



Financial Statements
June 30, 2022

Denair Unified School District

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Independent Auditor's Report

To the Governing Board
Denair Unified School District
Denair, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Denair Unified School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Denair Unified School District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Notes 1 and 15 to the financial statements, the Denair Unified School District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's net OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability, and the schedule of the District's contributions, 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 Denair Unified School District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023 on our consideration of Denair Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Denair Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with

Government Auditing Standards in considering Denair Unified School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Fresno, California
March 30, 2023



Denair Unified School District

Community • Excellence • Commitment

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Denair Unified School District's comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022, with comparative information for the year end June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Denair Unified School District (the District) and its component units using the integrated approach as prescribed by GASB Statement Number 34.

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

The *Fund Financial Statements* include statements for each of the two categories of funds: governmental and fiduciary.

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Fiduciary Funds* are custodial funds. Custodial funds focus reporting on net position and changes in net position.

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

The Primary unit of the government is the Denair Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position* and *Statement of Changes in Net Position - Fiduciary Funds*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$(5,647,775) for the fiscal year ended June 30, 2022, and was \$(5,836,900) for the fiscal year ended June 30, 2021. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2022	2021 as Restated
Assets		
Current and other assets	\$ 7,328,505	\$ 8,569,621
Capital assets	25,800,756	27,227,045
Total assets	33,129,261	35,796,666
Deferred outflows of resources	4,494,066	5,638,183
Liabilities		
Current liabilities	1,777,792	2,222,876
Long-term liabilities	34,456,167	44,166,611
Total liabilities	36,233,959	46,389,487
Deferred inflows of resources	7,037,143	882,262
Net Position (Deficit)		
Net investment in capital assets	10,583,383	10,267,046
Restricted	3,972,019	4,256,690
Unrestricted (deficit)	(20,203,177)	(20,360,636)
Total net position (deficit)	\$ (5,647,775)	\$ (5,836,900)

The \$5,647,775 in net deficit represents the accumulated effect of all past years' operations.

Changes in Net Position

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

Table 2

	Governmental Activities	
	2022	2021*
Revenues		
Program revenues		
Charges for services and sales	\$ 290,942	\$ 1,333,400
Operating grants and contributions	4,689,589	5,991,513
General revenues		
Federal and State aid not restricted	6,393,571	7,055,739
Property and other taxes	8,883,446	8,237,497
Other general revenues	620,234	396,475
Total revenues	20,877,782	23,014,624
Expenses		
Instruction-related	13,105,578	15,732,223
Pupil services	2,308,269	2,011,399
Administration	1,274,296	1,277,369
Plant services	2,416,006	2,251,288
All other services	1,584,508	1,586,638
Total expenses	20,688,657	22,858,917
Change in net position	\$ 189,125	\$ 155,707

* The revenues and expenses for fiscal year 2021 were not restated to show the effects of GASB Statement No. 87 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$20,688,657 while prior year costs were \$22,858,917. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$8,883,446 because the cost was paid by those who benefited from the programs or by other governments and organizations who subsidized certain programs with grants and contributions of \$4,980,531. We paid for the remaining “public benefit” portion of our governmental activities with \$6,393,571 in Federal and State aid and with \$620,234 in other revenues, like interest and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2022	2021*	2022	2021*
Instruction	\$ 13,105,578	\$ 15,732,223	\$ (10,133,101)	\$ (10,533,550)
Pupil services	2,308,269	2,011,399	(1,431,533)	(734,628)
Administration	1,274,296	1,277,369	(1,094,058)	(1,152,654)
Plant services	2,416,006	2,251,288	(1,960,055)	(1,612,643)
All other services	1,584,508	1,586,638	(1,089,379)	(1,500,529)
Total	\$ 20,688,657	\$ 22,858,917	\$ (15,708,126)	\$ (15,534,004)

* The total and net cost of services for fiscal year 2021 were not restated to show the effects of GASB Statement No. 87 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$5,550,713 compared to \$6,346,745 in the prior year, a decrease of \$796,032 (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	July 1, 2021	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2022
General	\$ 1,677,992	\$ 16,268,682	\$ 16,760,675	\$ 1,185,999
Student Activities	96,874	155,135	159,112	92,897
Charter Schools	-	2,175,602	2,018,050	157,552
Child Development	55,955	216,607	215,261	57,301
Cafeteria	207,073	914,097	905,653	215,517
Building	1,106,337	(44,993)	-	1,061,344
Capital Facilities	1,511,522	307,466	859,529	959,459
Bond Interest and Redemption	1,653,457	1,904,773	1,737,586	1,820,644
Debt Service	37,535	847,425	884,960	-
Total	\$ 6,346,745	\$ 22,744,794	\$ 23,540,826	\$ 5,550,713

The General Fund decreased by \$491,993 over the prior year. The Capital Facilities Fund decreased by \$552,063 due to paying off the COP. The remaining funds showed slight change during the year.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The 2021-2022 budget was adopted on June 10, 2021, and the 45-day budget revision adopted on August 12, 2021. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

The District budgeted a decrease in General Fund balance of \$1,080,051. Revenues and other sources were approximately \$598,461 less than budgeted, expenditures were \$1,186,519 less than budgeted, leaving the fund with a decrease of approximately \$491,993.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the District had \$25,800,756 in a broad range of capital assets (net of depreciation and amortization expenses), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, depreciation, and amortization expenses) of \$1,426,289 from last year (Table 5).

Table 5

	Governmental Activities	
	2022	2021 as Restated
Land and construction in progress	\$ 15,585	\$ 15,585
Buildings and improvements	25,394,891	26,786,577
Equipment	317,769	377,563
Leased assets	72,511	47,320
Total	\$ 25,800,756	\$ 27,227,045

The District's additions to equipment during the year included a copier, folder, and inserter system for mail.

Long-Term Liabilities

At the end of this year, the District had \$34,456,167 in long-term liabilities outstanding. The change in long-term liabilities during the year was as follows:

Table 6

	Governmental Activities	
	2022	2021 as Restated
Long-Term Liabilities		
General obligation bonds	\$ 21,211,981	\$ 21,782,217
Certificates of participation	-	865,000
Financed purchases	1,852,337	1,928,071
Leases	73,595	48,415
Unamortized premiums	577,435	662,769
Compensated absences	117,618	113,532
Net OPEB liability	1,464,209	1,816,665
Aggregate net pension liability	9,158,992	16,949,942
Total	\$ 34,456,167	\$ 44,166,611

The District’s general obligation bond S&P/Moody’s rating at the time of their last issuance was “AAA”. In addition, the District’s certificates of participation S&P/Moody’s rating at the time of their last issuance was “AAA”.

At year-end, the District has a net pension liability of \$9,158,992 versus \$16,949,942 last year, a decrease of \$7,790,950, or 46%. The District also reported deferred outflows of resources from pension activities of \$3,862,329, and deferred inflows of resources from pension activities of \$6,458,483.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

In considering the District Budget for the 2021-2022 year, the District Board and management used the following criteria that was obtained from District demographics and the Governor’s May Budget Revision:

The key assumptions in our revenue forecast are:

- ❖ Average Daily Attendance (ADA)
 - Funded ADA is at 1,130 District-wide (ADA-relief):
 - DMS – 210
 - DHS – 248
 - DECA – 497
 - DCA – 175

- ❖ The District's unduplicated pupil percentage for supplemental and concentration funding is 61.71% in 2021-2022.
- ❖ In 2021-2022 Lottery revenue is \$176.94 per ADA for unrestricted purposes and \$81.94 per ADA for restricted purposes. In 2022-2023 Lottery revenue is expected to remain steady at \$170.00 per ADA for unrestricted purposes and \$67 per ADA for restricted purposes.
- ❖ In 2021-2022 the Mandated Cost Block Grant is \$32.79 for TK-8 ADA, and \$63.17 for 9-12 ADA at non-charter schools and \$17.21 for TK-8 ADA, and \$47.84 for 9-12 ADA at charter schools.
- ❖ Except as illustrated under Contributions to Restricted Programs, all federal and state restricted categorical programs are self-funded.

Multi-Year assumptions are:

- ❖ Statutory COLA of 6.56% in 2022-2023, 5.38% in 2023-2024 and 4.02% in 2024-2025.
- ❖ Based on 2021-2022 enrollment and past enrollment trends, the District anticipates enrollment to remain fairly steady between 2022-2025. The Local Control Funding Formula is estimated to be adjusted per Department of Finance's estimates of COLA.
- ❖ Benefits were adjusted accordingly due to the above changes. To reflect changes in the Governor's May Revision, the following State pension programs are expected to change by the following: STRS is expected to remain steady at 19.10% in 2023-2024 from the prior increase of 2.18% in 2022-2023. PERS is expected to decrease by 0.17% in 2023-2024, and then again by 0.60% in 2024-2025. It previously increased by 2.46% in 2022-2023.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Director of Fiscal Services at Denair Unified School District, 3460 Lester Road, Denair, California, 93620, or e-mail at dswearingen@dusd.k12.ca.us.

