it may invest in any one issuer. At June 30, 2020, the District did not have any investments outside of the County Treasury investment pool.

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, 2020, consisted of the following:

	Governmental Funds						
	General Fund	Cafeteria Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total	Scholarship Fund
Federal Government:							
Categorical aid programs	$ 1,517,735	$ 242,554	$ -	$ -	$ -	$ 1,760,289	$ -
State Government:							
LCFF	2,284,955	-	-	-	-	2,284,955	-
Lottery	315,236	-	-	-	-	315,236	-
Special education	107,755	-	-	-	-	107,755	-
Categorical aid programs	20,104	17,041	-	-	-	37,145	-
Local:							
Interest	90,408	-	39,655	62,344	20,252	212,659	25
Other local	349,875	3,958	-	-	-	353,833	-
Total	$ 4,686,068	$ 263,553	$ 39,655	$ 62,344	$ 20,252	$ 5,071,872	$ 25

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2020, consisted of the following:

	Due from Other Funds		
	General Fund	Cafeteria Fund	Total
General Fund	$ -	$ 557,067	$ 557,067
Cafeteria Fund	801,257	-	801,257
Building Fund	273,667	-	273,667
Capital Facilities Fund	21,000	-	21,000
Total	$ 1,095,924	$ 557,067	$ 1,652,991

General Fund due to Cafeteria Fund for nutrition bad debt and operating expenses	$ 557,067
Cafeteria Fund due to General Fund for indirect costs, repayment of temporary loan, and retiree costs	801,257
Building Fund due to General Fund for expenditure reimbursements and retiree costs	273,667
Capital Facilities Fund due to General Fund for expenditure reimbursements	21,000
Total	$ 1,652,991

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2020, consisted of the following:

General Fund transfer to Cafeteria Fund for program contribution and cash flow	$ 139,662
General Fund transfer to Special Reserve Fund for Capital Outlay Projects to support debt payments	99,403
Capital Facilities Fund transfer to General Fund for admin charges	21,000
Total	$ 260,065

NOTE 5 – FUND BALANCES

At June 30, 2020, fund balances of the District's governmental funds were classified as follows:

	General Fund	Cafeteria 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	89,518	112,451	-	-	-	201,969
Prepaid expenditures	120,557	-	-	-	-	120,557
Total Nonspendable	235,075	122,451	-	-	-	357,526
Restricted:						
Categorical programs	1,491,426	-	-	-	-	1,491,426
Capital projects	-	-	8,345,410	15,329,520	3,307,890	26,982,820
Debt service	-	-	-	-	3,220,194	3,220,194
Total Restricted	1,491,426	-	8,345,410	15,329,520	6,528,084	31,694,440
Assigned:						
Tech refresh program	540,097	-	-	-	-	540,097
CSEA staff development	25,000	-	-	-	-	25,000
CSEA para scholarship	74,647	-	-	-	-	74,647
Surplus sales (maintenance)	15,476	-	-	-	-	15,476
Additional 3% reserve	2,464,430	-	-	-	-	2,464,430
Textbook adoption	250,000	-	-	-	-	250,000
Other assignments	2,613,135	-	-	-	-	2,613,135
Deferred maintenance program	762,201	-	-	-	-	762,201
Postemployment benefits	2,582,330	-	-	-	-	2,582,330
Total Assigned	9,327,316	-	-	-	-	9,327,316
Unassigned:						
Reserve for economic uncertainties	2,464,430	-	-	-	-	2,464,430
Remaining unassigned balances	4,911,415	-	-	-	-	4,911,415
Total Unassigned	7,375,845	-	-	-	-	7,375,845
Total	$ 18,429,662	$ 122,451	$ 8,345,410	$ 15,329,520	$ 6,528,084	$ 48,755,127

