BERRYESSA UNION SCHOOL DISTRICT

SANTA CLARA COUNTY

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2023

NIGRO & NIGRO PC

BERRYESSA UNION SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2023
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NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Education
Berryessa Union School District
San Jose, California

Report on the Audit of the Financial Statements

Opinions
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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
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Change in Accounting Principle
As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Accordingly, the beginning net position on the Statement of Activities has been restated to adopt this standard. Our opinion is not modified with respect to this matter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

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

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for the LEA Organization Structure, 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 Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents, except for the LEA Organization Structure, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The LEA Organization Structure has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated November 2, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
November 2, 2023

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, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by $19.5 million, or 26.3%.
- Governmental expenses were about $108.5 million. Revenues were about $128.1 million.
- The District acquired over $12.2 million in new capital assets during the year.
- Governmental funds increased by $69.0 million, or 98.4%.
- Reserves for the General Fund increased by $2.0 million or 69.2%. Revenues and other sources were $104.5 million, and expenditures and other financing uses were $97.7 million.

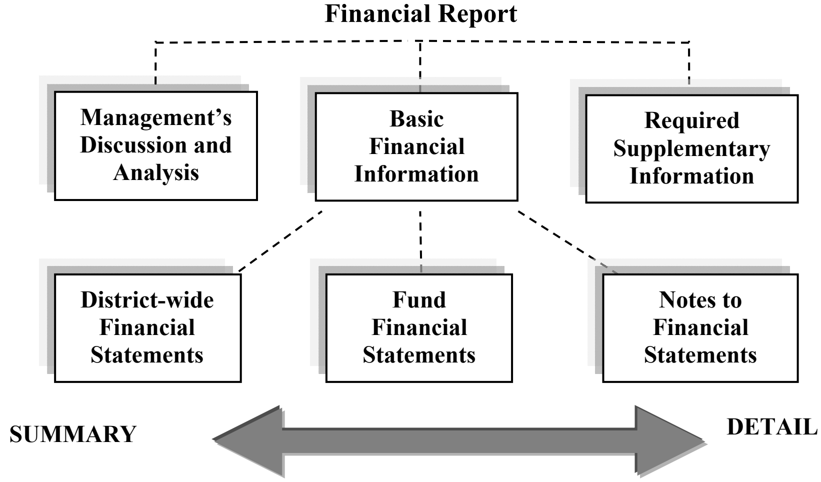
OVERVIEW OF THE FINANCIAL STATEMENTS

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.

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 one kind of fund:

> ***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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2023, than it was the year before – increasing 26.7% to $54.8 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance
	2023	2022*	Increase (Decrease)
Assets			
Current assets	$ 149,334,396	$ 77,085,229	$ 72,249,167
Capital assets	125,035,503	121,652,644	3,382,859
Total assets	274,369,899	198,737,873	75,632,026
Total deferred outflows of resources	35,080,961	27,880,162	7,200,799
Liabilities			
Current liabilities	9,460,796	4,892,490	4,568,306
Long-term liabilities	311,707,040	244,555,649	67,151,391
Total liabilities	321,167,836	249,448,139	71,719,697
Total deferred inflows of resources	43,062,118	51,471,623	(8,409,505)
Net position			
Net investment in capital assets	25,879,690	30,764,074	(4,884,384)
Restricted	38,848,908	17,430,078	21,418,830
Unrestricted	(119,507,692)	(122,495,879)	2,988,187
Total net position	$ (54,779,094)	$ (74,301,727)	$ 19,522,633

**As restated*

Changes in net position, governmental activities. The District's total revenues increased 36.0% to $128.1 million (See Table A-2). The increase is due primarily to increased taxes and operating grants as well as a one-time $10 million capital grant.

The total cost of all programs and services increased 11.5% to $108.5 million. The District's expenses are predominantly related to educating and caring for students, 77.2%. The purely administrative activities of the District accounted for just 6.3% 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 2023	Governmental Activities 2022	Variance Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	$ 171,568	$ 177,609	$ (6,041)
Operating grants and contributions	30,335,299	17,546,795	12,788,504
Capital grants and contributions	10,000,000	-	10,000,000
General Revenues:			
Property taxes	55,747,968	43,526,492	12,221,476
Federal and state aid not restricted	28,653,926	33,561,508	(4,907,582)
Other general revenues	3,162,646	(660,234)	3,822,880
Total Revenues	128,071,407	94,152,170	33,919,237
Expenses			
Instruction-related	73,463,074	67,600,637	5,862,437
Pupil services	10,363,531	10,187,867	175,664
Administration	6,849,838	8,202,229	(1,352,391)
Plant services	9,983,836	6,046,678	3,937,158
All other activities	7,888,495	5,277,334	2,611,161
Total Expenses	108,548,774	97,314,745	11,234,029
Increase (decrease) in net position	19,522,633	(3,162,575)	$ 22,685,208
Total Net Position	$ (54,779,094)	$ (74,301,727)	

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 $139.0 million, which is above last year's ending fund balance of $70.1 million. The primary causes of the increased fund balance were the issuance of general obligation bonds, a $10 million one capital grant, and a surplus in General Fund.

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2022*	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2023
Fund					
General Fund	$ 8,262,109	$ 103,772,245	$ 97,146,013	$ 228,788	$ 15,117,129
Student Activity Fund	252,773	326,111	229,408	-	349,476
Cafeteria Fund	830,514	4,733,498	3,741,142	(317,500)	1,505,370
Deferred Maintenance Fund	449,339	15,452	-	-	464,791
Special Reserve Fund (Other Than Capital Outlay)	2,595,377	57,981	-	-	2,653,358
Special Reserve Fund (Postemployment Benefits)	2,564,780	57,298	-	-	2,622,078
Building Fund	35,808,416	559,236	9,106,066	58,000,000	85,261,586
Capital Facilities Fund	3,733,334	145,164	13,500	-	3,864,998
County School Facilities Fund	-	9,868,906	4,623,992	-	5,244,914
Special Reserve Fund (Capital Outlay)	8,058,341	897,156	1,211,218	88,712	7,832,991
Bond Interest and Redemption Fund	7,512,178	12,962,214	10,197,298	3,843,453	14,120,547
Foundation Private-Purpose Trust Fund	6,067	135	-	-	6,202
	$ 70,073,228	$ 133,395,396	$ 126,268,637	$ 61,843,453	$ 139,043,440

**As restated*

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 $11.8 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs –increased $1.6 due to negotiated salary increases.
- Other non-personnel expenses increased $9.4 million to re-budget carryover funds and revise operational estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about $1.4 million, the actual results for the year show that revenues exceeded expenditures by roughly $6.6 million. Actual revenues were $1.6 million more than anticipated, and expenditures were $3.6 million less than budgeted. That amount consists primarily of capital outlay and restricted program dollars that were not spent as of June 30, 2023, that will be carried over into the 2023-24 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2022-23 the District had invested $12.2 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 was approximately $8.5 million and amortization expense was $0.5 million.

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

	Governmental Activities 2023	Governmental Activities 2022*	Variance Increase (Decrease)
Land	$ 7,377,095	$ 7,377,095	$ -
Improvement of sites	34,090,676	36,780,196	(2,689,520)
Buildings	72,314,111	66,673,145	5,640,966
Equipment	4,262,995	3,316,632	946,363
Construction in progress	6,388,099	6,604,035	(215,936)
Subscription assets	602,527	901,541	(299,014)
Total	$ 125,035,503	$ 121,652,644	$ 3,382,859

**As restated*

Long-Term Debt

At year-end the District had $311.7 million in long-term liabilities – an increase of 27.5% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 7-9 to the financial statements).