Denair Unified School District
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Deposits and investments	\$ 5,388,953
Receivables	1,935,962
Stores inventories	3,590
Capital assets not depreciated	15,585
Capital assets, net of accumulated depreciation	25,712,660
Right-to-use leased assets, net of accumulated amortization	72,511
Total assets	33,129,261
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	631,737
Deferred outflows of resources related to pensions	3,862,329
Total deferred outflows of resources	4,494,066
Liabilities	
Accounts payable	1,012,248
Unearned revenue	765,544
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	1,219,814
Long-term liabilities other than OPEB and pensions due in more than one year	22,613,152
Net other postemployment benefits liability (OPEB)	1,464,209
Aggregate net pension liabilities	9,158,992
Total liabilities	36,233,959
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	578,660
Deferred inflows of resources related to pensions	6,458,483
Total deferred inflows of resources	7,037,143
Net Position (Deficit)	
Net investment in capital assets	10,583,383
Restricted for	
Debt service	1,820,644
Capital projects	959,459
Educational programs	887,092
Child nutrition	211,927
Student activities	92,897
Unrestricted (deficit)	(20,203,177)
Total net position (deficit)	\$ (5,647,775)

Denair Unified School District
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 10,845,775	\$ 32,618	\$ 2,663,512	\$ (8,149,645)
Instruction-related activities				
Supervision of instruction	313,399	-	207,779	(105,620)
Instructional library, media, and technology	285,034	51	6,634	(278,349)
School site administration	1,661,370	5,508	56,375	(1,599,487)
Pupil services				
Home-to-school transportation	486,020	-	-	(486,020)
Food services	956,644	-	787,647	(168,997)
All other pupil services	865,605	17,071	72,018	(776,516)
Administration				
Data processing	54,816	-	-	(54,816)
All other administration	1,219,480	408	179,830	(1,039,242)
Plant services	2,416,006	5,610	450,341	(1,960,055)
Ancillary services	324,216	728	155,735	(167,753)
Interest on long-term liabilities	1,244,381	-	-	(1,244,381)
Other outgo	15,911	228,948	109,718	322,755
Total governmental activities	<u>\$ 20,688,657</u>	<u>\$ 290,942</u>	<u>\$ 4,689,589</u>	<u>(15,708,126)</u>
General Revenues and Subventions				
Property taxes, levied for general purposes				6,821,174
Property taxes, levied for debt service				1,990,733
Taxes levied for other specific purposes				71,539
Federal and State aid not restricted to specific purposes				6,393,571
Interest, investment earnings, and fair market value adjustments				(189,139)
Miscellaneous revenues and unspent state entitlements				<u>809,373</u>
Subtotal, general revenues and subventions				<u>15,897,251</u>
Change in Net Position				189,125
Net Position - Beginning, as Restated				<u>(5,836,900)</u>
Net Position - Ending				<u>\$ (5,647,775)</u>

Denair Unified School District
Balance Sheet – Governmental Funds
June 30, 2022

	General Fund	Charter Schools Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets							
Deposits and investments	\$ 617,973	\$ 676,906	\$ 1,061,344	\$ 921,576	\$ 1,820,644	\$ 290,510	\$ 5,388,953
Receivables	1,744,484	17,037	-	37,883	-	136,558	1,935,962
Due from other funds	632,304	161,031	-	-	-	17,944	811,279
Stores inventories	-	-	-	-	-	3,590	3,590
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,590</u>	<u>3,590</u>
Total assets	<u>\$ 2,994,761</u>	<u>\$ 854,974</u>	<u>\$ 1,061,344</u>	<u>\$ 959,459</u>	<u>\$ 1,820,644</u>	<u>\$ 448,602</u>	<u>\$ 8,139,784</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 889,749	\$ 78,866	\$ -	\$ -	\$ -	\$ 43,633	\$ 1,012,248
Due to other funds	178,975	593,050	-	-	-	39,254	811,279
Unearned revenue	740,038	25,506	-	-	-	-	765,544
	<u>1,808,762</u>	<u>697,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,887</u>	<u>2,589,071</u>
Total liabilities	<u>1,808,762</u>	<u>697,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,887</u>	<u>2,589,071</u>
Fund Balances							
Nonspendable	3,900	-	-	-	-	3,590	7,490
Restricted	672,239	157,552	1,061,344	959,459	1,820,644	362,125	5,033,363
Unassigned	509,860	-	-	-	-	-	509,860
	<u>1,185,999</u>	<u>157,552</u>	<u>1,061,344</u>	<u>959,459</u>	<u>1,820,644</u>	<u>365,715</u>	<u>5,550,713</u>
Total fund balances	<u>1,185,999</u>	<u>157,552</u>	<u>1,061,344</u>	<u>959,459</u>	<u>1,820,644</u>	<u>365,715</u>	<u>5,550,713</u>
Total liabilities and fund balances	<u>\$ 2,994,761</u>	<u>\$ 854,974</u>	<u>\$ 1,061,344</u>	<u>\$ 959,459</u>	<u>\$ 1,820,644</u>	<u>\$ 448,602</u>	<u>\$ 8,139,784</u>

Denair Unified School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balance - Governmental Funds		\$ 5,550,713
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 56,376,097	
Accumulated depreciation is	<u>(30,647,852)</u>	
Net capital assets		25,728,245
Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of right-to-use leased assets is	125,302	
Accumulated amortization is	<u>(52,791)</u>	
Net right-to-use leased assets		72,511
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Other postemployment benefits (OPEB)	631,737	
Net pension liability	<u>3,862,329</u>	
Total deferred outflows of resources		4,494,066
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits (OPEB)	(578,660)	
Net pension liability	<u>(6,458,483)</u>	
Total deferred inflows of resources		(7,037,143)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(9,158,992)
The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(1,464,209)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds including unamortized premiums	(14,352,785)	
Financed purchases	(1,852,337)	
Leases	(73,595)	
Compensated absences (vacations)	(117,618)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(7,436,631)</u>	
Total long-term liabilities		<u>(23,832,966)</u>
Total net position - governmental activities		<u>\$ (5,647,775)</u>

Denair Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2022

	General Fund	Charter Schools Fund	Building Fund	Capital Facilities Fund
Revenues				
Local Control Funding Formula	\$ 10,958,150	\$ 2,012,533	\$ -	\$ -
Federal sources	1,863,695	-	-	-
Other State sources	2,021,197	192,792	-	-
Other local sources	965,412	(29,723)	(44,993)	307,466
Total revenues	<u>15,808,454</u>	<u>2,175,602</u>	<u>(44,993)</u>	<u>307,466</u>
Expenditures				
Current				
Instruction	10,184,105	1,029,761	-	-
Instruction-related activities				
Supervision of instruction	333,966	-	-	-
Instructional library, media, and technology	254,497	41,092	-	-
School site administration	1,325,466	333,297	-	-
Pupil services				
Home-to-school transportation	220,468	-	-	-
Food services	8,738	-	-	-
All other pupil services	851,298	81,093	-	-
Administration				
Data processing	41,131	-	-	-
All other administration	1,203,712	5,714	-	-
Plant services	2,020,607	108,985	-	12,500
Ancillary services	167,971	346	-	-
Other outgo	15,911	-	-	-
Debt service				
Principal	75,734	-	-	-
Interest and other	57,071	-	-	-
Total expenditures	<u>16,760,675</u>	<u>1,600,288</u>	<u>-</u>	<u>12,500</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(952,221)</u>	<u>575,314</u>	<u>(44,993)</u>	<u>294,966</u>
Other Financing Sources (Uses)				
Transfers in	417,762	-	-	-
Sources from leases	42,466	-	-	-
Transfers out	-	(417,762)	-	(847,029)
Net Financing Sources (Uses)	<u>460,228</u>	<u>(417,762)</u>	<u>-</u>	<u>(847,029)</u>
Net Change in Fund Balances	(491,993)	157,552	(44,993)	(552,063)
Fund Balance - Beginning	1,677,992	-	1,106,337	1,511,522
Fund Balance - Ending	<u>\$ 1,185,999</u>	<u>\$ 157,552</u>	<u>\$ 1,061,344</u>	<u>\$ 959,459</u>

Denair Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2022

	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Local Control Funding Formula	\$ -	\$ -	\$ 12,970,683
Federal sources	-	847,338	2,711,033
Other State sources	14,392	282,252	2,510,633
Other local sources	1,890,381	156,645	3,245,188
Total revenues	<u>1,904,773</u>	<u>1,286,235</u>	<u>21,437,537</u>
Expenditures			
Current			
Instruction	-	179,867	11,393,733
Instruction-related activities			
Supervision of instruction	-	-	333,966
Instructional library, media, and technology	-	-	295,589
School site administration	-	17,069	1,675,832
Pupil services			
Home-to-school transportation	-	-	220,468
Food services	-	845,776	854,514
All other pupil services	-	233	932,624
Administration			
Data processing	-	-	41,131
All other administration	-	33,421	1,242,847
Plant services	-	44,548	2,186,640
Ancillary services	-	159,112	327,429
Other outgo	-	-	15,911
Debt service			
Principal	1,305,000	865,000	2,245,734
Interest and other	432,586	19,960	509,617
Total expenditures	<u>1,737,586</u>	<u>2,164,986</u>	<u>22,276,035</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>167,187</u>	<u>(878,751)</u>	<u>(838,498)</u>
Other Financing Sources (Uses)			
Transfers in	-	847,029	1,264,791
Sources from leases	-	-	42,466
Transfers out	-	-	(1,264,791)
Net Financing Sources (Uses)	<u>-</u>	<u>847,029</u>	<u>42,466</u>
Net Change in Fund Balances	167,187	(31,722)	(796,032)
Fund Balance - Beginning	<u>1,653,457</u>	<u>397,437</u>	<u>6,346,745</u>
Fund Balance - Ending	<u>\$ 1,820,644</u>	<u>\$ 365,715</u>	<u>\$ 5,550,713</u>

Denair Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds \$ (796,032)

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

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

This is the amount by which depreciation and amortization expenses exceed capital outlays in the period.

