



Financial Statements  
June 30, 2020

# Salida Union School District

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## Independent Auditor's Report

To the Governing Board  
Salida Union School District  
Salida, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salida Union School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Salida Union School District, as of June 30, 2020, 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.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, budgetary comparison information on page 62, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 63, schedule of the District's proportionate share of the net pension liability on page 64, and the schedule of District contributions on page 65, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Salida Union School District's financial statements. The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial

statements, the schedule of expenditures of federal awards, and the 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 a report dated February 1, 2021 on our consideration of Salida Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Salida Union 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 Salida Union School District's internal control over financial reporting and compliance.

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

Fresno, California  
February 1, 2021



# Salida Union School District

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**District Superintendent**  
Twila Tosh

**Board of Trustees**  
Virginia Lee Berry  
Dennis Thompson  
Nanci E. Fox  
Linda Brughelli  
Dr. Gary Dew

## Fiscal Year Ended June 30, 2020

This management's discussion and analysis of Salida Union School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020, with comparative information for the fiscal year ended June 30, 2019. This is the District management's view of the District's financial condition. It should be read in conjunction with the Independent Auditor's Report, the basic financial statements and the accompanying notes to those financial statements.

Salida is located in California's San Joaquin Valley in the northwest portion of Stanislaus County and covers an area of approximately 31 square miles. Most of the District encompasses unincorporated territory, including the community of Salida, a portion of the District includes territory in the northern portion of the City of Modesto.

Enrollment in the 2019-2020 fiscal year totaled 2,346, of which includes 2,297 public school students and 49 charter school students. There are currently six K-8 schools within the District consisting of four elementary schools, one middle school and one charter school. Students graduating from the Salida Union School District attend high school in the Modesto High School District.

The Management's Discussion and Analysis consists of five sections:

- **Overview of the Financial Statements** - serves as a guide to reading the financial statements provided in the sections following the Management's Discussion and Analysis.
- **Financial Analysis of the District as a Whole**
- **Financial Analysis of the District's Funds** - including a sub-section on the District's General Fund.
- **Capital Asset and Debt Administration** - a look at the District's investment in capital assets and its level of debt.
- **Factors bearing on the District's Financial Future** - a discussion of issues management see as relevant to the future financial health of the District.

## Overview of the Financial Statements

The basic financial statements include two kinds of statements that present different views of the District:

- Government-Wide. The first two statements are Government-wide financial statements that provide both short- and long-term information about the District's overall financial status. Because they include all district funds, certain inter-fund and other types of transactions that net to zero have been eliminated so that Government-wide revenues and expenditures are not artificially inflated.
- Fund-Level. The remaining statements are fund-level financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating.

The financial statements also include notes that explain some of the information in the statements. These notes are considered to be an integral part of the financial statements and should be considered with them when looking at the District's financial picture.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a budgetary comparison of the District's budget for the year.

In the Government-wide financial statements, activities are shown as Governmental activities. The fund-level financial statements provide more detailed information about the District's most significant funds—not the District as a whole. The District has two kinds of funds:

- Governmental Funds—Most of the District's basic services are included in governmental funds, the General Fund being the largest fund in this category. Funds included in the grouping of Governmental funds are those activities that are unique to the special mission of a governmental organization, such as a public school district.
- Fiduciary Funds—If the District is the trustee for assets that belong to others, such as the student body funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Their activities are excluded from the Government-wide financial statements because the District could not use those assets to finance its operations.

When using these financial statements to assess the overall health of the District you also need to consider additional non-financial factors, such as the condition of school buildings and other facilities, and enrollment trends.



**Financial Analysis of the District as a Whole**

Net Position: A second view in the analysis of the District is to look at the change in net position as shown on Table 1. Net position represents the portion of total assets actually owned free and clear by the District. The District's total net position for the year ending June 30, 2020, was \$4.4 million.

It should be noted that land is accounted for at purchase value, not market value, and is not depreciated. Therefore, much of the land owned by the District is valued on the District's books at what is potentially below current market value because much of it was acquired decades ago. This valuation is consistent with accounting rules set forth by the Governmental Accounting Standards Board.

Buildings are recorded at cost of original construction and then depreciated. They are not recorded at present market value.

Net position is a frequent indicator of the financial health of an organization, as assets could be sold and net proceeds used to fund operations. While the land and buildings owned by the District contribute to its net position, because of the nature of its operations the District will be utilizing the vast majority of these assets for the foreseeable future. With limited exceptions, they are not available as assets that could be liquidated; however, they are still a partial indication of the overall financial health of the District.

**Table 1 - Statement of Net Position**

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	\$ 14,923,340	\$ 15,892,791
Capital assets	29,976,854	28,883,666
Total assets	<u>44,900,194</u>	<u>44,776,457</u>
Deferred outflows of resources	<u>8,380,490</u>	<u>9,146,292</u>
Liabilities		
Current liabilities	2,407,244	1,678,804
Long-term liabilities	44,312,989	44,166,804
Total liabilities	<u>46,720,233</u>	<u>45,845,608</u>
Deferred inflows of resources	<u>2,129,660</u>	<u>1,845,228</u>
Net Position		
Net investment in capital assets	17,431,799	17,049,945
Restricted	2,348,498	2,033,239
Unrestricted	<u>(15,349,506)</u>	<u>(12,851,271)</u>
Total net position	<u>\$ 4,430,791</u>	<u>\$ 6,231,913</u>

Table 2 is another view of Net Position and how operations of the District impacts Net Position. Revenue minus expenses will equal the change in Net Positions from year to year. This table looks at revenue and expenses as they are broken out by the various functions performed by the District.