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

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

	Governmental Activities		Variance Increase
	2023	**2022***	**(Decrease)**
General obligation bonds	$ 193,931,707	$ 136,659,021	$ 57,272,686
Energy conservation assistance loan	659,661	706,779	(47,118)
Financed purchases	-	3,622	(3,622)
QZABs	2,466,440	2,948,046	(481,606)
Subscription Based IT Arrangements	119,528	244,541	(125,013)
Compensated absences	221,649	309,820	(88,171)
Early retirement incentive	1,640,652	2,187,536	(546,884)
Other postemployment benefits	39,753,459	53,770,784	(14,017,325)
Net pension liability	72,913,944	47,725,500	25,188,444
Total	$ 311,707,040	$ 244,555,649	$ 67,151,391

**As restated*

FACTORS BEARING ON THE DISTRICT'S FUTURE

State Budget
The Legislature passed an initial budget package on June 15, 2023. The Legislature's budget package adopted LAO estimates of local property tax revenues, which resulted in an increase to the Proposition 98 guarantee by $2.1 billion across 2022-23 and 2023-24. The legislative package used this additional funding primarily to help maintain previously approved programs. Relative to the May Revision, the Legislature's budget package also: (1) reallocated projected unspent funds in child care and State Preschool programs to increase provider rates and reduce family fees beginning October 1, 2023; (2) included a slightly different mix of reductions as the Governor from climate change-related packages (although a similar overall level); (3) restored $1 billion in 2023-24 in proposed General Fund reductions to transit capital funding and added flexibility to allow local agencies to use this funding for operations; (4) rejected the Governor's proposals to use General Fund cash to pay for certain capital outlay project costs, instead using lease revenue bond financing to pay for these costs; and (5) accelerated the time line to spend funds for MCO tax-related augmentations to around four years from eight to ten years. The Legislature passed an amended budget act and associated trailer bills on June 27, 2023 and June 29, 2023.

K-14 Education
Funds Modest Increase in School and Community College Funding
The Proposition 98 minimum guarantee depends upon various formulas that adjust for several factors, including changes in state General Fund revenue. For 2022-23, the guarantee is down $3 billion (2.7 percent) compared with the estimates made in June 2022. The decrease in the guarantee is primarily attributable to lower General Fund revenue estimates, somewhat offset by higher local property tax revenue. For 2023-24, the guarantee increases by $953 million (0.9 percent) relative to the revised 2022-23 level. For 2023-24, projected increases in property tax revenue offset declines associated with lower General Fund revenue estimates.

Increase in Required Reserve Deposits
In certain circumstances, the Constitution requires the state to deposit some of the available Proposition 98 funding into a statewide reserve account for schools and community colleges. Under the adopted budget plan, the state deposits a total of $7.5 billion into this account across the 2021-22 through 2023-24 period—an increase of $1.3 billion compared with the estimates made in June 2022. The higher required deposits are primarily due to revenue estimates from the administration that have capital gains accounting for a larger share of General Fund revenue over the period.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Provides Large COLA to School and Community College Districts
In addition to the required reserve deposits, the budget package has several ongoing and one-time increases. The largest ongoing augmentation is $4.8 billion to provide an 8.22 percent COLA for K-12 and community college programs. In K-12, the budget also includes $300 million ongoing targeted to low-income schools with relatively high rates of student mobility within the school year, as well as $250 million one time for literacy coaches and reading specialists.

Budget Has Notable K-14 Structural Gap
The 2023-24 Proposition 98 spending level is not sufficient to fully fund all ongoing spending authorized in the budget package. To cover these costs, the budget package uses $1.9 billion in one-time, prior-year funding to fund the primary school and community college funding formulas ($1.6 billion for schools and $290 million for California Community Colleges). Using one-time funds to cover ongoing costs creates a deficit in the Proposition 98 budget the following year.

Funds School Facilities Grants
The 2022-23 budget package provided $1.3 billion one-time non-Proposition 98 General Fund to cover the state share for new construction and modernization projects under the School Facility Program (SFP). The 2022-23 budget package also included intent language to provide an additional $2.1 billion in 2023-24 and $875 million in 2024-25. The budget provides about $2 billion to the SFP in 2023-24, which is $100 million less than the previously intended augmentation, and continues to assume an additional $875 million will be provided in 2024-25. The budget also delays the intended $550 million non-Proposition 98 General Fund increase to the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program from 2023-24 to 2024-25.

All of these factors were considered in preparing the Berryessa Union School District budget for the 2022-23 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, 2023

	Total Governmental Activities
ASSETS	
Deposits and investments	$ 138,636,979
Accounts receivable	6,851,233
Inventories	266,311
Prepaid expenses	26,020
Leases receivable	3,553,853
Capital assets:	
Non-depreciable assets	13,765,194
Depreciable assets	231,692,052
Less, accumulated depreciation	(121,024,270)
Subscription-based IT arrangements	1,073,207
Less, accumulated amortization	(470,680)
Total assets	274,369,899
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	27,985,317
Deferred outflows related to OPEB	7,095,644
Total deferred outflows of resources	35,080,961
LIABILITIES	
Accounts payable	6,314,185
Accrued interest payable	2,614,148
Unearned revenue	532,463
Noncurrent liabilities:	
Due or payable within one year	7,992,212
Due in more than one year:	
Other than OPEB and pensions	191,047,425
Total OPEB liability	39,753,459
Net pension liability	72,913,944
Total liabilities	321,167,836
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	15,837,058
Deferred inflows related to OPEB	23,780,752
Deferred inflows related to leases	3,444,308
Total deferred inflows of resources	43,062,118
NET POSITION	
Net investment in capital assets	25,879,690
Restricted for:	
Capital projects	11,697,989
Debt service	14,120,547
Categorical programs	12,680,896
Student activities	349,476
Unrestricted	(119,507,692)
Total net position	$ (54,779,094)

BERRYESSA UNION SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Instructional Services:					
Instruction	$ 63,174,123	$ 2,266	$ 15,435,863	$ 10,000,000	$ (37,735,994)
Instruction-Related Services:					
Supervision of instruction	2,365,533	-	310,689	-	(2,054,844)
Instructional library, media and technology	976,400	196	33,152	-	(943,052)
School site administration	6,947,018	33	(4,449)	-	(6,951,434)
Pupil Support Services:					
Home-to-school transportation	1,767,236	-	314,202	-	(1,453,034)
Food services	3,954,741	82,975	4,429,706	-	557,940
All other pupil services	4,641,554	233	1,219,183	-	(3,422,138)
General Administration Services:					
Data processing services	1,096,787	67	705,471	-	(391,249)
Other general administration	5,753,051	15,169	1,752,289	-	(3,985,593)
Plant Services	9,983,836	3,989	439,442	-	(9,540,405)
Ancillary Services	228,978	-	325,684	-	96,706
Interest on Long-Term Debt	7,168,087	-	-	-	(7,168,087)
Other Outgo	20,750	66,640	5,374,067	-	5,419,957
Amortization-unallocated	470,680	-	-	-	(470,680)
Total Governmental Activities	$ 108,548,774	$ 171,568	$ 30,335,299	$ 10,000,000	(68,041,907)

General Revenues:	
Property taxes	55,747,968
Federal and state aid not restricted to specific purpose	28,653,926
Interest and investment earnings	452,200
Miscellaneous	2,710,446
Total general revenues	87,564,540
Change in net position	19,522,633
Net position - July 1, 2022	(74,301,727)
Net position - June 30, 2023	$ (54,779,094)

BERRYESSA UNION SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	$ 21,189,172	$ 85,373,793	$ 14,019,086	$ 18,054,928	$ 138,636,979
Accounts receivable	5,005,402	862,346	101,461	882,024	6,851,233
Due from other funds	494,959	-	-	512,017	1,006,976
Inventories	199,301	-	-	67,010	266,311
Prepaid expenditures	26,020	-	-	-	26,020
Lease receivable	3,553,853	-	-	-	3,553,853
Total Assets	$ 30,468,707	$ 86,236,139	$ 14,120,547	$ 19,515,979	$ 150,341,372
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Liabilities					
Accounts payable	$ 5,122,563	$ 973,080	$ -	$ 218,542	$ 6,314,185
Due to other funds	512,017	1,473	-	493,486	1,006,976
Unearned revenue	532,463	-	-	-	532,463
Total Liabilities	6,167,043	974,553	-	712,028	7,853,624
Deferred Inflows	3,444,308	-	-	-	3,444,308
Fund Balances					
Nonspendable	250,321	-	-	77,010	327,331
Restricted	12,603,886	85,261,586	14,120,547	18,726,941	130,712,960
Assigned	3,196,116	-	-	-	3,196,116
Unassigned	4,807,033	-	-	-	4,807,033
Total Fund Balances	20,857,356	85,261,586	14,120,547	18,803,951	139,043,440
Total Liabilities, Deferred Inflows and Fund Balances	$ 30,468,707	$ 86,236,139	$ 14,120,547	$ 19,515,979	$ 150,341,372