Depreciation and amortization expenses	\$ (1,492,562)
Capital outlays	<u>66,273</u>

Net expense adjustment (1,426,289)

The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (734,764)

Some of the capital assets acquired this year were financed with leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position. (42,466)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used. (4,086)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. 1,191,181

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year. (346,773)

Denair Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2022

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

Premium amortization	85,334
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Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	1,305,000
Certificates of participation	865,000
Financed purchases	75,734
Leases	17,286
	<hr/>

Change in net position of governmental activities	<u><u>\$ 189,125</u></u>
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Denair Unified School District
Statement of Net Position – Fiduciary Funds
June 30, 2022

	<u>Custodial Fund</u>
Assets	
Deposits and investments	<u>\$ 24,694</u>
Liabilities	
Net Position	
Held in trusts for scholarship	<u>\$ 24,694</u>

Denair Unified School District
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2022

	<u>Custodial Fund</u>
Additions	
Contributions	
Private donations	<u>\$ 10,950</u>
Deductions	
Scholarships awarded	<u>7,616</u>
Net Increase in Fiduciary Net Position	3,334
Net Position - Beginning	<u>21,360</u>
Net Position - Ending	<u><u>\$ 24,694</u></u>

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Denair Unified School District was established in 1942 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates one State preschool, one charter elementary school (grades K-5), one middle school (grades 6-8), one high school (grades 9-12), and one independent study and homeschool charter school (grades K-12).

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Charter Schools Fund The Charter Schools Fund may be used by authorizing districts to account separately for the operating activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

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

- **Student Activities Fund** The Student Activities Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

- **COP Debt Service Fund** The COP Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Custodial funds are used to account for resources, not in a trust, that are held by the District for other parties outside the District's reporting entity. The District's custodial funds are used to hold scholarships available to

Denair Unified School District students that are awarded to the students by persons and/or committees outside of the District's employees and administration.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

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

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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

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

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

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

Investments

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

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a

capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

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

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

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

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position.

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

Accrued Liabilities and Long-Term liabilities

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Pensions

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

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 the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money

market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Leases

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

Fund Balances - Governmental Funds

As of June 30, 2022, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Superintendent or Assistant Superintendent of Business Services may assign amounts for specific purposes. The District currently does not have any assigned funds.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$3,972,019 of restricted net position.

Interfund Activity

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

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

Estimates

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

Property Tax

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

Change in Accounting Principles

Implementation of GASB Statement No. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 15 and the additional disclosures required by this standard is included in Notes 4 and 8.

Implementation of GASB Statement No. 92

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

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended*, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

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

The provisions of this Statement have been implemented as of June 30, 2022.

Implementation of GASB Statement No. 93

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The provisions of this Statement have been implemented as of June 30, 2022.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 5,388,953
Fiduciary funds	<u>24,694</u>
Total deposits and investments	<u><u>\$ 5,413,647</u></u>

Deposits and investments as of June 30, 2022, consist of the following:

Cash on hand and in banks	\$ 117,791
Cash in revolving	3,900
Investments	<u>5,291,956</u>
Total deposits and investments	<u><u>\$ 5,413,647</u></u>

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$5,291,956 in the Stanislaus County Treasury Investment Pool that has an average weighted maturity of 784 days.

Credit Risk - Investments

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Stanislaus County Treasury Investment Pool is currently not rated, nor is it required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, none of the District’s bank balance was exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution’s trust department or agent.

Note 3 - Receivables

Receivables at June 30, 2022, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Charter Schools Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	\$ 993,676	\$ -	\$ -	\$ 107,941	\$ 1,101,617
State Government					
LCFF apportionment	388,204	-	-	-	388,204
Other State	268,456	12,330	-	6,162	286,948
Local Sources	94,148	4,707	37,883	22,455	159,193
Total	\$ 1,744,484	\$ 17,037	\$ 37,883	\$ 136,558	\$ 1,935,962

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	<u>Balance July 1, 2021 as Restated</u>	<u>Additions</u>	<u>Balance June 30, 2022</u>
Governmental Activities			
Capital assets not being depreciated			
Land	\$ 15,585	\$ -	\$ 15,585
Capital assets being depreciated			
Land improvements	4,812,850	-	4,812,850
Buildings and improvements	49,951,492	-	49,951,492
Furniture and equipment	1,572,363	23,807	1,596,170
Total capital assets being depreciated	<u>56,336,705</u>	<u>23,807</u>	<u>56,360,512</u>
Total capital assets	<u>56,352,290</u>	<u>23,807</u>	<u>56,376,097</u>
Accumulated depreciation			
Land improvements	(4,750,155)	(22,074)	(4,772,229)
Buildings and improvements	(23,227,610)	(1,369,612)	(24,597,222)
Furniture and equipment	(1,194,800)	(83,601)	(1,278,401)
Total accumulated depreciation	<u>(29,172,565)</u>	<u>(1,475,287)</u>	<u>(30,647,852)</u>
Net depreciable capital assets	<u>27,164,140</u>	<u>(1,451,480)</u>	<u>25,712,660</u>
Right-to-use leased assets being amortized			
Furniture and equipment	82,836	42,466	125,302
Accumulated amortization			
Furniture and equipment	(35,516)	(17,275)	(52,791)
Net right-to-use leased assets	<u>47,320</u>	<u>25,191</u>	<u>72,511</u>
Governmental activities capital assets and right- to-use leased assets, net	<u>\$ 27,227,045</u>	<u>\$ (1,426,289)</u>	<u>\$ 25,800,756</u>

Depreciation and amortization expenses were charged to functional expenditures as follows:

Governmental Activities	
Instruction	\$ 673,255
School site administration	65,384
Home-to-school transportation	265,552
Food services	118,023
All other administration	75,290
Data processing	14,753
Plant services	<u>280,305</u>
Total depreciation and amortization expenses - governmental activities	<u><u>\$ 1,492,562</u></u>

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2022, are as follows:

Funds	Due from Other Funds	Due to Other Funds
Major Governmental Funds		
General	\$ 632,304	\$ 178,975
Charter Schools	161,031	593,050
Non-Major Governmental Funds		
Child Development	-	10,317
Cafeteria	<u>17,944</u>	<u>28,937</u>
Total	<u><u>\$ 811,279</u></u>	<u><u>\$ 811,279</u></u>

The General Fund owes the Charter Schools Fund to move tracking of Charter School activity to the Charter School Fund.	\$ 161,031
The General Fund owes the Cafeteria Non-Major Governmental Fund for indirect costs.	17,944
The Charter Schools Fund owes the General Fund for various overpaid contributions to programs.	587,129
The Charter Schools Fund owes the General Fund for indirect costs.	5,714
The Charter Schools Fund owes the General Fund to move tracking of Charter School activity to the Charter School Fund.	207
The Child Development Non-Major Governmental Fund owes the General Fund for indirect costs.	10,317
The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs.	<u>28,937</u>
Total	<u><u>\$ 811,279</u></u>

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2022, consisted of the following:

The Capital Facilities Fund transferred to the COP Debt Service Non-Major Governmental Fund to pay certificates of participation obligations.	\$ 847,029
The Charter Schools Fund transferred to the General Fund for various overpaid contributions to programs.	<u>417,762</u>
Total	<u><u>\$ 1,264,791</u></u>

Note 6 - Accounts Payable

Accounts payable at June 30, 2022, consist of the following:

	General Fund	Charter Schools Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 285,695	\$ 2,026	\$ 7,667	\$ 295,388
Salaries and benefits	604,054	76,840	35,966	716,860
Total	<u>\$ 889,749</u>	<u>\$ 78,866</u>	<u>\$ 43,633</u>	<u>\$ 1,012,248</u>

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2022, consisted of the following:

	General Fund	Charter Schools Fund	Total
Federal financial assistance	\$ 480,207	\$ -	\$ 480,207
State categorical aid	259,831	25,506	285,337
Total	<u>\$ 740,038</u>	<u>\$ 25,506</u>	<u>\$ 765,544</u>

Note 8 - Long-Term Liabilities Other than OPEB and Pensions

Summary

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

	Balance July 1, 2021 as Restated	Additions	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 21,782,217	\$ 734,764	\$ (1,305,000)	\$ 21,211,981	\$ 1,115,000
Certificates of participation	865,000	-	(865,000)	-	-
Financed purchases	1,928,071	-	(75,734)	1,852,337	83,275
Leases	48,415	42,466	(17,286)	73,595	21,539
Unamortized premiums	662,769	-	(85,334)	577,435	-
Compensated absences	113,532	4,086	-	117,618	-
Total	\$ 25,400,004	\$ 781,316	\$ (2,348,354)	\$ 23,832,966	\$ 1,219,814

The general obligation bonds are paid by the Bond Interest and Redemption Fund through the collection of local property taxes. The certificates of participation are paid by the COP Debt Service Fund. The financed purchases are paid from the General Fund. The leases are paid by the fund using the right-to-use asset. The premiums will be amortized over the life of the related debt. The compensated absences are paid by the fund for which the employee worked.

General Obligation Bonds

On March 28, 2002, the District issued General Obligation Bonds (Election of 2001, Series A) in the amount of \$5,161,002. The Bonds were issued as Current Interest Bonds and Capital Appreciation Bonds. Interest on the Current Interest Bonds accrues from their dated date and is payable semiannually on February 1 and August 1 of each year commencing August 1, 2002. The Capital Appreciation Bonds are dated the date of delivery of the Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2002. The proceeds of the Bonds were used to acquire, construct and modernize school facilities throughout the District.