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance, July 1, 2019	Additions	Retirements	Balance, June 30, 2020
Capital assets not being depreciated:				
Land	$ 2,523,593	$ -	$ -	$ 2,523,593
Construction in progress	23,806,696	2,579,695	11,521,804	14,864,587
Total capital assets not being depreciated	26,330,289	2,579,695	11,521,804	17,388,180
Capital assets being depreciated:				
Improvement of sites	59,858,951	1,508,872	-	61,367,823
Buildings	116,780,684	10,702,542	-	127,483,226
Equipment	6,376,406	674,838	-	7,051,244
Total capital assets being depreciated	183,016,041	12,886,252	-	195,902,293
Accumulated depreciation for:				
Improvement of sites	(21,035,076)	(3,022,238)	-	(24,057,314)
Buildings	(64,821,105)	(3,818,335)	-	(68,639,440)
Equipment	(2,381,566)	(573,284)	-	(2,954,850)
Total accumulated depreciation	(88,237,747)	(7,413,857)	-	(95,651,604)
Total capital assets being depreciated, net	94,778,294	5,472,395	-	100,250,689
Governmental activity capital assets, net	$ 121,108,583	$ 8,052,090	$ 11,521,804	$ 117,638,869

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (continued)

Depreciation expense is allocated to the following functions in the Statement of Activities:

Governmental Activities:		
Instruction	$	5,563,429
Supervision of instruction		299,896
Instructional library, media and technology		80,466
School site administration		599,587
Home-to-school transportation		80,337
Food services		319,070
Data processing services		124,131
All other general administration		346,941
Total depreciation expense	$	7,413,857

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2020, were as follows:

	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	$ 81,753,031	$ -	$ 1,470,000	$ 80,283,031	$ 678,430
Accreted Interest	13,508,938	1,254,629	-	14,763,567	816,570
Unamortized Issuance Premium	4,635,824	-	183,632	4,452,192	183,632
Total G.O. Bonds	99,897,793	1,254,629	1,653,632	99,498,790	1,678,632
Capital Leases	86,039	-	37,933	48,106	29,598
Qualified School Zone Bonds	4,370,052	-	470,230	3,899,822	473,992
Other Postemployment Benefits	47,078,757	5,476,074	1,117,912	51,436,919	-
Compensated Absences	178,239	102,527	-	280,766	-
Direct Borrowings:					
Energy Conservation Assistance Loan	848,134	-	47,118	801,016	47,118
Total	$ 152,459,014	$ 6,833,230	$ 3,326,825	$ 155,965,419	$ 2,229,340

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the QZAB and energy conservation loan are made from the Special Reserve for Capital Outlay Projects Funds. Payments for capitalized lease obligations are made from the General Fund. 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.

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

A. General Obligation Bonds (continued)

Election of 2020
On March 3, 2020, the voters of the District approved Measure U by more than a 55% vote, authorizing the District to issue up to $98 million of general obligation bonds. The bonds will be issued to repair/update local elementary/middle schools, including science, arts and math classrooms/labs for 21st-century learning; make essential safety and security improvements; replace aging fire alarms; and repair, construct, or acquire classrooms and equipment. As of June 30, 2020 no bonds had been issued under Measure U.

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.

A summary of all bonds issued and outstanding at June 30, 2020 follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020
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
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	4.0%-5.0%	37,000,000	35,515,000	-	1,470,000	34,045,000
					$ 81,753,031	$ -	$ 1,470,000	$ 80,283,031
				Accreted Interest				
				1999A	$ 3,968,763	$ 367,163	$ -	$ 4,335,926
				1999B	4,981,213	455,447	-	5,436,660
				1999C	4,558,962	432,019	-	4,990,981
					$ 13,508,938	$ 1,254,629	$ -	$ 14,763,567

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Total
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
2024-2025	2,702,030	7,152,908	9,854,938
2025-2030	11,716,694	20,446,493	32,163,187
2030-2035	13,600,000	10,428,188	24,028,188
2035-2040	19,215,000	7,201,719	26,416,719
2040-2045	26,555,000	2,634,400	29,189,400
	$ 80,283,031	$ 68,423,351	$ 148,706,382

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 $3,899,822 as of June 30, 2020.

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

B. Qualified Zone Academy Bond(continued)

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

Fiscal Year	Principal	Interest	Total
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
2024-2025	489,342	98,102	587,444
2025-2028	1,491,639	126,864	1,618,503
Total	$ 3,899,822	$ 890,577	$ 4,790,399

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 childcare services. The District has included in equipment, capital assets which were acquired under capitalized lease obligations. The District will receive no sublease revenue from the agreements.