BERRYESSA UNION SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total fund balances - governmental funds			$ 139,043,440
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	$ 245,457,246	
	Accumulated depreciation	(121,024,270)	
	Subscription assets, at historical cost	1,073,207	
	Accumulated amortization	(470,680)	125,035,503
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:			(39,753,459)
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	35,080,961	
	Deferred inflows of resources	(39,617,810)	(4,536,849)
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	193,931,707	
	QZAB payable	2,466,440	
	Subscription-based IT arrangements	119,528	
	Compensated absences payable	221,649	
	Early Retirement Incentive	1,640,652	
	Energy conservation loan payable	659,661	
	Net pension liability	72,913,944	(271,953,581)
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:			(2,614,148)
Total net position - governmental activities			$ (54,779,094)

BERRYESSA UNION SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2023

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 71,149,693	$ -	$ -	$ -	$ 71,149,693
Federal sources	3,795,145	-	-	1,811,040	5,606,185
Other state sources	21,832,356	-	65,874	12,747,683	34,645,913
Other local sources	7,125,782	559,236	12,896,340	1,412,247	21,993,605
Total Revenues	103,902,976	559,236	12,962,214	15,970,970	133,395,396
EXPENDITURES					
Current:					
Instruction	64,342,005	-	-	-	64,342,005
Instruction-related services:					
Supervision of instruction	2,239,210	-	-	-	2,239,210
Instructional library, media and technology	929,694	-	-	-	929,694
School site administration	6,914,450	-	-	-	6,914,450
Pupil support services:					
Home-to-school transportation	1,879,010	-	-	-	1,879,010
Food services	48,209	-	-	3,531,845	3,580,054
All other pupil services	5,183,840	-	-	-	5,183,840
Ancillary services	-	-	-	229,408	229,408
General administration services:					
Data processing services	1,480,809	-	-	-	1,480,809
Other general administration	6,113,846	-	-	15,387	6,129,233
Plant services	7,964,336	661	-	623,593	8,588,590
Transfers of indirect costs	(119,019)	-	-	119,019	-
Capital Outlay	-	8,662,313	-	4,664,693	13,327,006
Intergovernmental	20,000	-	-	-	20,000
Debt Service:					
Principal	128,635	47,118	2,386,333	481,606	3,043,692
Interest	20,988	-	7,810,965	153,709	7,985,662
Issuance costs	-	395,974	-	-	395,974
Total Expenditures	97,146,013	9,106,066	10,197,298	9,819,260	126,268,637
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,756,963	(8,546,830)	2,764,916	6,151,710	7,126,759
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	747,036	-	-	518,248	1,265,284
Interfund transfers out	(518,248)	-	-	(747,036)	(1,265,284)
Issuance of general obligation bonds	-	58,000,000	-	-	58,000,000
Premiums on debt issuance	-	-	3,843,453	-	3,843,453
Total Other Financing Sources and Uses	228,788	58,000,000	3,843,453	(228,788)	61,843,453
Net Change in Fund Balances	6,985,751	49,453,170	6,608,369	5,922,922	68,970,212
Fund Balances, July 1, 2022, as originally stated	14,528,605	35,808,416	7,512,178	12,881,029	70,730,228
Adjustment for Restatement (Note 13)	(657,000)	-	-	-	(657,000)
Fund Balances, July 1, 2022, as restated	13,871,605	35,808,416	7,512,178	12,881,029	70,073,228
Fund Balances, June 30, 2023	$ 20,857,356	$ 85,261,586	$ 14,120,547	$ 18,803,951	$ 139,043,440

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, 2023

Total net change in fund balances - governmental funds		$ 68,970,212
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	12,174,448	
Depreciation expense	(8,492,575)	
Expenditures for subscriptions, governmental funds	171,666	
Amortization expense	(470,680)	
Net:		3,382,859
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:		3,043,692
The issuance of long-term debt is reported in the governmental funds as a source of financing, but in the government-wide statements it is not reported in the statement of activities, but rather as a long-term liability in the statement of net position. Debt issued, net of issuance premiums, during the period was:		(61,843,453)
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. The change in accreted interest during the year was:		1,881,614
In governmental funds, other postemployment 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:		51,441
Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:		546,884
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:		302,820
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:		4,068,139
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:		(969,746)
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 the difference between vacation leave earned and the amounts used was:		88,171
Change in net position of governmental activities		$ 19,522,633

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 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 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 is being reported within the General Fund.

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

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

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.

Student Activity Fund: The District maintains a separate fund for each school that operates an ASB fund, whether it is organized or not.

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).

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 but does not meet the definition to be considered a fiduciary 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).

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

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.).

County School Facilities Fund: This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Revenues - Exchange and Non-Exchange Transactions (continued)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Leases

Lessee:
At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

Lessor:
At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from thelessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Subscription-Based Information Technology Arrangements

A SBITA is defined as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which the District has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend or to terminate.

The District recognizes a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The District recognizes the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges the District which may be implicit, or the District's incremental borrowing rate if the interest rate is not readily determinable. The District recognizes amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

9. 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.

10. 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.

11. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Fund Balances (continued)

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

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

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

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

12. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Minimum Fund Balance Policy

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

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

G. Property Tax Calendar

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

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.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Governmental funds/activities	$ 138,636,979

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

Cash on hand and in banks	$ 325,228
Cash in revolving fund	35,000
Investments	138,276,751
Total deposits and investments	$ 138,636,979

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Pooled Funds
In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest-bearing Santa Clara County Treasurer’s Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District’s investment in the pool is reported in the financial statements at amounts based upon the District’s pro-rata share of the fair value provided by the Santa Clara County Treasurer for the entire portfolio (in relation to the amortized cost of that polio). The balance available for withdrawal is based on the accounting records maintained by the Santa Clara County Treasurer, which is recorded on the amortized basis.

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, 2023, $167,281 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, 2023, consist of the following:

	Reported Amount	Less Than One Year	One Year Through Five Years	Fair Value Measurement	Rating
Investments:					
County Investment Pool	$ 138,276,751	$ 138,276,751	$ -	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, 2023, 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, 2023, 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 – RECEIVABLES

A. Accounts Receivables

Accounts receivable as of June 30, 2023, consisted of the following:

	Governmental Funds				
	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Federal Government:					
Categorical aid programs	$ 1,908,309	$ -	$ -	$ 234,478	$ 2,142,787
State Government:					
Lottery	282,287	-	-	-	282,287
Categorical aid programs	1,814,628	-	-	436,141	2,250,769
Local:					
Interest	290,105	862,346	101,461	200,822	1,454,734
Other local	710,073	-	-	10,583	720,656
Total	$ 5,005,402	$ 862,346	$ 101,461	$ 882,024	$ 6,851,233

B. Leases Receivables

In accordance with GASB No. 87, the District recognizes a lease receivable and a deferred inflow of resources for various real property leases. These leases have initial terms that range from five to ten years. The District used either the stated interest rate or the State's incremental borrowing rate (0.2% for leases that are one to five years and 1.5% for leases over ten years) to discount the lease revenue to the net present value. For the fiscal year ended June 30, 2023, the District reported lease revenue of $810,397 and interest revenue of $28,152 related to lease payments received. Measurement policies and key estimates related to leases can be found in Note 1.E.7.

The annual payments receivable as of June 30, 2023 are as follows:

Fiscal Year	Principal	Interest	Total
2023-2024	$ 852,620	$ 28,152	$ 880,772
2024-2025	879,899	23,908	903,807
2025-2026	907,967	19,461	927,428
2026-2027	145,697	14,805	160,502
2027-2028	24,307	11,515	35,822
2028-2033	144,225	51,662	195,887
2033-2038	187,493	39,594	227,087
2038-2043	239,221	24,035	263,256
2043-2046	172,424	5,251	177,675
Totals	$ 3,553,853	$ 218,383	$ 3,772,236

As of June 30, 2023, deferred inflows associated with the leases was $3,444,308.