On May 22, 2003, the District issued General Obligation Bonds (Election of 2001, Series B) in the amount of \$3,037,067. The Bonds were issued as Current Interest Bonds and Capital Appreciation Bonds. Interest on the Current Interest Bonds accrues from their dated date and is payable semiannually on February 1 and August 1 of each year commencing August 1, 2004. The Capital Appreciation Bonds are dated the date of delivery of the Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2003. The proceeds of the Bonds were used to acquire, construct and modernize school facilities throughout the District. Premiums on bond issues in the amount of \$221,817 was recognized in the fund financial statements, but will be amortized over the life of the bonds in the government-wide financial statements at \$9,242 per year. The unamortized premiums as of June 30, 2022, amounted to \$46,215.

On June 20, 2011, the District issued \$3,455,004 of the 2011 General Obligation Bonds. The bonds were issued to repay the District's 2009 Bond Anticipation Notes and to pay costs of issuance of the Bonds. The bonds are comprised of Current Interest Bonds, Capital Appreciation Bonds, and Convertible Capital Appreciation Bonds.

On February 9, 2012, the District issued Refunding General Obligation Bonds in the amount of \$3,825,000. The Bonds were issued as Current Interest Bonds. Interest on the Current Interest Bonds accrues from their dated date and is payable semiannually on February 1 and August 1 of each year commencing August 1, 2012. The proceeds of the Bonds were used to retire a portion of the outstanding 2001, Series A bonds. Premiums on the bond issue in the amount of \$362,922 was recognized in the fund financial statements, but will be amortized over the life of the bonds in the government-wide financial statements at \$32,993 per year. The unamortized premiums as of June 30, 2022, amounted to \$32,944.

On July 19, 2018, the District issued General Obligation Bonds in the amount of \$2,040,000. The Bonds were issued as Current Interest Bonds. Interest on the Current Interest Bonds accrues from their dated date and is payable semiannually on February 1 and August 1 of each year commencing on February 1, 2019. The proceeds of the Bonds were used to (1) prepay a portion of the District's outstanding 2004 Certificates of Participation and fund authorized projects and (2) pay the costs of issuing the Series 2018 Bonds. Premiums on the bond issue in the amount of \$57,026 was recognized in the fund financial statements, but will be amortized over the life of the bonds in the government-wide financial statements at \$2,193 per year. The unamortized premiums as of June 30, 2022, amounted to \$48,254.

On July 19, 2018, the District issued Refunding General Obligation Bonds in the amount of \$6,225,000. The Bonds were issued as Current Interest Bonds. Interest on the Current Interest Bonds accrues from their dated date and is payable semiannually on February 1 and August 1 of each year commencing on February 1, 2019. The proceeds of the Bonds were used to (1) currently refund a portion of the District's outstanding General Obligation Bonds, Election 2007, Series 2008 and (2) pay the costs of issuing the Refunding Bonds. Premiums on the bond issue in the amount of \$613,596 was recognized in the fund financial statements, but will be amortized over the life of the bonds in the government-wide financial statements at \$40,906 per year. The unamortized premiums as of June 30, 2022, amounted to \$449,972.

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2021	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2022
2002	2027	4.0 - 5.68	\$5,161,002	\$ 661,002	\$ -	\$ -	\$ 661,002
		Accreted interest		2,283,466	236,631	-	2,520,097
2003	2028	2.5 - 5.6	3,037,067	1,470,364	-	(104,350)	1,366,014
		Accreted interest		2,391,743	194,234	(180,650)	2,405,327
2011	2042	4.0 - 5.25	1,025,000	975,000	-	(30,000)	945,000
2011	2044	7.0 - 7.12	1,933,334	1,933,334	-	-	1,933,334
		Accreted interest		2,207,308	303,899	-	2,511,207
2011	2037*	6.25 - 6.5	496,670	542,381	-	-	542,381
		Accreted interest		337,619	-	-	337,619
2012	2023	2.0 - 4.0	3,825,000	1,355,000	-	(630,000)	725,000
2018	2044	2.0 - 5.0	2,040,000	1,750,000	-	(75,000)	1,675,000
2018	2033	3.0 - 5.0	6,225,000	5,875,000	-	(285,000)	5,590,000
Total				<u>\$ 21,782,217</u>	<u>\$ 734,764</u>	<u>\$ (1,305,000)</u>	<u>\$ 21,211,981</u>

* Total includes \$710,000 of Convertible Capital Appreciation Bonds and \$170,000 of Serial Converted Capital Appreciation Bonds.

Debt Service Requirements to Maturity

The capital appreciation bonds mature as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2023	\$ 102,206	\$ 192,794	\$ 295,000	\$ -	\$ 295,000
2024	260,606	800,861	1,061,467	78,533	1,140,000
2025	270,627	810,259	1,080,886	164,114	1,245,000
2026	280,301	832,816	1,113,117	261,883	1,375,000
2027	288,480	854,393	1,142,873	372,127	1,515,000
2028-2032	824,796	1,434,301	2,259,097	705,903	2,965,000
2033-2037	655,242	970,705	1,625,947	3,196,807	4,822,754
2038-2042	910,370	1,090,901	2,001,271	4,597,436	6,598,707
2043-2045	367,722	449,601	817,323	2,757,440	3,574,763
Total	<u>\$ 3,960,350</u>	<u>\$ 7,436,631</u>	<u>\$ 11,396,981</u>	<u>\$ 12,134,243</u>	<u>\$ 23,531,224</u>

The current interest bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2023	\$ 1,115,000	\$ 424,407	\$ 1,539,407
2024	440,000	380,507	820,507
2025	490,000	361,907	851,907
2026	545,000	337,807	882,807
2027	610,000	309,632	919,632
2028-2032	4,200,000	1,006,885	5,206,885
2033-2037	1,265,000	362,129	1,627,129
2038-2042	1,080,000	246,943	1,326,943
2043-2044	70,000	2,272	72,272
Total	<u>\$ 9,815,000</u>	<u>\$ 3,432,489</u>	<u>\$ 13,247,489</u>

Certificates of Participation

On August 3, 2004, the District issued \$3,930,000 of 2004 Certificates of Participation. The Certificates were issued primarily to finance Phase II of the construction and equipping of a Library/Science/Business Building. The Certificates mature through August 1, 2024, with interest rates ranging from 3.5% to 4.7%. Interest is payable on August 1 and February 1 of each year commencing February 1, 2005. The Certificates were paid off during the year.

Financed Purchases - Energy Conservation Equipment

The District has entered into an agreement to purchase energy conservation equipment. The District's liability on the agreement is summarized below:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 83,275	\$ 54,829	\$ 138,104
2024	91,250	52,364	143,614
2025	99,681	49,663	149,344
2026	108,591	46,713	155,304
2027	118,001	43,498	161,499
2028-2032	750,488	158,968	909,456
2033-2035	601,051	36,413	637,464
Total	<u>\$ 1,852,337</u>	<u>\$ 442,448</u>	<u>\$ 2,294,785</u>

Leases

The District has entered into agreements to lease various equipment. The District's liability on lease agreements is summarized below:

Lease	Leases Outstanding July 1, 2021	Addition	Payments	Leases Outstanding June 30, 2022
US Bank - Copier 500-0668656-000	\$ -	\$ 5,055	\$ -	\$ 5,055
US Bank - Copier 500-0668189-000	-	8,898	-	8,898
US Bank - Copier 500-0625940-000	8,106	-	(1,743)	6,363
US Bank - Copier 500-0625187-000	8,827	-	(1,899)	6,928
US Bank - Copier 500-0623695-000	11,946	-	(2,622)	9,324
US Bank - Copier 500-0566275-000	7,609	-	(2,877)	4,732
US Bank - Copier 500-0662022-000	-	15,672	(730)	14,942
US Bank - Copier 500-0527086-000	8,342	-	(5,852)	2,490
US Bank - Copier 500-0668844-000	-	12,841	-	12,841
Quadriant - Mail Machine N18042291	3,585	-	(1,563)	2,022
Total	<u>\$ 48,415</u>	<u>\$ 42,466</u>	<u>\$ (17,286)</u>	<u>\$ 73,595</u>

Copier and Mail Leases

The District entered various agreements to lease copiers and a mail machine. Under the terms of the leases, the District paid a total principal and interest costs of \$18,615 for the year ended June 30, 2022. The annual interest rate charged on the leases is 2.96%. At June 30, 2022, the District has recognized a right-to-use asset of \$125,302 and a lease liability of \$73,594 related to these agreements. During the fiscal year, the District recorded \$17,275 in amortization expense and \$1,329 in interest expense for the right-to-use of the assets. The District also pays for each additional copy in excess of the contracted amount, which are not included in the measurement of the lease liability as they are variable in nature.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 21,539	\$ 1,869	\$ 23,408
2024	17,086	1,298	18,384
2025	15,357	826	16,183
2026	11,429	403	11,832
2027	8,184	123	8,307
Total	<u>\$ 73,595</u>	<u>\$ 4,519</u>	<u>\$ 78,114</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to \$117,618.

Note 9 - Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2022, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plan:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 1,395,727	\$ 631,737	\$ 578,660	\$ 262,423
Medicare Premium Payment (MPP) Program	<u>68,482</u>	<u>-</u>	<u>-</u>	<u>68,482</u>
Total	<u>\$ 1,464,209</u>	<u>\$ 631,737</u>	<u>\$ 578,660</u>	<u>\$ 330,905</u>

The details of the plan are as follows:

District Plan

Plan Administration

The Self-Insured Schools of California (SISC) administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

The plan assets are maintained in the Self Insured Schools of California (SISC) postemployment benefits trust and financial information can be found on their website at <http://www.sisc.kern.org>.