Future yearly payments on capitalized lease obligations are as follows:

Fiscal Year	Lease Payment
2020-21	$ 32,051
2021-22	15,756
2022-23	4,184
Total payments	51,991
Less amount representing interest	(3,885)
Present value of minimum lease payments	$ 48,106

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
2020-2021	$ 47,118
2021-2022	47,119
2022-2023	47,119
2023-2024	47,119
2024-2025	47,119
2025-2030	235,593
2030-2035	235,593
2035-2037	94,236
Total	$ 801,016

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

E. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2020, 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	$ 51,066,127	$ 2,192,795	$ 4,125,769	$ 3,828,957
MPP Program	370,792	-	-	(70,963)
Total	$ 51,436,919	$ 2,192,795	$ 4,125,769	$ 3,757,994

The details of each plan are as follows:

District Plan

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 $51,066,127 for the Plan was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018.

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 percent
Salary increases	3.00 percent
Healthcare cost trend rates	5.5 percent 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, 2.98% at June 30, 2018, and 2.79% at June 30, 2019.

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	$	46,685,487
Changes for the year:		
Service cost		2,663,472
Interest		1,374,906
Changes of assumptions		1,437,696
Benefit payments		(1,095,434)
Net changes		4,380,640
Balance at June 30, 2019	$	51,066,127

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	$	59,745,742
Current discount rate	$	51,066,127
1% increase	$	44,122,106

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	$	43,634,910
Current trend rate	$	51,066,127
1% increase	$	60,555,543

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

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

District Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2020, the District recognized OPEB expense of $3,828,957. In addition, at June 30, 2020, 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	$ -	$ 2,017,812
Changes of assumptions	2,192,795	2,107,957
Total	$ 2,192,795	$ 4,125,769

The deferred outflows and inflows of resources related to changes of assumptions and differences between expected and actual experience 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 current measurement period and 2018-19 measurement period is 12.4 years.

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2021	$ 209,421
2022	209,421
2023	209,421
2024	209,421
2025	209,421
Thereafter	885,869
	$ 1,932,974

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, 2018 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.

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

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

Medicare Premium Payment (MPP) Program (continued)

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, 2019, 5,744 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, 2020, the District reported a liability of $370,792 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, 2019, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total OPEB liability to June 30, 2019. 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, 2020	Fiscal Year Ending June 30, 2019	Change Increase/ (Decrease)
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net OPEB Liability	0.099569%	0.115410%	-0.015841%

For the year ended June 30, 2020, the District reported OPEB expense of $(70,963).

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:

Measurement Date	June 30, 2019
Valuation Date	June 30, 2018
Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Healthcare Cost Trend Rates	3.70% for Medicare Part A, and 4.10% for Medicare Part B

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

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

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs (continued)
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 380, or an average of 0.23% of the potentially eligible population (165,422).

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% of the ultimate improvement factor from the Mortality Improvement Scale (MP–2016) table issued by the Society of Actuaries.

Discount Rate
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, 2019, 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 California State Treasurer.

The discount rate used to measure the total OPEB liability was 3.50%. The MPP Program is funded on a pay-as-you-go basis as previously noted, 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 3.50%, which is the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37% from 3.87% as of June 30, 2018.

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	$ 404,619
Current discount rate	$ 370,792
1% increase	$ 339,690

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 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	$ 337,877
Current trend rate	$ 370,792
1% increase	$ 408,514

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, 2020, 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	$ 58,183,792	$ 16,222,388	$ 6,669,555	$ 8,078,274
CalPERS	23,880,969	6,063,064	759,804	5,676,538
Total	$ 82,064,761	$ 22,285,452	$ 7,429,359	$ 13,754,812

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.

NOTE 8 – PENSION PLANS (continued)

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

Plan Description (continued)
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, 2018, 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 non-employer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2020, 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	17.10%	17.10%
Required State Contribution Rate	10.328%	10.328%

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

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 June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately $2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution is allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program.