NOTE 4 – INTERFUND TRANSACTIONS

Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2023, consisted of the following:

General Fund due to Cafeteria Fund for expenditure reimbursement	$ 1,269
General Fund due to Special Reserve Fund for Capital Outlay Projects to support debt payments	510,748
Cafeteria Fund due to General Fund for indirect costs and retiree costs	140,352
Building Fund due to General Fund for OPEB expense	1,473
Special Reserve Fund for Capital Outlay Projects due to Deferred Maintenance Fund for RDA expense	353,134
Total	$ 1,006,976

Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2023, consisted of the following:

General Fund transfer to Cafeteria Fund for dairy expense reimbursement	$ 7,500
General Fund transfer to Special Reserve Fund for Capital Outlay Projects to support debt payments	510,748
Special Reserve Fund for Capital Outlay Projects transfer to General Fund for RDA expense	422,036
Cafeteria Fund transfer to General Fund for loan repayment	325,000
Total	$ 1,265,284

NOTE 5 – FUND BALANCES

At June 30, 2023, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	$ 25,000	$ -	$ -	$ 10,000	$ 35,000
Stores inventories	199,301	-	-	67,010	266,311
Prepaid expenditures	26,020	-	-	-	26,020
Total Nonspendable	250,321	-	-	77,010	327,331
Restricted:					
Categorical programs	12,603,886	-	-	-	12,603,886
Student activities	-	-	-	349,476	349,476
Food service program	-	-	-	1,428,360	1,428,360
Capital projects	-	85,261,586	-	16,942,903	102,204,489
Debt service	-	-	14,120,547	-	14,120,547
Scholarships	-	-	-	6,202	6,202
Total Restricted	12,603,886	85,261,586	14,120,547	18,726,941	130,712,960
Assigned:					
CSEA staff development	25,000	-	-	-	25,000
CSEA career ladder program	84,247	-	-	-	84,247
Deferred maintenance program	464,791	-	-	-	464,791
Postemployment benefits	2,622,078	-	-	-	2,622,078
Total Assigned	3,196,116	-	-	-	3,196,116
Unassigned:					
Reserve for economic uncertainties	4,807,033	-	-	-	4,807,033
Total Unassigned	4,807,033	-	-	-	4,807,033
Total	$ 20,857,356	$ 85,261,586	$ 14,120,547	$ 18,803,951	$ 139,043,440

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance, July 1, 2022*	Additions	Retirements	Balance, June 30, 2023
Capital assets not being depreciated:				
Land	$ 7,377,095	$ -	$ -	$ 7,377,095
Construction in progress	6,604,035	5,654,421	5,870,357	6,388,099
Total capital assets not being depreciated	13,981,130	5,654,421	5,870,357	13,765,194
Capital assets being depreciated:				
Improvement of sites	67,256,270	690,030	-	67,946,300
Buildings	144,532,334	10,060,568	-	154,592,902
Equipment	7,513,064	1,639,786	-	9,152,850
Total capital assets being depreciated	219,301,668	12,390,384	-	231,692,052
Accumulated depreciation for:				
Improvement of sites	(30,476,074)	(3,379,550)	-	(33,855,624)
Buildings	(77,859,189)	(4,419,602)	-	(82,278,791)
Equipment	(4,196,432)	(693,423)	-	(4,889,855)
Total accumulated depreciation	(112,531,695)	(8,492,575)	-	(121,024,270)
Total capital assets being depreciated, net	106,769,973	3,897,809	-	110,667,782
Subscription assets:				
IT Subscriptions	901,541	171,666	-	1,073,207
Accumulated amortization for:				
IT Subscriptions	-	(470,680)	-	(470,680)
Total leased assets, net	901,541	(299,014)	-	602,527
Governmental activity capital assets, net	$ 121,652,644	$ 9,253,216	$ 5,870,357	$ 125,035,503

**As restated for implementation of GASB 96*

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

Governmental Activities:	
Instruction	$ 6,372,909
Supervision of instruction	343,531
Instructional library, media and technology	92,174
School site administration	686,827
Home-to-school transportation	92,026
Food services	365,495
Data processing services	142,192
All other general administration	397,421
Total depreciation expense	$ 8,492,575

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS

Changes in long-term debt for the year ended June 30, 2023, were as follows:

	Balance, July 1, 2022*	Additions	Deductions	Balance, June 30, 2023	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	$ 117,644,927	$ 58,000,000	$ 2,386,333	$ 173,258,594	$ 5,164,871
Accreted Interest	14,522,023	1,107,053	2,988,667	12,640,409	1,218,768
Unamortized Issuance Premium	4,492,071	3,843,453	302,820	8,032,704	409,583
Total G.O. Bonds	136,659,021	62,950,506	5,677,820	193,931,707	6,793,222
Financed purchases	3,622	-	3,622	-	-
Qualified School Zone Bonds	2,948,046	-	481,606	2,466,440	485,459
Subscription Based IT Arrangements	244,541	-	125,013	119,528	119,528
Compensated Absences	309,820	-	88,171	221,649	-
Early Retirement Incentive	2,187,536	-	546,884	1,640,652	546,884
Direct Borrowings:					
Energy Conservation Assistance Loan	706,779	-	47,118	659,661	47,119
Totals	$ 143,059,365	$ 62,950,506	$ 6,970,234	$ 199,039,637	$ 7,992,212

**As restated for implementation of GASB 96*

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the QZAB are made from the Special Reserve for Capital Outlay Projects Funds. Payments for financed purchases, subscriptions and early retirement incentive are made from the General Fund. Payments for the energy conservation loan are made from the Building Fund. Payments related to compensated absences 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.

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. On December 15, 2020 the District issued Series A, current interest bonds in the amount of $40,000,000. The bonds are being 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.

On September 8, 2022, the District issued Series 2020B and 2020B-1 current interest bonds in the amounts of $40,600,000 and $17,400,000 respectively. Series 2020B was issued as tax-exempt bonds and 2020B-1 was issued a federally taxable bonds.

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

A. General Obligation Bonds (continued)

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, 2023 follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2022	Additions	Deductions	Balance, June 30, 2023
1999A	6/1/2000	2/1/2025	4.35%-6.2%	11,998,182	$ 1,205,183	$ -	$ 317,932	$ 887,251
1999B	7/1/2001	8/1/2026	4.0%-5.63%	17,999,707	2,474,602	-	527,338	1,947,264
1999C	6/3/2003	2/1/2028	2.0%-5.26%	18,000,142	3,690,142	-	586,063	3,104,079
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	33,175,000	-	705,000	32,470,000
2020A	12/15/2020	8/1/2051	2.0%-5.0%	40,000,000	39,450,000	-	250,000	39,200,000
2020B	9/8/2022	8/1/2040	4.0%-5.0%	40,600,000	-	40,600,000	-	40,600,000
2020B-1	9/8/2022	8/1/2040	3.61%-5.00%	17,400,000	-	17,400,000	-	17,400,000
				Totals	$ 117,644,927	$ 58,000,000	$ 2,386,333	$ 173,258,594
				Accreted Interest				
				1999A	$ 3,316,821	$ 246,775	$ 902,068	$ 2,661,528
				1999B	5,281,086	394,784	1,157,662	4,518,208
				1999C	5,924,116	465,494	928,937	5,460,673
				Totals	$ 14,522,023	$ 1,107,053	$ 2,988,667	$ 12,640,409

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2023, are as follows:

Fiscal Year	Principal	Interest	Total
2023-2024	$ 5,164,871	$ 9,335,838	$ 14,500,709
2024-2025	5,612,030	10,472,547	16,084,577
2025-2026	4,075,602	8,402,706	12,478,308
2026-2027	4,261,118	8,368,844	12,629,962
2027-2028	4,699,973	8,155,676	12,855,649
2028-2033	26,235,000	24,927,127	51,162,127
2033-2038	41,590,000	17,879,993	59,469,993
2038-2043	48,195,000	8,355,238	56,550,238
2043-2048	24,075,000	2,092,263	26,167,263
2048-2052	9,350,000	305,469	9,655,469
	$ 173,258,594	$ 98,295,701	$ 271,554,295

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

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 $2,466,440 as of June 30, 2023.