Plan Membership

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	10
Active employees	<u>158</u>
Total	<u><u>168</u></u>

Benefits Provided

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Denair Unified Teacher Association (DUTA) the local California Service Employees Association (CSEA), and unrepresented groups. Voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, DUTA, CSEA, and the unrepresented groups are based on availability of funds. For the measurement period of June 30, 2021, the District contributed \$52,982 to the Plan, of which \$52,982 was used for current premiums and none was used to fund the OPEB Trust.

Net OPEB Liability of the District

The District’s net OPEB liability of \$1,395,727 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of the same date. The components of the net OPEB liability of the District at June 30, 2021, were as follows:

Total OPEB liability	\$ 1,990,672
Plan fiduciary net position	<u>(594,945)</u>
Net OPEB liability	<u><u>\$ 1,395,727</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>29.89%</u></u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Discount rate	2.92%
Healthcare cost trend rates	4.00%

The discount rate was based on the Building Block Method. Whereas, the actuarial assumed that contributions are from the employer and used historic 23 year real rates of return for each asset class along with the assumed long-term inflation assumption to set the discount rate. The expected investment return was offset by the investment expenses of 25 basis points. The interest assumption reflects a municipal bond rate and used the Bond Buyer 20 Index at June 30, 2021, and rounded the rate resulting in a rate of 2.16%. The actuary used the municipal bond rate beyond 19 years to results in an equivalent valuation rate of 2.92%.

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

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2020	\$ 2,278,124	\$ 461,459	\$ 1,816,665
Service cost	239,122	-	239,122
Interest	56,909	-	56,909
Changes of benefit terms			-
Difference between expected and actual experience	(213,148)	-	(213,148)
Net investment income	-	134,257	(134,257)
Changes of assumptions and other inputs	(317,353)	-	(317,353)
Contributions - employer	-	52,982	(52,982)
Benefit payments	(52,982)	(52,982)	-
Administrative expense	-	(771)	771
Net change in total OPEB liability	(287,452)	133,486	(420,938)
Balance, June 30, 2021	\$ 1,990,672	\$ 594,945	\$ 1,395,727

Changes in Benefit Terms - There were no changes in the benefit terms since the previous measurement.

Changes of Assumptions - The inflation rate changed from 2.75% to 2.50% and the discount rate was changed from 2.40% to 2.92% since the previous valuation.

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

The following presents the net OPEB liability of the District, as well as what the District’s net OPEB 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 OPEB Liability
1% decrease (1.92%)	\$ 1,542,430
Current discount rate (2.92%)	1,395,727
1% increase (3.92%)	1,257,390

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

Healthcare Cost Trend Rate	Net OPEB Liability
1% decrease (3%)	\$ 1,163,651
Current healthcare cost trend rate (4%)	1,395,727
1% increase (5%)	1,674,026

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

At June 30, 2022, 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
OPEB contributions subsequent to measurement date*	\$ 108,316	\$ -
Differences between expected and actual experience	22,417	197,923
Changes of assumptions	481,617	294,684
Net difference between projected and actual earnings on OPEB plan investments	19,387	86,053
Total	\$ 631,737	\$ 578,660

* Amount includes implicit subsidy rate of 1.556.

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

The deferred outflows of resources and deferred inflows of resources related to differences between expected and actual experience and changes of assumptions in the measurement of the total OPEB 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 deferred outflows of resources related and deferred inflows of resources to the net difference between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 46,267
2024	46,264
2025	45,929
2026	39,691
2027	39,691
Thereafter	305,579
Total	\$ 523,421
Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (61,928)
2024	(58,567)
2025	(58,567)
2026	(58,567)
2027	(37,894)
Thereafter	(303,137)
Total	\$ (578,660)

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2022, the District reported a liability of \$68,482 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021, was 0.0172%. There was no proportionate share allocation in the prior year.

For the year ended June 30, 2022, the District recognized OPEB expense of \$68,482.

Actuarial Methods and Assumptions

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2020	June 30, 2019
Experience Study	June 30, 2015 through June 30, 2018	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.16%	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2020, 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.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population (152,062).

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, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021, is 2.16%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

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

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

Discount Rate	Net OPEB Liability
1% decrease (1.16%)	\$ 75,486
Current discount rate (2.16%)	68,482
1% increase (3.16%)	62,498

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

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 62,277
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	68,482
1% increase (5.50% Part A and 6.40% Part B)	75,597

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Charter Schools Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable							
Revolving cash	\$ 3,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,900
Stores inventories	-	-	-	-	-	3,590	3,590
Total nonspendable	<u>3,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,590</u>	<u>7,490</u>
Restricted							
Legally restricted programs	672,239	157,552	-	-	-	150,198	979,989
Food service	-	-	-	-	-	211,927	211,927
Capital projects	-	-	1,061,344	959,459	-	-	2,020,803
Debt services	-	-	-	-	1,820,644	-	1,820,644
Total restricted	<u>672,239</u>	<u>157,552</u>	<u>1,061,344</u>	<u>959,459</u>	<u>1,820,644</u>	<u>362,125</u>	<u>5,033,363</u>
Unassigned							
Reserve for economic uncertainties	501,546	-	-	-	-	-	501,546
Remaining Unassigned	8,314	-	-	-	-	-	8,314
Total unassigned	<u>509,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>509,860</u>
Total	<u>\$ 1,185,999</u>	<u>\$ 157,552</u>	<u>\$ 1,061,344</u>	<u>\$ 959,459</u>	<u>\$ 1,820,644</u>	<u>\$ 365,715</u>	<u>\$ 5,550,713</u>

Note 11 - Risk Management

Employee Medical Benefits

The District has contracted with Kaiser to provide employees with medical benefits.

The District has contracted with the California’s Valued Trust (CVT) to provide employee medical, vision, and dental benefits. Benefits are self-funded and are paid out of the assets of CVT. Each participating school district’s contribution to CVT is determined by the collective bargaining agreement between the individual district and CTA or California School Employees Association and/or by the participating agreement between the district and CVT with respect to employees not covered by a collective bargaining agreement. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow.

Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2022, the District contracted with Central Region School Insurance Group (CRSIG) 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 fiscal year 2022, the District participated in the Central Region School Insurance Group (CRSIG), an insurance purchasing pool. The intent of the CRSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the CRSIG. 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 CRSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the CRSIG. Participation in the CRSIG is limited to districts that can meet the CRSIG selection criteria.

Note 12 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2022, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 5,197,988	\$ 2,740,572	\$ 4,929,029	\$ 66,851
CalPERS	3,961,004	1,121,757	1,529,454	673,218
Total	<u>\$ 9,158,992</u>	<u>\$ 3,862,329</u>	<u>\$ 6,458,483</u>	<u>\$ 740,069</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were \$1,165,320.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 5,197,988
State's proportionate share of the net pension liability	<u>2,615,426</u>
Total	<u><u>\$ 7,813,414</u></u>

The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.0114% and 0.0114%, resulting in no change in the proportionate share.

For the year ended June 30, 2022, the District recognized pension expense of \$66,851. In addition, the District recognized pension expense and revenue of \$89,484 for support provided by the State. At June 30, 2022, 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	\$ 1,165,320	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	825,731	264,113
Differences between projected and actual earnings on pension plan investments	-	4,111,742
Differences between expected and actual experience in the measurement of the total pension liability	13,021	553,174
Changes of assumptions	<u>736,500</u>	<u>-</u>
Total	<u><u>\$ 2,740,572</u></u>	<u><u>\$ 4,929,029</u></u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (1,044,136)
2024	(955,043)
2025	(978,745)
2026	(1,133,818)
Total	\$ (4,111,742)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 337,346
2024	433,591
2025	2,026
2026	30,871
2027	26,716
Thereafter	(72,585)
Total	\$ 757,965

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2021, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 10,581,243
Current discount rate (7.10%)	5,197,988
1% increase (8.10%)	729,989

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS 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, 2022, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 55	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	55	62
Retirement age	1.1% - 2.5%	1.0% - 2.5%
Monthly benefits as a percentage of eligible compensation	7.00%	7.00%
Required employee contribution rate	22.91%	22.91%
Required employer contribution rate		

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total District contributions were \$765,930.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$3,961,004. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.0195% and 0.0193%, resulting in a net increase in the proportionate share of 0.0002%.

For the year ended June 30, 2022, the District recognized pension expense of \$673,218. At June 30, 2022, 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	\$ 765,930	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	237,581	-
Differences between projected and actual earnings on pension plan investments	-	1,520,116
Differences between expected and actual experience in the measurement of the total pension liability	118,246	9,338
Total	\$ 1,121,757	\$ 1,529,454

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (381,244)
2024	(350,588)
2025	(365,511)
2026	(422,773)
Total	\$ (1,520,116)

The deferred outflows of resources and deferred inflows of resources related to the change in proportion and differences between contributions made and District’s proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 242,141
2024	84,373
2025	18,645
2026	1,330
Total	\$ 346,489

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	(0.92%)

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 6,678,809
Current discount rate (7.15%)	3,961,004
1% increase (8.15%)	1,704,643

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$734,573 (10.828% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United

States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 13 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

Litigation

The District is not currently a party to any legal proceedings.

Note 14 - Participation in Public Entity Risk Pools and Joint Power Authorities

The District is a member of the California's Valued Trust (CVT) and Central Region Schools Insurance Group (CRSIG) joint powers authorities (JPAs). The District pays an annual premium to the JPAs for its workers' compensation and property liability coverage. The relationship between the JPAs and the District is such that the JPAs are not component units of the District for financial reporting purposes.

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

The District has no members on the boards of the JPAs.

During the year ended June 30, 2022, the District made payments of \$986,746 to CVT for medical, dental, and vision coverage. The District made payments to CRSIG in the amount of \$192,416 for property liability coverage and \$152,938 for workers' compensation coverage.