The contribution rates for each program for the year ended June 30, 2020, are presented above, and the District's total contributions were $6,209,036.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2020, 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	$	58,183,792
State's proportionate share of the net pension liability associated with the District		31,743,143
Total	$	89,926,935

The net pension liability was measured as of June 30, 2019. 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, 2020	**Fiscal Year Ending June 30, 2019**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net Pension Liability	0.064422%	0.065336%	-0.000913%

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)
For the year ended June 30, 2020, the District recognized pension expense of $8,078,274. In addition, the District recognized pension expense and revenue of $868,481 for support provided by the State. At June 30, 2020, 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	$ 6,209,036	$ -
Net change in proportionate share of net pension liability	2,373,492	2,654,747
Difference between projected and actual earnings on pension plan investments	133,999	2,375,256
Changes of assumptions	7,358,978	-
Differences between expected and actual experience	146,883	1,639,552
Total	$ 16,222,388	$ 6,669,555

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.

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 of Resources	Deferred Inflows of Resources
2021	$ 2,259,324	$ 1,175,675
2022	2,259,324	2,731,478
2023	2,259,324	1,196,935
2024	2,395,255	717,632
2025	420,062	439,412
Thereafter	420,062	408,422
Total	$ 10,013,352	$ 6,669,555

NOTE 8 – PENSION PLANS (continued)

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

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, 2018 and rolling forward the total pension liability to June 30, 2019. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price of Inflation	2.75%
Wage Growth	3.50%

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

The long-term investment 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) 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.

For each future valuation, CalSTRS' independent 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%	4.8%
Fixed Income	12%	1.3%
Real Estate	13%	3.6%
Private Equity	13%	6.3%
Risk Mitigating Strategies	9%	1.8%
Inflation Sensitive	4%	3.3%
Cash/Liquidity	2%	(0.4%)

NOTE 8 – PENSION PLANS (continued)

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

Discount Rate

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

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%)	$ 86,640,482
Current discount rate (7.10%)	58,183,792
1% increase (8.10%)	34,587,776

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. 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 $4,427,861.

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, 2018 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb.

NOTE 8 – PENSION PLANS (continued)

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

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, 2020, 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	2.0 – 2.5%	2.0 – 2.5%
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	19.721%	19.721%

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, 2020 are presented above, and the total District contributions were $2,649,004.

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
As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $23,880,969. The net pension liability was measured as of June 30, 2019. 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, 2020	**Fiscal Year Ending June 30, 2019**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net Pension Liability	0.081941%	0.083106%	-0.001166%

For the year ended June 30, 2020, the District recognized pension expense of $5,676,538. At June 30, 2020, 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	$ 2,649,004	$ -
Net change in proportionate share of net pension liability	261,116	256,885
Difference between projected and actual earnings on pension plan investments	281,419	502,920
Changes of assumptions	1,136,808	-
Differences between expected and actual experience	1,734,717	-
Total	$ 6,063,064	$ 759,804

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 4.1 years.

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)
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 of Resources	Deferred Inflows of Resources
2021	$ 2,179,850	$ 62,655
2022	819,216	499,392
2023	324,265	128,837
2024	90,729	62,655
2025	-	6,265
Thereafter	-	-
Total	$ 3,414,060	$ 759,804

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, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.50%
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. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

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

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)
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 discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan’s investments was applied to all periods of projected benefit payments to determine the 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%)	$ 34,422,846
Current discount rate (7.15%)	23,880,969
1% increase (8.15%)	15,135,753

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, 2020, the District reported payables of $10,322 and $2,397 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2020.

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, 2019, the most current information available:

	SBASIA	SCCSIG	SELF	EVSTA
Assets	$ 6,428,609	$ 26,104,195	$ 121,323,694	$ 392,822
Deferred Outflows	-	260,099	423,181	-
Liabilities	5,148,505	9,302,091	101,851,136	108,541
Deferred Inflows	-	44,693	31,467	-
Net Position	$ 1,280,104	$ 17,017,510	$ 19,864,272	$ 284,281
Revenues	$ 4,232,138	$ 38,047,294	$ 25,735,366	$ 2,643,998
Expenses	3,761,693	36,444,878	23,968,407	2,643,998
Change in Net Position	$ 470,445	$ 1,602,416	$ 1,766,959	$ -

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, 2020, the District had commitments with respect to unfinished capital projects of approximately $2.0 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, 2020.