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

Fiscal Year	Principal	Interest	Total
2023-2024	$ 485,459	$ 125,640	$ 611,099
2024-2025	489,342	98,102	587,444
2025-2026	493,257	70,343	563,600
2026-2027	497,203	42,363	539,566
2027-2028	501,179	14,158	515,337
Total	$ 2,466,440	$ 350,606	$ 2,817,046

C. Financed Purchases

The District purchased various vehicles and office equipment valued at $221,449 under financed purchase agreements. The District has included in equipment, capital assets which were acquired under these obligations.

These obligations were fully repaid in the current year.

D. Early Retirement Incentive

The District has established a supplemental early retirement incentive program (SERP) whereby certain qualified employees may retire early and receive a portion of their salary paid out as an annuity. The total future payments owing at June 30, 2023, for these obligations are shown below.

Fiscal Year	Payment
2023-2024	$ 546,884
2024-2025	546,884
2025-2026	546,884
Totals	$ 1,640,652

E. Subscription-Based IT Arrangements

The District is involved in several arrangements for subscription based software. The initial terms for these subscriptions range from 24 to 72 months. There are no variable payments not included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the lease term. The District used either the stated interest rate or the State's incremental borrowing rate at inception to discount the subscription payments to the net present value. Other key assumptions and policies can be found in Note 1.E. The related asset disclosures are presented in Note 6.

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

E. Subscription-Based IT Arrangements (continued)

Annual future payments are as follows:

Fiscal Year	Payment
2023-2024	$ 119,528

F. 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
2023-2024	$ 47,119
2024-2025	47,119
2025-2026	47,119
2026-2027	47,119
2027-2028	47,119
2028-2033	235,593
2033-2037	188,473
Total	$ 659,661

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 39,431,913	$ 7,095,644	$ 23,780,752	$ 1,401,576
MPP Program	321,546	-	-	(89,433)
Total	$ 39,753,459	$ 7,095,644	$ 23,780,752	$ 1,312,143

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

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 $151 per month in 2023, and $159 in 2024, 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 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	335
Active employees	617
Total	952

Total OPEB Liability
The District's total OPEB liability of $39,431,913 for the Plan was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions and Other Inputs
The total OPEB liability in the June 30, 2022 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, 2022
Inflation	2.75 percent
Salary increases	3.00 percent
Healthcare cost trend rates	5.5 percent for medical; 4.0 percent for dental and vision

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (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 4.09% at June 30, 2022.

Mortality Rates

Mortality rates are taken from the 2021 CalPERS valuation, projected to future years using the ultimate rates from projection scale MP-2020, for classified and Teamsters employees, and from the 2020 CalSTRS valuation, for certificated and management employees.

Changes in the Total OPEB Liability

		Total OPEB Liability
Balance at July 1, 2021	$	53,359,806
Changes for the year:		
Service cost		3,077,881
Interest		1,151,205
Differences between expected and actual experience		(4,014,313)
Changes of assumptions		(13,038,178)
Benefit payments		(1,104,488)
Net changes		(13,927,893)
Balance at June 30, 2022	$	39,431,913

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	$	45,682,792
Current discount rate	$	39,431,913
1% increase	$	34,383,467

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

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

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	$ 34,064,462
Current trend rate	$ 39,431,913
1% increase	$ 46,162,050

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2023, the District recognized OPEB expense of $1,401,576. In addition, at June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 10,930,313
Changes of assumptions	5,931,611	12,850,439
District contributions subsequent to the measurement date of the net OPEB liability	1,164,033	-
Total	$ 7,095,644	$ 23,780,752

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
2024	$ (2,827,510)
2025	(2,827,510)
2026	(2,827,510)
2027	(2,827,510)
2028	(2,827,506)
Thereafter	(3,711,595)
Total	$ (17,849,141)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program

Plan Description
The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 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: https://www.calstrs.com/general-information/gasb-6768.

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. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2022, 4,770 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as 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 Education Code section 22950, 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, 2023, the District reported a liability of $321,546 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, 2022, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. 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, 2023	**Fiscal Year Ending June 30, 2022**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2022	June 30, 2021	
Proportion of the Net OPEB Liability	0.097612%	0.103037%	-0.005425%

For the year ended June 30, 2023, the District reported OPEB expense of $(89,433).

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

Actuarial assumptions and other inputs
The total OPEB liability in the June 30, 2021 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, 2022
Valuation Date	June 30, 2021
Experience Study	June 30, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.54%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

Assumptions were made about future participation (enrollment) into the MPP Program as 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' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 209 or an average of 0.14% of the potentially eligible population of 145,282.

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–2019) 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, 2022, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

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

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

Sensitivity of the 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	$ 429,160
Current discount rate	$ 321,546
1% increase	$ 296,435

Sensitivity of the 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	$ 295,030
Current trend rate	$ 321,546
1% increase	$ 351,602

NOTE 9 – 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, 2023, 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	$ 45,193,915	$ 13,616,683	$ 9,397,014	$ 1,536,496
CalPERS	27,720,029	14,368,634	6,440,044	3,743,100
Total	$ 72,913,944	$ 27,985,317	$ 15,837,058	$ 5,279,596

NOTE 9 – PENSION PLANS (continued)

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/general-information/gasb-6768.

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 a multiple-employer, cost-sharing defined benefit plan composed of four programs: Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program, Cash Balance Benefit (CBB) Program and Replacement Benefits (RB) Program. A Supplemental Benefit Maintenance Account (SBMA) exists within the STRP and provides purchasing power protection for DB Program benefits. The STRP holds assets for the exclusive purpose of providing benefits to members of these programs and their beneficiaries. 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 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, 2023, 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	19.10%	19.10%
Required State Contribution Rate	10.828%	10.828%

NOTE 9 – PENSION PLANS (continued)

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

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

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046. California Senate Bill 90 (Chapter 33, Statutes of 2019) and California Assembly Bill 84 (Chapter 16, Statutes of 2020) (collectively, special legislation)—signed into law in June 2019 and June 2020, respectively —provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021–22.

The contribution rates for each program for the year ended June 30, 2023, are presented above, and the District's total contributions were $7,425,711.

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

Total net pension liability, including State share:		
District's proportionate share of net pension liability	$	45,193,915
State's proportionate share of the net pension liability associated with the District		22,632,936
Total	$	67,826,851

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	Change Increase/ (Decrease)
Measurement Date	June 30, 2022	June 30, 2021	
Proportion of the Net Pension Liability	0.065040%	0.068547%	-0.003507%

NOTE 9 – 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, 2023, the District recognized pension expense of $1,536,496. In addition, the District recognized pension expense and revenue of $(1,692,779) for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 7,425,711	$ -
Net change in proportionate share of net pension liability	3,912,610	3,798,343
Difference between projected and actual earnings on pension plan investments	-	2,210,070
Changes of assumptions	2,241,289	-
Differences between expected and actual experience	37,073	3,388,601
Total	$ 13,616,683	$ 9,397,014

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
2024	$ 2,862,024	$ 3,283,137
2025	1,003,172	3,139,271
2026	1,003,172	3,883,518
2027	607,590	(2,745,391)
2028	511,981	875,464
Thereafter	203,033	961,015
Total	$ 6,190,972	$ 9,397,014

NOTE 9 – 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, 2021 and rolling forward the total pension liability to June 30, 2022. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll 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–2019) table issued by the Society of Actuaries.

The long-term investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study.

For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2022, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	42.0%	4.8%
Real Estate	15.0%	3.6%
Private Equity	13.0%	6.3%
Fixed Income	12.0%	1.3%
Risk Mitigating Strategies	10.0%	1.8%
Inflation Sensitive	6.0%	3.3%
Cash/Liquidity	2.0%	(0.4%)

NOTE 9 – 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%, which was unchanged from prior fiscal year. 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 of 7.10% and assume 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%)	$ 76,756,030
Current discount rate (7.10%)	45,193,915
1% increase (8.10%)	18,987,870

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, 22955, and 22955.1 of the Education Code and Public Resources Code Section 6217.5. Through the special legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately $2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. 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 $3,630,793.