Note 15 - Restatement of Prior Year Net Position

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

Government-Wide Financial Statements	
Net Position - Beginning	\$ (5,835,805)
Right-to-use intangible asset, net of amortization	47,320
Lease liability	<u>(48,415)</u>
Net Position - Beginning, as Restated	<u><u>\$ (5,836,900)</u></u>



Required Supplementary Information
June 30, 2022

Denair Unified School District

Denair Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 11,137,706	\$ 10,913,220	\$ 10,958,150	\$ 44,930
Federal sources	1,828,213	2,524,218	1,863,695	(660,523)
Other State sources	2,109,433	2,246,201	2,021,197	(225,004)
Other local sources	1,034,499	1,094,784	965,412	(129,372)
Total revenues	16,109,851	16,778,423	15,808,454	(969,969)
Expenditures				
Current				
Certificated salaries	5,848,581	6,404,816	6,377,631	27,185
Classified salaries	2,789,095	2,770,916	2,817,899	(46,983)
Employee benefits	3,490,428	3,617,359	3,477,134	140,225
Books and supplies	1,160,252	1,634,218	1,087,927	546,291
Services and operating expenditures	2,731,274	3,390,916	2,824,231	566,685
Other outgo	76,195	(27,644)	19,241	(46,885)
Capital outlay	-	23,808	23,807	1
Debt service				
Debt service - principal	-	39,169	75,734	(36,565)
Debt service - interest and other	-	93,636	57,071	36,565
Total expenditures	16,095,825	17,947,194	16,760,675	1,186,519
Excess (Deficiency) of Revenues Over Expenditures	14,026	(1,168,771)	(952,221)	216,550
Other Financing Sources				
Transfers in	88,720	88,720	417,762	329,042
Sources from lease	-	-	42,466	42,466
Net financing sources	88,720	88,720	460,228	371,508
Net Change in Fund Balances	102,746	(1,080,051)	(491,993)	588,058
Fund Balance - Beginning	1,677,992	1,677,992	1,677,992	-
Fund Balance - Ending	\$ 1,780,738	\$ 597,941	\$ 1,185,999	\$ 588,058

Denair Unified School District
 Budgetary Comparison Schedule – Charter Schools Fund
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 2,569,711	\$ 2,031,530	\$ 2,012,533	\$ (18,997)
Other State sources	203,806	50,968	192,792	141,824
Other local sources	6,870	11,676	(29,723)	(41,399)
Total revenues	<u>2,780,387</u>	<u>2,094,174</u>	<u>2,175,602</u>	<u>81,428</u>
Expenditures				
Current				
Certificated salaries	1,211,081	883,789	826,843	56,946
Classified salaries	206,559	168,713	174,395	(5,682)
Employee benefits	386,968	321,681	292,862	28,819
Books and supplies	119,281	36,471	23,086	13,385
Services and operating expenditures	341,953	347,945	277,387	70,558
Other outgo	81,958	71,188	5,715	65,473
Total expenditures	<u>2,347,800</u>	<u>1,829,787</u>	<u>1,600,288</u>	<u>229,499</u>
Excess (Deficiency) of Revenues Over Expenditures	432,587	264,387	575,314	310,927
Other Financing Uses				
Transfers out	(88,720)	(87,820)	(417,762)	(329,942)
Net Change in Fund Balances	343,867	176,567	157,552	(19,015)
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ 343,867</u>	<u>\$ 176,567</u>	<u>\$ 157,552</u>	<u>\$ (19,015)</u>

Denair Unified School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 239,122	\$ 177,189	\$ 198,227	\$ 139,241	\$ 135,514
Interest	56,909	72,607	66,625	54,401	73,764
Difference between expected and actual experience	(213,148)	-	28,069	-	-
Changes of assumptions	(317,353)	412,103	-	165,426	-
Benefit payments	(52,982)	(47,829)	(158,771)	(109,599)	(105,384)
Net change in total OPEB liability	(287,452)	614,070	134,150	249,469	103,894
Total OPEB Liability - Beginning	2,278,124	1,664,054	1,529,904	1,280,435	1,176,541
Total OPEB Liability - Ending (a)	<u>\$ 1,990,672</u>	<u>\$ 2,278,124</u>	<u>\$ 1,664,054</u>	<u>\$ 1,529,904</u>	<u>\$ 1,280,435</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 52,982	\$ 47,829	\$ 158,771	\$ 109,599	\$ 105,384
Net investment income	134,257	(249)	27,493	33,701	42,942
Benefit payments	(52,982)	(47,829)	(158,771)	(109,599)	(105,384)
Administrative expense	(771)	(680)	(648)	(526)	(375)
Net change in plan fiduciary net position	133,486	(929)	26,845	33,175	42,567
Plan Fiduciary Net Position - Beginning	461,459	462,388	435,543	402,368	359,801
Plan Fiduciary Net Position - Ending (b)	<u>\$ 594,945</u>	<u>\$ 461,459</u>	<u>\$ 462,388</u>	<u>\$ 435,543</u>	<u>\$ 402,368</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 1,395,727</u>	<u>\$ 1,816,665</u>	<u>\$ 1,201,666</u>	<u>\$ 1,094,361</u>	<u>\$ 878,067</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	29.89%	20.26%	27.79%	28.47%	31.42%
Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Net OPEB Liability as a Percentage of Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ The District's OPEB Plan is administered through a trust, however, contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

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

Denair Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2022

Year ended June 30,	2022 ²
Proportion of the net OPEB liability	0.0172%
Proportionate share of the net OPEB liability	\$ 68,482
Covered payroll	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.80%)
Measurement Date	June 30, 2021

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

² There was no proportionate share allocation for the District prior to June 30, 2022.

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

Denair Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
CaSTRS				
Proportion of the net pension liability	0.0114%	0.0114%	0.0105%	0.0102%
Proportionate share of the net pension liability	\$ 5,197,988	\$ 11,036,559	\$ 9,488,788	\$ 9,399,618
State's proportionate share of the net pension liability	2,615,426	5,689,347	5,176,767	5,381,721
Total	<u>\$ 7,813,414</u>	<u>\$ 16,725,906</u>	<u>\$ 14,665,555</u>	<u>\$ 14,781,339</u>
Covered payroll	<u>\$ 6,309,870</u>	<u>\$ 6,169,807</u>	<u>\$ 5,712,697</u>	<u>\$ 5,614,733</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>82.38%</u>	<u>178.88%</u>	<u>166.10%</u>	<u>167.41%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>87%</u>	<u>72%</u>	<u>73%</u>	<u>71%</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
CaIPERS				
Proportion of the net pension liability	0.0195%	0.0193%	0.0181%	0.0161%
Proportionate share of the net pension liability	\$ 3,961,004	\$ 5,913,383	\$ 5,276,899	\$ 4,289,922
Covered payroll	<u>\$ 2,833,671</u>	<u>\$ 2,793,702</u>	<u>\$ 2,518,132</u>	<u>\$ 2,125,794</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>139.78%</u>	<u>211.67%</u>	<u>209.56%</u>	<u>201.80%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81%</u>	<u>70%</u>	<u>70%</u>	<u>71%</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

Denair Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2022

	2018	2017	2016	2015
CaSTRS				
Proportion of the net pension liability	0.0105%	0.0096%	0.0103%	0.0133%
Proportionate share of the net pension liability	\$ 9,681,279	\$ 7,735,236	\$ 6,927,655	\$ 7,746,482
State's proportionate share of the net pension liability	5,727,363	4,403,532	3,663,966	4,677,660
Total	<u>\$ 15,408,642</u>	<u>\$ 12,138,768</u>	<u>\$ 10,591,621</u>	<u>\$ 12,424,142</u>
Covered payroll	<u>\$ 5,620,127</u>	<u>\$ 4,876,803</u>	<u>\$ 5,131,059</u>	<u>\$ 5,900,012</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>172.26%</u>	<u>158.61%</u>	<u>135.01%</u>	<u>131.30%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CaIPERS				
Proportion of the net pension liability	0.0140%	0.0123%	0.0121%	0.0131%
Proportionate share of the net pension liability	\$ 3,341,062	\$ 2,434,865	\$ 1,778,953	\$ 1,485,228
Covered payroll	<u>\$ 1,777,974</u>	<u>\$ 1,482,536</u>	<u>\$ 1,337,805</u>	<u>\$ 1,376,272</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>187.91%</u>	<u>164.24%</u>	<u>132.98%</u>	<u>107.92%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Denair Unified School District
Schedule of the District's Contributions
Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
CaSTRS				
Contractually required contribution	\$ 1,165,320	\$ 1,019,044	\$ 1,055,037	\$ 930,027
Less contributions in relation to the contractually required contribution	<u>1,165,320</u>	<u>1,019,044</u>	<u>1,055,037</u>	<u>930,027</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 6,887,234</u>	<u>\$ 6,309,870</u>	<u>\$ 6,169,807</u>	<u>\$ 5,712,697</u>
Contributions as a percentage of covered payroll	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>
CaPERS				
Contractually required contribution	\$ 765,930	\$ 586,570	\$ 550,946	\$ 454,825
Less contributions in relation to the contractually required contribution	<u>765,930</u>	<u>586,570</u>	<u>550,946</u>	<u>454,825</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 3,343,213</u>	<u>\$ 2,833,671</u>	<u>\$ 2,793,702</u>	<u>\$ 2,518,132</u>
Contributions as a percentage of covered payroll	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>

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

Denair Unified School District
Schedule of the District's Contributions
Year Ended June 30, 2022

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS				
Contractually required contribution	\$ 810,206	\$ 707,012	\$ 523,281	\$ 455,638
Less contributions in relation to the contractually required contribution	<u>810,206</u>	<u>707,012</u>	<u>523,281</u>	<u>455,638</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 5,614,733</u>	<u>\$ 5,620,127</u>	<u>\$ 4,876,803</u>	<u>\$ 5,131,059</u>
Contributions as a percentage of covered payroll	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS				
Contractually required contribution	\$ 330,157	\$ 246,925	\$ 175,636	\$ 157,473
Less contributions in relation to the contractually required contribution	<u>330,157</u>	<u>246,925</u>	<u>175,636</u>	<u>157,473</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 2,125,794</u>	<u>\$ 1,777,974</u>	<u>\$ 1,482,536</u>	<u>\$ 1,337,805</u>
Contributions as a percentage of covered payroll	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

Note 1 - Purpose of Schedules

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

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

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

At June 30, 2022, the District major fund exceeded the budgeted amount in total as follows:

Funds	Expenditures and Other Uses		
	Budget	Actual	Excess
Charter Schools Fund	\$ 1,917,607	\$ 2,018,050	\$ 100,443

Schedule of Changes in the District’s Net OPEB Liability and Related Ratios

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

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous measurement.
- *Changes of Assumptions* - The inflation rate changed from 2.75% to 2.50% and the discount rate was changed from 2.40% to 2.92% since the previous valuation.