D. Impact of COVID-19
On March 13, 2020, a presidential emergency was declared due to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic. The declaration made federal disaster assistance available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act to the State of California to supplement the local recovery efforts by the K-12 education community. On that same date, Governor Newsom issued Executive Order N-26-20, guaranteeing continued State funding, holding LEAs harmless from several regulations, and providing guidelines for LEAs to operate under a “distance learning” environment.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

D. Impact of COVID-19 (continued)

In response, the District announced the closing of all schools in mid-March. With nearly all districts in California shut down to stem the spread of COVID-19, officials statewide hastily put in place plans to deliver "grab and go" meals with minimal contact between cafeteria staff, volunteers and families in need. In addition, the District worked to implement distance learning for all students for the remainder of the 2019-20 school year.

A companion bill to Executive Order N-26-20, Senate Bill 117 changed the method used by the District to calculate average daily attendance (ADA) for both the P-2 and Annual period apportionment to include all full school months from July 1, 2019 to February 29, 2020. As events unfold and changes are made on a daily basis, the future impacts of COVID-19 on the District's operations are not fully known at this time.

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, 2020, 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 2019-20, 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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF Sources	$ 62,876,534	$ 62,739,138	$ 62,897,743	$ 158,605
Federal Sources	2,722,383	3,086,718	2,573,767	(512,951)
Other State Sources	4,172,978	5,465,751	7,214,461	1,748,710
Other Local Sources	3,517,293	4,445,885	4,934,637	488,752
Total Revenues	73,289,188	75,737,492	77,620,608	1,883,116
Expenditures				
Current:				
Certificated Salaries	36,986,771	37,837,800	37,473,457	364,343
Classified Salaries	11,081,627	11,259,146	11,322,664	(63,518)
Employee Benefits	21,292,645	22,325,504	23,601,908	(1,276,404)
Books and Supplies	2,117,400	4,063,031	1,922,315	2,140,716
Services and Other Operating Expenditures	7,022,915	7,986,899	7,024,515	962,384
Capital Outlay	-	32,794	37,276	(4,482)
Other Outgo	527,487	631,870	526,435	105,435
Total Expenditures	79,028,845	84,137,044	81,908,570	2,228,474
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,739,657)	(8,399,552)	(4,287,962)	4,111,590
Other Financing Sources and Uses				
Interfund Transfers In	21,000	21,000	21,000	-
Interfund Transfers Out	(530,000)	(671,411)	(239,065)	432,346
Total Other Financing Sources and Uses	(509,000)	(650,411)	(218,065)	432,346
Net Change in Fund Balance	(6,248,657)	(9,049,963)	(4,506,027)	4,543,936
Fund Balances, July 1, 2019	11,316,496	16,978,023	16,978,023	-
Fund Balances, June 30, 2020	$ 5,067,839	$ 7,928,060	12,471,996	$ 4,543,936

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

Deferred Maintenance Fund	762,201
Special Reserve Fund for Other Than Capital Outlay Projects	2,613,135
Special Revenue Fund for Postemployment Benefits	2,582,330

Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:	$ 18,429,662

BERRYESSA UNION SCHOOL DISTRICT
Budgetary Comparison Schedule – Cafeteria Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
Federal Sources	$ 1,169,000	$ 1,074,000	$ 1,208,240	$ 134,240
Other State Sources	87,000	78,500	72,922	(5,578)
Other Local Sources	1,452,400	1,427,648	969,368	(458,280)
Total Revenues	2,708,400	2,580,148	2,250,530	(329,618)
Expenditures				
Current:				
Classified Salaries	1,120,724	1,166,989	977,387	189,602
Employee Benefits	570,218	571,003	456,970	114,033
Books and Supplies	781,586	772,586	706,199	66,387
Services and Other Operating Expenditures	96,700	95,700	78,601	17,099
Capital Outlay	5,000	11,000	20,341	(9,341)
Other Outgo	134,172	134,172	105,253	28,919
Total Expenditures	2,708,400	2,751,450	2,344,751	406,699
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(171,302)	(94,221)	77,081
Other Financing Sources and Uses				
Interfund Transfers In	-	94,292	139,662	45,370
Total Other Financing Sources and Uses	-	94,292	139,662	45,370
Net Change in Fund Balance	-	(77,010)	45,441	122,451
Fund Balances, July 1, 2019	-	77,010	77,010	-
Fund Balances, June 30, 2020	$ -	$ -	$ 122,451	$ 122,451