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, 2021 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 9 – 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, 2023, 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
Required Employee Contribution Rate	7.00%	8.00%
Required Employer Contribution Rate	25.37%	25.37%

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023 are presented above, and the total District contributions were $3,614,793.

NOTE 9 – 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, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $27,720,029. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2023	**Fiscal Year Ending June 30, 2022**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2022	June 30, 2021	
Proportion of the Net Pension Liability	0.080560%	0.081296%	-0.000736%

For the year ended June 30, 2023, the District recognized pension expense of $3,743,100. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,614,793	$ -
Net change in proportionate share of net pension liability	59,637	504,960
Difference between projected and actual earnings on pension plan investments	8,518,356	5,245,374
Changes of assumptions	2,050,570	-
Differences between expected and actual experience	125,278	689,710
Total	$ 14,368,634	$ 6,440,044

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 3.9 years.

NOTE 9 – 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
2024	$ 3,146,167	$ 2,182,669
2025	2,976,953	2,126,280
2026	2,634,972	2,084,247
2027	1,995,749	46,848
2028	-	-
Thereafter	-	-
Total	$ 10,753,841	$ 6,440,044

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, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	2000-2019
Actuarial Cost Method	Entry age normal
Discount Rate	6.9%
Inflation Rate	2.3%
Salary Increases	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include generational mortality improvement using 80 percent of Scale MP 2020 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 long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term.

NOTE 9 – 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
Global Equity Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

Discount Rate
The discount rate used to measure the total pension liability was 6.9%. 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 (5.9%)	$ 40,042,986
Current discount rate (6.9%)	27,720,029
1% increase (7.9%)	17,535,559

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, 2023, the District reported payables of $13,475 and $4,901 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2023.

NOTE 10 – 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. Financial information is available from the respective entities.

NOTE 11 – 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, 2023, the District had commitments with respect to unfinished capital projects of approximately $8.5 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, 2023.

NOTE 12 – RISK MANAGEMENT

Property and Liability
The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2023, the District 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 2022-23, 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.

NOTE 13 – ADJUSTMENT FOR RESTATEMENT

The implementation of GASB 96 resulted in a restatement of the beginning balance of current assets, capital assets and long term debt. There was no net impact from this restatement on beginning net position. The beginning fund balance of the Statement of Revenues, Expenditures and Changes in Fund Balance was restated by $657,000 as a result of implementation.

Required Supplementary Information

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BERRYESSA UNION SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
Revenues				
LCFF Sources	$ 65,768,280	$ 70,285,589	$ 71,149,693	$ 864,104
Federal Sources	4,178,651	4,136,426	3,795,145	(341,281)
Other State Sources	15,591,405	21,768,116	21,832,356	64,240
Other Local Sources	4,792,313	5,990,320	6,995,051	1,004,731
Total Revenues	90,330,649	102,180,451	103,772,245	1,591,794
Expenditures				
Current:				
Certificated Salaries	40,202,635	40,701,335	40,761,292	(59,957)
Classified Salaries	12,644,829	13,059,799	13,023,075	36,724
Employee Benefits	27,976,972	28,700,590	27,942,253	758,337
Books and Supplies	1,400,669	3,314,488	2,052,062	1,262,426
Services and Other Operating Expenditures	6,460,946	13,988,651	13,226,228	762,423
Capital Outlay	-	456,319	215,512	240,807
Other Outgo	1,076,595	534,546	(74,409)	608,955
Total Expenditures	89,762,646	100,755,728	97,146,013	3,609,715
Excess (Deficiency) of Revenues Over (Under) Expenditures	568,003	1,424,723	6,626,232	5,201,509
Other Financing Sources and Uses				
Interfund Transfers In	-	325,000	747,036	422,036
Interfund Transfers Out	-	(510,748)	(518,248)	(7,500)
Total Other Financing Sources and Uses	-	(185,748)	228,788	414,536
Net Change in Fund Balance	568,003	1,238,975	6,855,020	5,616,045
Fund Balances, July 1, 2022, as originally stated	-	8,919,109	8,919,109	-
Adjustment for Restatement (Note 13)	-	-	(657,000)	(657,000)
Fund Balances, July 1, 2022	5,884,785	8,919,109	8,262,109	(657,000)
Fund Balances, June 30, 2023	$ 6,452,788	$ 10,158,084	15,117,129	$ 4,959,045

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

Deferred Maintenance Fund	464,791
Special Reserve Fund for Other Than Capital Outlay Projects	2,653,358
Special Revenue Fund for Postemployment Benefits	2,622,078

Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances: $ 20,857,356

BERRYESSA UNION SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability-CalSTRS
For the Fiscal Year Ended June 30, 2023

*Last Ten Fiscal Years**

CalSTRS	2021-22	2020-21	2019-20	2018-19	2017-18
District's proportion of the net pension liability	0.0650%	0.0685%	0.0670%	0.0644%	0.0653%
District's proportionate share of the net pension liability	$ 45,193,915	$ 31,194,360	$ 64,905,834	$ 58,183,792	$ 60,048,018
State's proportionate share of the net pension liability associated with the District	22,632,936	15,695,792	33,458,965	31,743,143	34,380,299
Totals	$ 67,826,851	$ 46,890,152	$ 98,364,799	$ 89,926,935	$ 94,428,317
District's covered payroll	$ 36,990,535	$ 35,113,936	$ 36,310,152	$ 34,806,505	$ 34,923,243
District's proportionate share of the net pension liability as a percentage of its covered payroll	122.18%	88.84%	178.75%	167.16%	171.94%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%

	2016-17	2015-16	2014-15	2013-14
District's proportion of the net pension liability	0.0618%	0.0630%	0.0660%	0.0650%
District's proportionate share of the net pension liability	$ 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	33,829,656	29,012,060	23,430,811	23,062,210
Totals	$ 91,013,932	$ 79,967,090	$ 67,732,811	$ 61,254,210
District's covered payroll	$ 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 payroll	173.22%	161.13%	145.05%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%

* *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 Proportionate Share of the Net Pension Liability-CalPERS
For the Fiscal Year Ended June 30, 2023

*Last Ten Fiscal Years**

	2021-22	2020-21	2019-20	2018-19	2017-18
CalPERS					
District's proportion of the net pension liability	0.0806%	0.0813%	0.0824%	0.0819%	0.0831%
District's proportionate share of the net pension liability	$ 27,720,029	$ 16,531,140	$ 25,279,774	$ 23,880,969	$ 22,158,788
District's covered payroll	$ 13,387,962	$ 13,629,278	$ 13,432,402	$ 12,972,916	$ 13,005,730
District's proportionate share of the net pension liability as a percentage of its covered payroll	207.05%	121.29%	188.20%	184.08%	170.38%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%

	2016-17	2015-16	2014-15	2013-14
District's proportion of the net pension liability	0.0822%	0.0816%	0.0800%	0.0780%
District's proportionate share of the net pension liability	$ 19,614,831	$ 16,115,050	$ 11,818,000	$ 8,823,000
District's covered payroll	$ 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 payroll	153.55%	128.57%	133.15%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	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-CalSTRS

For the Fiscal Year Ended June 30, 2023

*Last Ten Fiscal Years**

	2022-23	2021-22	2020-21	2019-20	2018-19
CalSTRS					
Contractually required contribution	$ 7,425,711	$ 6,258,798	$ 6,004,483	$ 6,209,036	$ 5,666,499
Contributions in relation to the contractually required contribution	7,425,711	6,258,798	6,004,483	6,209,036	5,666,499
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 38,878,066	$ 36,990,535	$ 35,113,936	$ 36,310,152	$ 34,806,505
Contributions as a percentage of covered payroll	19.10%	16.92%	16.15%	17.10%	16.28%

	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	$ 5,039,424	$ 4,152,944	$ 3,393,173	$ 2,712,184
Contributions in relation to the contractually required contribution	5,039,424	4,152,944	3,393,173	2,712,184
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered payroll	$ 34,923,243	$ 33,012,273	$ 31,623,234	$ 30,543,000
Contributions as a percentage of covered payroll	14.43%	12.58%	10.73%	8.88%