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 plan’s fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The plan rate of investment return assumption was changed from 2.21% to 2.16% since the previous valuation.

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

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of the District's Contributions

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



Supplementary Information
June 30, 2022

Denair Unified School District

Denair Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	\$ 224,301
Total Special Education Cluster			<u>224,301</u>
COVID-19, Governor’s Emergency Education Relief Fund (GEER)	84.425C	15517	46,742
COVID-19, Elementary and Secondary School Emergency Relief Fund (ESSER)	84.425D	15536	45,125
COVID-19, Elementary and Secondary School Emergency Relief Fund II (ESSER II)	84.425D	15547	997,154
COVID-19, Expanded Learning Opportunities Grant ESSER III State Reserve, Learning Loss	84.425U	15621	90,862
COVID-19, American Rescue Plan - Homeless Children and Youth II	84.425W	15566	<u>2,768</u>
Subtotal			<u>1,182,651</u>
Title I Grants to Local Educational Agencies	84.010	14329	350,070
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	46,255
English Language Acquisition State Grants - LEP	84.365	14346	28,773
Student Support and Academic Enrichment Program	84.424	15396	25,545
Career and Technical Education - Basic Grants to States	84.048	14894	<u>6,100</u>
Total U.S. Department of Education			<u>1,863,695</u>
U.S. Department of Health and Human Services			
Passed Through California Department of Education:			
Child Development: Coronavirus Response and Relief Supplemental Appropriations Act- One-time Stipend	93.575	15555	<u>15,986</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
Pandemic EBT Local Administrative Grant	10.649	15644	<u>3,063</u>
Child Nutrition Cluster			
National School Lunch Program - Commodity Supplemental Food	10.555	13391	13,655
National School Lunch Program - Summer Food Program	10.559	13004	<u>763,592</u>
Total Child Nutrition Cluster			<u>777,247</u>
Passed Through California Department of Social Services			
Child and Adult Care Food Program	10.558	13393	<u>49,628</u>
Total U.S. Department of Agriculture			<u>829,938</u>
Total Federal Financial Assistance			<u>\$ 2,709,619</u>

Organization

The Denair Unified School District was established in 1942 and consists of an area comprising approximately 108 square miles. The District operates one State preschool, one charter elementary school (grades K-5), one middle school (grades 6-8), one high school (grades 9-12), and one independent study and homeschool charter school (grades K-12). There were no boundary changes during the year.

Governing Board

Member	Office	Term Expires
Kathi Dunham-Filson	President	2024
Ray Prock, Jr	Clerk	2024
Carmen Wilson	Member	2022
Regina Gomes	Member	2022
Crystal Sousa	Member	2024

Administration

Teresia Chevalier-Metzger	Superintendent
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Denair Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2022

	<u>Second Period Report</u>	<u>Annual Report</u>
Denair Unified School District		
Regular ADA		
Fourth through sixth	79.86	80.33
Seventh and eighth	129.91	131.01
Ninth through twelfth	247.98	248.48
Total ADA	457.75	459.82
Denair Charter Academy (all non-classroom based ADA)		
Regular ADA		
Transitional kindergarten through third	10.86	11.10
Fourth through sixth	10.56	11.03
Seventh and eighth	17.69	18.31
Ninth through twelfth	135.72	135.98
Total ADA	174.83	176.42
Denair Elementary Charter Academy (all classroom based ADA)		
Regular ADA		
Transitional kindergarten through third	331.54	333.34
Fourth through sixth	165.64	167.13
Total ADA	497.18	500.47

Denair Unified School District
 Schedule of Instructional Time
 Year Ended June 30, 2022

Denair Unified School District

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Actual Days	Status
Grades 6 - 8	54,000			
Grade 6		64,548	180	Complied
Grade 7		64,548	180	Complied
Grade 8		64,548	180	Complied
Grades 9 - 12	64,800			
Grade 9		65,682	180	Complied
Grade 10		65,682	180	Complied
Grade 11		65,682	180	Complied
Grade 12		65,682	180	Complied

Denair Elementary Charter Academy

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Actual Days	Status
Kindergarten	36,000	54,320	180	Complied
Grades 1 - 3	50,400			
Grade 1		55,220	180	Complied
Grade 2		55,220	180	Complied
Grade 3		55,220	180	Complied
Grades 4 - 5	54,000			
Grade 4		55,220	180	Complied
Grade 5		55,220	180	Complied

Denair Unified School District
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
 Year Ended June 30, 2022

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

	General Fund	Charter School Fund	Bond Interest and Redemption Fund	Non-Major Governmental Cafeteria Fund
Fund Balance				
Balance, June 30, 2022, Unaudited Actuals	\$ 1,423,587	\$ 214,622	\$ 1,910,858	\$ 197,871
Increase/(Decrease) in				
Cash in county treasury - Fair market value	-	-	(90,214)	-
Receivables	(237,588)	(57,070)	-	17,646
	\$ 1,185,999	\$ 157,552	\$ 1,820,644	\$ 215,517
Balance, June 30, 2022, Audited Financial Statements				

Denair Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2022

	(Budget) 2023 ¹	2022	2021	2020
General Fund				
Revenues and other sources	\$ 19,842,395	\$ 16,226,216	\$ 17,656,490	\$ 17,658,358
Other sources	99,510	-	-	-
Total Revenues and Other Sources	<u>19,941,905</u>	<u>16,226,216</u>	<u>17,656,490</u>	<u>17,658,358</u>
Expenditures and other uses	<u>18,643,428</u>	<u>16,718,209</u>	<u>17,291,331</u>	<u>18,085,265</u>
Increase/(Decrease) in Fund Balance	<u>1,298,477</u>	<u>(491,993)</u>	<u>365,159</u>	<u>(426,907)</u>
Ending Fund Balance	<u>\$ 2,484,476</u>	<u>\$ 1,185,999</u>	<u>\$ 1,677,992</u>	<u>\$ 1,312,833</u>
Available Reserves ²	<u>\$ 1,182,762</u>	<u>\$ 509,860</u>	<u>\$ 976,065</u>	<u>\$ 1,040,734</u>
Available Reserves as a Percentage of Total Outgo	<u>6.34%</u>	<u>3.05%</u>	<u>5.64%</u>	<u>5.75%</u>
Long-Term Liabilities ⁴	<u>Not Available</u>	<u>\$ 34,456,167</u>	<u>\$ 44,166,611</u>	<u>\$ 42,009,180</u>
Average Daily Attendance at P-2 ³	<u>463</u>	<u>458</u>	<u>496</u>	<u>496</u>

The General Fund balance has decreased by \$126,834 over the past two years. The fiscal year 2022-2023 budget projects an increase of \$1,298,477 (109.5%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years but anticipates incurring an operating surplus during the 2022-2023 fiscal year. Total long-term liabilities have decreased by \$7,557,099 over the past two years primarily due to decreases in OPEB and pension liabilities.

Average daily attendance has decreased by 38 over the past two years. An increase of five ADA is anticipated during fiscal year 2022-2023.

¹ Budget 2023 is included for analytical purposes only and has not been subjected to audit.

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

³ Excludes Charter School ADA.

⁴ Long-term liabilities balance was restated as of June 30, 2021, due to the implementation of GASB 87.