BERRYESSA UNION SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability

For the Fiscal Year Ended June 30, 2020

*Last Ten Fiscal Years**

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
CalSTRS						
District's proportion of the net pension liability	0.0644%	0.0653%	0.0618%	0.0630%	0.0660%	0.0650%
District's proportionate share of the net pension liability	$ 58,183,792	$ 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	31,743,143	34,380,299	33,829,656	29,012,060	23,430,811	23,062,210
Totals	$ 89,926,935	$ 94,428,317	$ 91,013,932	$ 79,967,090	$ 67,732,811	$ 61,254,210
District's covered-employee payroll	$ 34,806,505	$ 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	167.16%	171.94%	173.22%	161.13%	145.05%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
CalPERS						
District's proportion of the net pension liability	0.0819%	0.0831%	0.0822%	0.0816%	0.0800%	0.0780%
District's proportionate share of the net pension liability	$ 23,880,969	$ 22,158,788	$ 19,614,831	$ 16,115,050	$ 11,818,000	$ 8,823,000
District's covered-employee payroll	$ 12,972,916	$ 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	184.08%	170.38%	153.55%	128.57%	133.15%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	70%	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, 2020

*Last Ten Fiscal Years**

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
CalSTRS						
Contractually required contribution	$ 6,209,036	$ 5,666,499	$ 5,039,424	$ 4,152,944	$ 3,393,173	$ 2,712,184
Contributions in relation to the contractually required contribution	6,209,036	5,666,499	5,039,424	4,152,944	3,393,173	2,712,184
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 36,310,155	$ 34,806,503	$ 34,923,243	$ 33,012,273	$ 31,623,234	$ 30,543,000
Contributions as a percentage of covered-employee payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 2,649,004	$ 2,343,168	$ 2,019,920	$ 1,774,135	$ 1,484,879	$ 1,044,818
Contributions in relation to the contractually required contribution	2,649,004	2,343,168	2,019,920	1,774,135	1,484,879	1,044,818
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 13,432,402	$ 12,972,915	$ 13,005,730	$ 12,774,590	$ 12,533,798	$ 8,876,000
Contributions as a percentage of covered-employee payroll	19.721%	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, 2020

Last 10 Fiscal Years*

	2019	2018	2017
Total OPEB liability			
Service cost	$ 2,663,472	$ 2,587,815	$ 2,758,118
Interest	1,374,906	1,396,237	1,209,410
Differences between expected and actual experience	-	(2,405,852)	-
Changes of assumptions or other inputs	1,437,696	1,038,550	(2,753,251)
Benefit payments	(1,095,434)	(1,078,971)	(1,388,473)
Net change in total OPEB liability	4,380,640	1,537,779	(174,196)
Total OPEB liability - beginning	46,685,487	45,147,708	45,321,904
Total OPEB liability - ending	$ 51,066,127	$ 46,685,487	$ 45,147,708
Covered-employee payroll	$ 48,200,383	$ 46,511,882	$ 45,360,521
Total OPEB liability as a percentage of covered-employee payroll	105.95%	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 3.13% at June 30, 2017, and 2.98% at June 30, 2018, and 2.79% at June 30, 2019.

** 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, 2020

Last 10 Fiscal Years*

	2019	2018	2017
District's proportion of net OPEB liability	0.0996%	0.1027%	0.0984%
District's proportionate share of net OPEB liability	$ 370,792	$ 393,270	$ 414,038
Covered-employee payroll	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	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 Schedules

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the *Governmental Accounting Standards Board* and provisions of the *California Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget 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 - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

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 discount rate was changed from 3.87 percent to 3.50 percent since the previous valuation.