* *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-CalPERS

For the Fiscal Year Ended June 30, 2023

*Last Ten Fiscal Years**

	2022-23	2021-22	2020-21	2019-20	2018-19
CalPERS					
Contractually required contribution	$ 3,614,793	$ 3,067,182	$ 2,687,830	$ 2,649,004	$ 2,343,168
Contributions in relation to the contractually required contribution	3,614,793	3,067,182	2,687,830	2,649,004	2,343,168
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 14,248,297	$ 13,387,962	$ 13,629,278	$ 13,432,402	$ 12,972,916
Contributions as a percentage of covered payroll	25.370%	22.910%	20.700%	19.721%	18.062%

	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	$ 2,019,920	$ 1,774,135	$ 1,484,879	$ 1,044,818
Contributions in relation to the contractually required contribution	2,019,920	1,774,135	1,484,879	1,044,818
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered payroll	$ 13,005,730	$ 12,774,590	$ 12,533,798	$ 8,876,000
Contributions as a percentage of covered payroll	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, 2023

Last Ten Fiscal Years*

Employer's Fiscal Year	**2022-23**	**2021-22**	**2020-21**	**2019-20**	**2018-19**	**2017-18**
Measurement Period	**2021-22**	**2020-21**	**2019-20**	**2018-19**	**2017-18**	**2016-17**
Total OPEB liability						
Service cost	$ 3,077,881	$ 2,647,194	$ 2,869,561	$ 2,663,472	$ 2,587,815	$ 2,758,118
Interest	1,151,205	1,228,906	1,408,417	1,374,906	1,396,237	1,209,410
Differences between expected and actual experience	(4,014,313)	-	(9,581,423)	-	(2,405,852)	-
Changes of assumptions or other inputs	(13,038,178)	3,883,470	2,206,515	1,437,696	1,038,550	(2,753,251)
Benefit payments	(1,104,488)	(1,198,473)	(1,170,488)	(1,095,434)	(1,078,971)	(1,388,473)
Net change in total OPEB liability	(13,927,893)	6,561,097	(4,267,418)	4,380,640	1,537,779	(174,196)
Total OPEB liability - beginning	53,359,806	46,798,709	51,066,127	46,685,487	45,147,708	45,321,904
Total OPEB liability - ending	$ 39,431,913	$ 53,359,806	$ 46,798,709	$ 51,066,127	$ 46,685,487	$ 45,147,708
Covered payroll	$ 51,562,267	$ 51,523,385	$ 47,462,959	$ 48,200,383	$ 46,511,882	$ 45,360,521
Total OPEB liability as a percentage of covered payroll	76.47%	103.56%	98.60%	105.95%	100.37%	99.53%

** 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, 2023

Last Ten Fiscal Years*

Employer's Fiscal Year Measurement Period	**2022-23** **2021-22**	**2021-22** **2020-21**	**2020-21** **2019-20**	**2019-20** **2018-19**	**2018-19** **2017-18**	**2017-18** **2016-17**
District's proportion of net OPEB liability	0.0976%	0.1030%	0.1015%	0.0996%	0.1027%	0.0984%
District's proportionate share of net OPEB liability	$ 321,546	$ 410,978	$ 430,151	$ 370,792	$ 393,270	$ 414,038
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.80%)	(0.71%)	(0.81%)	0.40%	0.01%

**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 either 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 deferred based on the average working life. The discount rate was changed from 2.18 percent to 4.09 percent since the previous valuation.

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. 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.

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

Change of assumptions – The discount rate was changed from 2.16 percent to 3.54 percent since the previous valuation.

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Supplementary Information

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

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

GOVERNING BOARD

Member	Office	Term Expires
Khoa Nguyen	President	November, 2024
Jai Srinivasan	Vice President	November, 2024
Thelma Boac	Clerk	November, 2026
Jaria Jaug	Member	November, 2026
Hugo Jimenez	Member	November, 2026

DISTRICT ADMINISTRATORS

Dr. Roxane Fuentes,
Superintendent

Kevin Franklin,
Assistant Superintendent Business Services

Ricardo Cabrera,
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, 2023

	Student Activities Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Foundation Private-Purpose Trust Fund	Total Non-Major Governmental Funds
ASSETS							
Deposits and investments	$ 349,476	$ 916,093	$ 3,825,270	$ 5,393,942	$ 7,564,009	$ 6,138	$ 18,054,928
Accounts receivable	-	692,290	39,728	29,419	120,523	64	882,024
Due from other funds	-	1,269	-	-	510,748	-	512,017
Inventories	-	67,010	-	-	-	-	67,010
Total Assets	$ 349,476	$ 1,676,662	$ 3,864,998	$ 5,423,361	$ 8,195,280	$ 6,202	$ 19,515,979
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	$ -	$ 30,940	$ -	$ 178,447	$ 9,155	$ -	$ 218,542
Due to other funds	-	140,352	-	-	353,134	-	493,486
Total Liabilities	-	171,292	-	178,447	362,289	-	712,028
Fund Balances							
Nonspendable	-	77,010	-	-	-	-	77,010
Restricted	349,476	1,428,360	3,864,998	5,244,914	7,832,991	6,202	18,726,941
Total Fund Balances	349,476	1,505,370	3,864,998	5,244,914	7,832,991	6,202	18,803,951
Total Liabilities and Fund Balances	$ 349,476	$ 1,676,662	$ 3,864,998	$ 5,423,361	$ 8,195,280	$ 6,202	$ 19,515,979

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, 2023

	Student Activities Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Foundation Private-Purpose Trust Fund	Total Non-Major Governmental Funds
REVENUES							
Federal sources	$ -	$ 1,811,040	$ -	$ -	$ -	$ -	$ 1,811,040
Other state sources	-	2,747,683	-	10,000,000	-	-	12,747,683
Other local sources	326,111	174,775	145,164	(131,094)	897,156	135	1,412,247
Total Revenues	326,111	4,733,498	145,164	9,868,906	897,156	135	15,970,970
EXPENDITURES							
Current:							
Pupil support services:							
Food services	-	3,531,845	-	-	-	-	3,531,845
Ancillary services	229,408	-	-	-	-	-	229,408
General administration services:							
Other general administration	-	1,887	13,500	-	-	-	15,387
Plant services	-	88,391	-	-	535,202	-	623,593
Transfers of indirect costs	-	119,019	-	-	-	-	119,019
Capital outlay	-	-	-	4,623,992	40,701	-	4,664,693
Debt service:							
Principal	-	-	-	-	481,606	-	481,606
Interest	-	-	-	-	153,709	-	153,709
Total Expenditures	229,408	3,741,142	13,500	4,623,992	1,211,218	-	9,819,260
Excess (Deficiency) of Revenues Over (Under) Expenditures	96,703	992,356	131,664	5,244,914	(314,062)	135	6,151,710
OTHER FINANCING SOURCES (USES)							
Interfund transfers out	-	(325,000)	-	-	(422,036)	-	(747,036)
Interfund transfers in	-	7,500	-	-	510,748	-	518,248
Total Other Financing Sources and Uses	-	(317,500)	-	-	88,712	-	(317,500)
Net Change in Fund Balances	96,703	674,856	131,664	5,244,914	(225,350)	135	5,922,922
Fund Balances, July 1, 2022	252,773	830,514	3,733,334	-	8,058,341	6,067	12,881,029
Fund Balances, June 30, 2023	$ 349,476	$ 1,505,370	$ 3,864,998	$ 5,244,914	$ 7,832,991	$ 6,202	$ 18,803,951

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2023

	Second Period Report	Annual Report
Regular ADA:		
Grades TK/K-3	2,505.94	2,511.15
Grades 4-6	1,900.36	1,900.86
Grades 7-8	1,219.41	1,221.56
Total Regular ADA	5,625.71	5,633.57
Special Education, Nonpublic, Nonsectarian Schools:		
Grades 4-6	1.06	1.03
Grades 7-8	2.54	2.51
Total Special Education, Nonpublic, Nonsectarian Schools	3.60	3.54
Total ADA	5,629.31	5,637.11