Denair Unified School District
Schedule of Charter Schools
Year Ended June 30, 2022

<u>Name of Charter School</u>	<u>Charter Number</u>	<u>Included in Audit Report</u>
Denair Charter Academy	0357	Yes
Denair Elementary Charter Academy	1750	Yes

Denair Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2022

	Student Activities Fund	Child Development Fund	Cafeteria Fund	Debt Service Fund	Total Non-Major Governmental Funds
Assets					
Deposits and investments	\$ 92,897	\$ 55,204	\$ 142,409	\$ -	\$ 290,510
Receivables	-	22,455	114,103	-	136,558
Due from other funds	-	-	17,944	-	17,944
Stores inventories	-	-	3,590	-	3,590
Total assets	\$ 92,897	\$ 77,659	\$ 278,046	\$ -	\$ 448,602
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 10,041	\$ 33,592	\$ -	\$ 43,633
Due to other funds	-	10,317	28,937	-	39,254
Total liabilities	-	20,358	62,529	-	82,887
Fund Balances					
Nonspendable	-	-	3,590	-	3,590
Restricted	92,897	57,301	211,927	-	362,125
Total fund balances	92,897	57,301	215,517	-	365,715
Total liabilities and fund balances	\$ 92,897	\$ 77,659	\$ 278,046	\$ -	\$ 448,602

Denair Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2022

	Student Activities Fund	Child Development Fund	Cafeteria Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues					
Federal sources	\$ -	\$ 17,400	\$ 829,938	\$ -	\$ 847,338
Other State sources	-	193,009	89,243	-	282,252
Other local sources	155,135	6,198	(5,084)	396	156,645
Total revenues	155,135	216,607	914,097	396	1,286,235
Expenditures					
Current					
Instruction	-	179,867	-	-	179,867
Instruction-related activities					
School site administration	-	17,069	-	-	17,069
Pupil services					
Food services	-	-	845,776	-	845,776
All other pupil services	-	233	-	-	233
Administration					
All other administration	-	10,317	23,104	-	33,421
Plant services	-	7,775	36,773	-	44,548
Ancillary services	159,112	-	-	-	159,112
Debt service					
Principal	-	-	-	865,000	865,000
Interest and other	-	-	-	19,960	19,960
Total expenditures	159,112	215,261	905,653	884,960	2,164,986
Excess (Deficiency) of Revenues Over Expenditures	(3,977)	1,346	8,444	(884,564)	(878,751)
Other Financing Sources					
Transfers in	-	-	-	847,029	847,029
Net Change in Fund Balances	(3,977)	1,346	8,444	(37,535)	(31,722)
Fund Balance - Beginning	96,874	55,955	207,073	37,535	397,437
Fund Balance - Ending	\$ 92,897	\$ 57,301	\$ 215,517	\$ -	\$ 365,715

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Denair Unified School District (the District) under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the net position or fund balance nor changes thereof for the District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the District had food commodities totaling \$13,655 in inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The total federal expenditures reported on the schedule differs from the total federal revenue recognized within the financial statements due to the unspent portion of the Child Development: ARP California State Preschool Program revenue received and the spent portion of the Child Development: Coronavirus Response and Relief Supplemental Apportionments Act revenue received in the prior year. These unspent balances are reported as legally restricted ending balances within the Child Development Fund.

Description	<u>Federal Financial Assistance Listing/Federal CFDA Number</u>	<u>Amount</u>
Total Federal Revenues reported on the financial statements		\$ 2,711,033
COVID-19, Child Development: Coronavirus Response and Relief Supplemental Apportionments Act - One-time Stipend	93.575	15,986
Child Development: ARP California State Preschool Program - One-time Stipend	93.575	(17,400)
Total Schedule of Expenditures of Federal Awards		<u>\$ 2,709,619</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and displays information for each charter school on whether or not the charter school is included in the District audit.

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

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



Independent Auditor's Reports
June 30, 2022

Denair Unified School District



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

To the Governing Board
Denair Unified School District
Denair, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Denair Unified School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Denair Unified School District’s basic financial statements and have issued our report thereon dated March 30, 2023.

Adoption of New Accounting Standard

As discussed in Notes 1 and 15 to the financial statements, the Denair Unified School District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Denair Unified School District's internal control over financial reporting (internal control) as the 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 Denair Unified School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Denair Unified School District’s internal control.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denair Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Denair Unified School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Denair Unified School District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Denair Unified School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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

Fresno, California
March 30, 2023



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

To the Governing Board
Denair Unified School District
Denair, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Denair Unified 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 Denair Unified School District's major federal programs for the year ended June 30, 2022. Denair Unified 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, Denair Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Denair Unified 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 Denair Unified 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 Denair Unified School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Denair Unified 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 Denair Unified 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 Denair Unified 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.

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

Fresno, California
March 30, 2023



Independent Auditor's Report on State Compliance

To the Governing Board
Denair Unified School District
Denair, California

Report on Compliance

Opinion on State Compliance

We have audited Denair Unified School District's (the District) compliance with the requirements specified in the *2021-2022 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, 2022.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 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 *2021-2022 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 *2021-2022 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:

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No (see below)
Independent Study	No (see below)
Continuation Education	No (see below)
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
GANN Limit Calculation	Yes

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	No (see below)
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No (see below)
Comprehensive School Safety Plan	Yes
District of Choice	No (see below)
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No (see below)
After/Before School Education and Safety Program	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	No (see below)
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	No (see below)
In Person Instruction Grant	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	No (see below)

The District does not offer kindergarten instruction; therefore, we did not perform procedures related to Kindergarten Continuance.

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

We did not perform Continuation Education procedures because the program is not offered by the District.

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

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

The District does not provide classes for grades K-3; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

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

We did not perform District of Choice procedures because the program is not offered by the District.

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

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

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

We did not perform Career Technical Education Incentive Grant procedures because the District did not receive funding for this grant.

Additionally, we did not perform procedures for the Charter School Facility Grant Program because the District did not receive funding for this program.

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Fresno, California
March 30, 2023



Schedule of Findings and Questioned Costs
June 30, 2022

Denair Unified School District

Financial Statements

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

Federal Awards

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

Identification of major programs

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

State Compliance

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

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with Government Auditing Standards. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2022-001 30000 – Internal Control

Criteria or Specific Requirements

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

Condition

During our engagement, we identified significant misstatements in the fair market value measurement of the District cash in county, accounts receivable, and revenue balances.

Questioned costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified as a result of our audit of the District fair market measurement, accounts receivables, and revenues.

Effect

The condition resulted in the incorrect reporting of the fair market value measurement of the District cash in county, accounts receivable, and revenue balances as of June 30, 2022. Specifically, the following misstatements were noted.

Major Funds

The General Fund had a reduction of revenue and accounts receivable in the total amount of \$237,588.

The Charter School Fund had a reduction of revenue and accounts receivable in the total amount of \$57,070.

The Bond Interest and Redemption Fund had a reduction in the net increase (decrease) in the fair value of investments revenue account of \$90,214.

Aggregate Remaining Funds

The Cafeteria Fund had an increase of revenue and accounts receivable in the total amount of \$17,646.

Governmental Activities

The net effect of the above adjustments resulted in a Governmental Activities reduction of the net increase (decrease) in the fair value of investments revenue account of \$90,214 and revenue and accounts receivable of \$277,012.

Cause

The misstatement in the General Fund was caused by the District accruing a receivable in the prior year based on an estimate from the California Department of Education. During the 2021-2022, the final allocation was reduced and the remaining balance of the accounts receivable was deemed uncollectible.

The misstatement in the Charter School Fund was caused by an erroneous accounts receivable being recorded for an amount that reflects an overpayment from the State of California for the Local Control Funding Formula. Since the payment reflects an overpayment, the District is not entitled to the funds and the funds will be returned to the State. As such, no accounts receivable or revenue should have been recorded.

The misstatement in the Cafeteria Fund was caused by the District failing to record the accounts receivable for the June reimbursement for the Seamless Summer Food program (\$17,646).

The misstatement in the Bond Interest and Redemption Fund was due to oversight as the fair market value adjustments are only performed once per year and can either increase the revenue or decrease the revenue account. The Bond Interest and Redemption Fund is generally monitored and controlled by the County Office of Education.

The COVID-19 pandemic had lingering effects on the business office; that, coupled with additional responsibilities and issues requiring attention regarding COVID-19 grants, we feel this led to the oversight. Additionally, the business office as experienced significant turnover of key positions.

Repeat Finding

No

Recommendation

A thorough review of the District's financial statements, including all adjusting entries, reclassifying entries, and conversion entries should take place before the financial statements are finalized by the District's business department. This includes postings that are recorded by the County Office of Education.

The District should create, or expand upon, a closing task list to include common areas and accounts that need review prior to finalizing the closing of the books.

Corrective Action Plan and Views of Responsible Officials

- 1.) The misstatement referenced above in the General Fund caused by the District accruing a receivable in the prior year based on an estimate from the California Department of Education was directly tied to Expanded Learning Opportunities (ELO) State Revenue. During the 2021-2022 fiscal year, the final allocation was reduced by the CDE resulting in the remaining balance of the accounts receivable was deemed uncollectible (\$237,588). For future accounts receivable accruals, the Director of Fiscal Services/CBO will complete a categorical tracking of each restricted grant/entitlement including a current review of all awards/allocations prior to authorizing an accounts receivable accrual.
- 2.) The District Director of Fiscal Services/CBO will closely compare, and audit revenues received for Cafeteria Funds against all claims submitted to ensure accuracy in accounting processes to prevent understatement of revenues such as the one noted here (\$17,646).
- 3.) The previous practice for LCFF prior year adjustments involved the District's COE calculating over/under payments. This practice resulted in the District's COE booking a material accounts receivable prior to the Closing of the Books for the 2021-2022 fiscal year that should not have been booked. Although the California Department of Education didn't post their final prior year adjustments before February 2023, through the partnership with its COE, the District Director of Fiscal Services/CBO will work to ensure that all entries are reviewed for accuracy. The District Director of Fiscal Services/CBO will work to ensure that GAAP requirements are adhered to as it pertains to preparing financial statements. This includes preparing the LCFF calculators and comparing those against what is on the general ledgers.
- 4.) Prior to the 2022-2023 fiscal year the District's auditors calculated Fair Market Value (FMV) entries for its Districts. Prior to Closing of the Books for the 2021-2022 fiscal year this responsibility was shifted back to its districts. The District Director of Fiscal Services/CBO worked closely with its auditors August 2022 and will continue to do so to ensure proper accounting of its FMV. The finding above is directly tied to the FMV for FD 51 (\$90,214).

None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.