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

DISTRICT ADMINISTRATORS

Dr. Roxane Fuentes,
Superintendent

Kevin Franklin,
Assistant Superintendent Business Services

Darrien Johnson,
Assistant Superintendent, Human Services

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

BERRYESSA UNION SCHOOL DISTRICT
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2020

	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
ASSETS			
Deposits and investments	$ 3,324,179	$ 3,213,582	$ 6,537,761
Accounts receivable	13,640	6,612	20,252
Total Assets	$ 3,337,819	$ 3,220,194	$ 6,558,013
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 8,929	$ -	$ 8,929
Due to other funds	21,000	-	21,000
Total Liabilities	29,929	-	29,929
Fund Balances			
Restricted	3,307,890	3,220,194	6,528,084
Total Fund Balances	3,307,890	3,220,194	6,528,084
Total Liabilities and Fund Balances	$ 3,337,819	$ 3,220,194	$ 6,558,013

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, 2020

	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
REVENUES			
Other state sources	$ -	$ 26,971	$ 26,971
Other local sources	325,069	4,259,278	4,584,347
Total Revenues	325,069	4,286,249	4,611,318
EXPENDITURES			
Current:			
General administration services:			
Other general administration	22,322	-	22,322
Plant services	6,043	-	6,043
Capital outlay	80,360	-	80,360
Debt service:			
Principal	-	1,470,000	1,470,000
Interest	-	2,988,743	2,988,743
Total Expenditures	108,725	4,458,743	4,567,468
Excess (Deficiency) of Revenues Over (Under) Expenditures	216,344	(172,494)	43,850
OTHER FINANCING SOURCES (USES)			
Interfund transfers out	(21,000)	-	(21,000)
Net Change in Fund Balances	195,344	(172,494)	22,850
Fund Balances, July 1, 2019	3,112,546	3,392,688	6,505,234
Fund Balances, June 30, 2020	$ 3,307,890	$ 3,220,194	$ 6,528,084

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2020

	Second Period Report	Annual Report
	Certificate No. 7B259A60	Certificate No. C97D65B2
Regular ADA:		
Grades TK/K-3	2,960.12	2,960.12
Grades 4-6	2,187.05	2,187.05
Grades 7-8	1,479.22	1,479.22
Total Regular ADA	6,626.39	6,626.39
Special Education, Nonpublic, Nonsectarian Schools:		
Grades TK/K-3	2.08	2.08
Grades 4-6	1.74	1.74
Grades 7-8	3.86	3.86
Total Special Education, Nonpublic, Nonsectarian Schools	7.68	7.68
Total ADA	6,634.07	6,634.07

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2020

Grade Level	Required Minutes	2019-20 Offered Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	49,980	180	Complied
Grade 1	50,400	50,947	180	Complied
Grade 2	50,400	50,947	180	Complied
Grade 3	50,400	50,947	180	Complied
Grade 4	54,000	54,549	180	Complied
Grade 5	54,000	54,549	180	Complied
Grade 6	54,000	56,250	180	Complied
Grade 7	54,000	56,250	180	Complied
Grade 8	54,000	56,250	180	Complied

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2020

General Fund	(Budget) 2021[2]	2020[3]	2019	2018
Revenues and other financing sources	$ 74,257,400	$ 77,620,608	$ 79,806,896	$ 73,656,964
Expenditures	81,749,110	81,908,570	80,560,481	75,486,036
Other uses and transfers out	40,000	218,065	759,851	1,277,984
Total outgo	81,789,110	82,126,635	81,320,332	76,764,020
Change in fund balance (deficit)	(7,531,710)	(4,506,027)	(1,513,436)	(3,107,056)
Ending fund balance	$ 4,940,286	$ 12,471,996	$ 16,978,023	$ 18,491,459
Available reserves [1]	$ 2,568,578	$ 7,375,845	$ 11,475,089	$ 16,519,570
Available reserves as a percentage of total outgo	3.1%	9.0%	14.1%	21.5%
Total long-term debt	$ 235,800,840	$ 238,030,180	$ 234,665,820	$ 213,408,160
Average daily attendance at P-2	N/A	6,634	6,766	6,888

The General Fund balance has decreased by $6,019,463 over the past two years. The fiscal year 2020-21 adopted budget projects a decrease of $7,531,710. 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 each of the past three years, and anticipates incurring an operating deficit during the 2020-21 fiscal year. Long-term debt has increased by $24,622,020 over the past two years.

Average daily attendance has decreased by 254 over the past two years. No ADA will be reported for the 2020-21 fiscal year.