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2023

Grade Level	Instructional Minute Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Kindergarten	36,000	45,900	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	56,190	180	Complied
Grade 7	54,000	56,190	180	Complied
Grade 8	54,000	56,190	180	Complied

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2023

General Fund	(Budget) 2024[2]	2023[3]	2022*	2021
Revenues and other financing sources	$ 93,055,002	$ 104,519,281	$ 88,921,489	$ 85,488,736
Expenditures	100,359,337	97,146,013	92,550,806	84,410,973
Other uses and transfers out	-	518,248	512,089	491,785
Total outgo	100,359,337	97,664,261	93,062,895	84,902,758
Change in fund balance (deficit)	(7,304,335)	6,855,020	(4,141,406)	585,978
Ending fund balance	$ 7,812,794	$ 15,117,129	$ 8,262,109	$ 13,060,515
Available reserves [1]	$ 3,564,855	$ 4,807,033	$ 2,840,353	$ 5,440,803
Available reserves as a percentage of total outgo	3.6%	4.9%	3.1%	6.4%
Total long-term debt	$ 303,714,828	$ 311,707,040	$ 244,311,108	$ 284,154,094
Average daily attendance at P-2	5,676	5,629	5,663	N/A

**Ending fund balance as restated*

The General Fund balance has increased by $2.1 million over the past two years. The fiscal year 2023-24 adopted budget projects a decrease of $7.3 million. 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 one of the past three years, and anticipates incurring an operating deficit during the 2023-24 fiscal year. Long-term debt has increased by $27.6 million over the past two years.

Average daily attendance decreased by 34 ADA compared to 2021-22.
Budgeted ADA for fiscal year 2022-23 is 5,676.

[1] Available reserves consist of all unassigned fund balances in the General Fund, and starting in 2022-23 include the unassigned balance in Fund 17 as well.

[2] Revised Final Budget September, 2023.

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

BERRYESSA UNION SCHOOL DISTRICT

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2023

	General Fund	Building Fund
June 30, 2023, annual financial and budget report fund balance	$ 15,651,084	$ 85,807,294
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Lease receivable understated	3,553,853	-
Deferred Inflows understated	(3,444,308)	-
Accounts payable understated	(315,000)	(545,708)
Implementation of GASB 96	(328,500)	-
June 30, 2023, reported financial statement fund balances	$ 15,117,129	$ 85,261,586

BERRYESSA UNION SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing 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	$ 277,744	
School Breakfast Program - Breakfast Basic	10.553	13525	62,462	
National School Lunch Program	10.555	13523	1,069,202	
Supply Chain Assistance (SCA) Funds	10.555	15655	156,496	
USDA Donated Foods	10.555	13391	245,136	
Subtotal Child Nutrition Cluster				$ 1,811,040
Total U.S. Department of Agriculture				1,811,040
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		770,684
Title II, Part A, Supporting Effective Instruction	84.367	14341		166,422
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084		229,243
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		48,712
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	590,331	
Elementary and Secondary School Emergency Relief III Fund: Learning Loss	84.425U	10155	252,702	
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	15,019	
Expanded Learning Opportunities Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	61,378	
Expanded Learning Opportunities Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	424,872	
Subtotal Education Stabilization Fund				1,344,302
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,085,830	
Preschool Grants, Part B, Sec 619 (Age 3-4-5)	84.173	13430	42,120	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	74,387	
Alternate Dispute Resolution, Part B, Sec 611	84.027A	13007	5,563	
COVID-19 ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	7,548	
COVID-19 ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	20,334	
Subtotal Special Education Cluster (IDEA)				1,235,782
Total U.S. Department of Education				3,795,145
Total Expenditures of Federal Awards				$ 5,606,185

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
This schedule presents information on the number of instructional days offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*.

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

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

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Other Independent Auditors' Reports

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NIGRO & NIGRO PC

A Professional Accountancy Corporation

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 2, 2023.

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

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
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Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the 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*.

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

Nigro & Nigro, PC

Murrieta, California
November 2, 2023

NIGRO & NIGRO PC
A Professional Accountancy Corporation

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

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

In our opinion, the Berryessa Union School District compiled, 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, 2023.

Basis for Opinion on Each Major Federal Program
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Berryessa Union School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Berryessa Union School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Berryessa Union School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Nigro & Nigro, PC

Murrieta, California
November 2, 2023

A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Berryessa Union School District
San Jose, California

Report on Compliance

Opinion
We have audited the Berryessa Union School District's (District) compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2023.

In our opinion, Berryessa Union School District complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Opinion
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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Auditors' Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2022-23 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and

- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
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
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes

Description	Procedures Performed
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
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
Transitional Kindergarten	Yes
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

Areas marked as "Not Applicable" were not operated by the District.

Independent Study was not audited because total ADA was below materiality levels.

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Nigro & Nigro, PC

Murrieta, California
November 2, 2023

Schedule of Findings and Questioned Costs

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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 200.516(a)?	No

Identification of major programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
84.027, 84.173, 84.027A, 84.173A	Individuals with Disabilities Education Act (IDEA)
84.425U, 84.425C, 84.425D	COVID-19 Education Stabilization Fund

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

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 2022-23.

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 2022-23.

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

There were no state award findings or questioned costs in 2022-23.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2022-001: Contract Bidding	According to Public Contract Code Section 20112, a notice calling for bids must be published at least once a week for two weeks in a newspaper of general circulation in the district, or if there is no such newspaper, a newspaper of general circulation in the county. Government Code section 6066 provides that once a week for two successive weeks with at least five days intervening between the publication dates and not counting the publication dates is sufficient. It also states, "[t]he period of notice commences upon the first day of publication and terminates at the end of the fourteenth day, including therein the first day." According to Public Contract Code section 20112 the notice must specify the work to be done or materials or supplies to be provided as well as the time, place and location of the bid opening. We noted one contract that was advertised for only one week not the two-week timeframe specified in public contract code. The contract was for paving and was subsequently awarded at the contract price of $240,000.	60000	While it is too late to comply with regulations on this specific contract since it is now completed, we recommend that the District comply with Public Contract Code on all remaining and future contracts and awards contracts only after compliant advertisement.	Implemented
Finding 2022-002: Teacher Credentials	Any teacher that is assigned to teach a class must be assigned consistent with the authorization of his/her certification unless otherwise authorized by law pursuant to a governing board resolution in conformance with subdivision (b) of Education Code Section 44256, 44258.2, 44258.3, or 44263 or the approval of a committee on assignments pursuant to subdivision (c) or (d) of Education Code Section 44258.7. It was noted that out of the nine teachers randomly selected for teacher credential testing, one teacher was assigned to teach in a position which was not consistent with the authorization of his/her certification.	71000	We recommend that the District verify all certificated employees involved in instruction have a valid teacher credential and are teaching subjects consistent with their authorized certification.	Implemented

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To the Board of Trustees
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, 2023, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 2, 2023 on the financial statements of Berryessa Union School District.

ASSOCIATED STUDENT BODY FUNDS

Observation: During our cash receipts testing at Morrill Middle we noted that the cash receipts we sampled did not consistently have adequate point of collection documentation. In several cases, the only documentation was a signed cash count sheet, check stub, or a deposit slip. There were no properly completed tally sheets, individual pre-numbered receipts, or other point of collection documentation which made it impossible to tie the cash collected at the events to the actual amount turned in to the bookkeeper.

> ***Recommendation:*** Supporting documentation such as order forms, ticket control worksheets, pre-numbered receipts, and/or other point of sale documentation should be maintained for all transactions. Without these documents, 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 to tie all proceeds 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. We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales.

DISTRICT OFFICE

Observation: During the office closures for COVID, the responsibility for reconciling credit card statements shifted from an employee in purchasing to the purchasing director. The Purchasing Director is an authorized credit card holder, and therefore she is reconciling statements for her own purchases.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
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Recommendation: We recommend that credit card statements be reconciled and matched to receipts and other supporting documentation by an employee that is not a credit card holder.

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

Nigro & Nigro, PC

Murrieta, California
November 2, 2023