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

[2] Revised Final Budget September, 2020.

[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.

	Cafeteria Fund
June 30, 2020, annual financial and budget report fund balance	$ 77,010
Adjustments and reclassifications:	
Increase (decrease) in total fund balances:	
Inventory understated	45,441
June 30, 2020, reported financial statement fund balances	$ 122,451

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

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	$ 127,911	
School Breakfast Program - Breakfast Basic	10.553	13525	21,391	
National School Lunch Program	10.555	13523	589,012	
Summer Feeding Option	10.555	13523	276,500	
USDA Donated Foods	10.555	13391	178,649	
Subtotal Child Nutrition Cluster				$ 1,193,463
NSLP Equipment Assistance Grants	10.579	14906		14,777
Total U.S. Department of Agriculture				1,208,240
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		708,338
Title II, Part A, Supporting Effective Instruction	84.367	14341		103,205
English Language Acquisition Grants Cluster:				
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	270,546	
Title III, Immigrant Education Program	84.365	15146	35,214	
Subtotal English Language Acquisition Grants Cluster				305,760
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		58,974
Passed through California Department of Education:				
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,273,369	
Preschool Grants, Part B, Sec 619 (Age 3-4-5)	84.173	13430	32,345	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	91,510	
Preschool Staff Development, Part B	84.173A	13431	266	
Subtotal Special Education Cluster (IDEA)				1,397,490
Total U.S. Department of Education				2,573,767
Total Expenditures of Federal Awards				$ 3,782,007

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. 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*. The instructional time presented in this schedule includes the days that the schools were closed due to the COVID-19 pandemic.

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.

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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, 2020, 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 January 5, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

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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
January 5, 2021

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, 2020. 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, 2020.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

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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
January 5, 2021

NIGRO & NIGRO PC
A Professional Accountancy Corporation

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 *2019-20 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, 2020.

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 *2019-20 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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

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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, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to previously, which are required to be reported in accordance with the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* and which are described in the accompanying schedule of findings and questioned costs as Finding 2020-001. Our opinion on each state program is not modified with respect to these matters.

District's Response to Finding

Berryessa Union School District's responses to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Berryessa Union School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

Nigro & Nigro, PC

Murrieta, California
January 5, 2021

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 2019-20.

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 2019-20.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Finding 2020-001: After School Education and Safety Program (40000)

Criteria: For After-School Programs, Education Code Section 8483(a)(1) requires that elementary school students are to participate in the full day of the program and that the program is to stay open until 6pm every day during which students participate, except as consistent with the established early release policy. Adequate documentation that supports attendance participation must be maintained by each site that documents that students are attending the program as consistent with the early release policy.

Condition: There were instances in which no reasons were provided for early release sign out forms. During testing at Summerdale Elementary, the only ASES site operated by the District, we identified three instances where students left early without a documented explanation. Furthermore, we noted that the total attendance records did not tie to the attendance reported on the Semi-Annual. The Semi-Annual was over-stated by 400 when compared to the supporting spreadsheets used to track attendance. In total, the Semi-Annual attendance report is incorrectly overstated by 403 units of attendance.

Cause: The students' attendance was not entered correctly into the attendance system and the submitted totals were not reconciled to the supporting detail documentation.

Effect: The potential effect is the loss of funding for inconsistencies with the District's attendance reporting.

Recommendation: The District should implement procedures requiring site personnel to document on the attendance form the reason for a student's early release. Additionally, the District should reconcile all reported attendance to supporting documentation and summary reports.

Views of Responsible Officials: The District contracts out their Afterschool Program to a third-party vendor. Going forward the District will create and implement a reconciliation process to review the programs detailed attendance records quarterly. The District will also work with its vendor to review all documents related to the student's early release.

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

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NIGRO & NIGRO PC
A PROFESSIONAL ACCOUNTANCY CORPORATION

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, 2020, 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 January 5, 2021, on the financial statements of Berryessa Union School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: During our testing of cash receipts, we noted several deposits lacked sufficient documentation at **Piedmont Middle, Morrill Middle**, and **Sierramont 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 instances at **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:*** 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. 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.

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.

> ***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.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

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

Nigro & Nigro, PC

Murrieta, California
January 5, 2021