**Table 2 - Statement of Net Activities**

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 1,055,344	\$ 370,700
Operating grants and contributions	7,501,294	8,087,857
Capital grants and contributions	809	669
General revenues		
Federal and State aid not restricted	20,186,444	20,585,347
Property taxes	5,544,406	5,143,024
Other general revenues	1,432,043	1,563,936
Total revenues	35,720,340	35,751,533
Expenses		
Instruction-related	22,292,601	23,603,028
Pupil services	5,035,298	4,663,250
Administration	2,545,942	2,446,092
Plant services	3,178,723	3,555,128
Other	4,468,898	3,911,963
Total expenses	37,521,462	38,179,461
Change in net position	\$ (1,801,122)	\$ (2,427,928)

**Financial Analysis of the District's Funds**

**Fund Balance:** The first view in the analysis of the District as a whole is fund balance and the changes that occurred during the fiscal year. The combined total of all fund balances increased during 2019-2020 as in Table 3 of Ending Fund Balances below.

**Table 3 - Ending Fund Balances**

Governmental Fund	Balances and Activity			
	June 30, 2019	Revenues	Expenditures	June 30, 2020
General	\$ 7,857,534	\$ 30,188,653	\$ 28,685,145	\$ 9,361,042
Charter School	22,406	609,382	627,634	4,154
Child Development	157,883	2,308,343	2,312,626	153,600
Cafeteria	451,151	1,648,241	1,721,901	377,491
Deferred Maintenance	1,039	9	-	1,048
Building	1,291,872	681	1,273,029	19,524
Capital Facilities	79,262	728,644	166,557	641,349
County School Facilities	33,823	808	-	34,631
Special Reserve Fund for Capital Outlay Projects	4,042,962	4,791,992	7,118,820	1,716,134
Bond Interest and Redemption	276,055	130,281	199,213	207,123
Total	<u>\$ 14,213,987</u>	<u>\$ 40,407,034</u>	<u>\$ 42,104,925</u>	<u>\$ 12,516,096</u>

**Core Operating Funds:** The core operating funds of the District consist of the General, Charter School, Child Development, and Cafeteria Funds.

The General Fund balance increased \$1.5 million due to the District have an overall decrease in expenditures.

The Charter School Fund balance reported a decrease of \$18 thousand.

The Child Development fund is a self-supporting program and the fund balance decreased \$4 thousand.

The Cafeteria Fund experienced a modest decrease of \$74 thousand.

The District's capital funds are: Building, Capital Facilities, County Schools Facilities, and Special Reserve Fund for Capital Outlay Projects. The combined balances of these funds have decreased by \$3.1 million mainly due to the costs associated with several projects the District completed in 2019-2020.

### General Fund Budgetary Highlights

The District receives revenue for the General Fund from several sources. However, the primary revenue source, as shown in Figure 1, is the Local Control Funding Formula from the State of California.

As a school district the main priority is educating our students. The primary functions of the District are Instruction, Instruction Related Activities, Pupil Services, and Plant Services. As noted in Figure 2 below, 68.57 percent of the District's expenditures are for instruction and expenditures related to instruction. It is also important to note that General Administration only accounts for 7.61 percent of the total expenditures. You will also note, in Figure 3, that employee salaries and benefits consume 77.91 percent of the total expenditures. The tables below reflect only the General Fund activity. *The totals below include the CalSTRS and CalPERS on behalf contribution.*

**Figure 1**

Revenue	%	Value
LCFF Revenue	79.13%	\$23,889,172
Federal	3.58%	1,080,056
State	9.34%	2,821,071
Local/Other	7.95%	2,398,388
<b>TOTAL</b>	<b>100.00%</b>	<b>\$30,188,653</b>

**Figure 2**

Expenditures by Function	%	Value
Instruction	61.28%	\$17,514,803
Instruction Related	7.29%	2,084,000
Pupil Services	10.47%	2,993,403
General Admin	7.61%	2,175,632
Plant Services	7.96%	2,275,086
Community Services	1.78%	507,859
All Other	3.61%	1,031,497
<b>TOTAL</b>	<b>100.00%</b>	<b>\$28,582,280</b>

**Figure 3**

Expenditures by Object	%	Value
Certificated Salaries	42.92%	\$12,267,129
Classified Salaries	14.20%	4,057,502
Employee Benefits	20.79%	5,943,204
Books and Supplies	3.96%	1,132,500
Services	17.16%	4,903,847
Capital Outlay/Other	0.97%	278,419
<b>TOTAL</b>	<b>100.00%</b>	<b>\$28,582,280</b>

The District originally budgeted for a \$1.2 million reduction in the General Fund. However, revenues and other sources ended the year \$2.6 million above what was originally budgeted and expenditures and other outgo ended the year \$97 thousand less than was originally budgeted, leaving the fund with an actual surplus of \$1.5 million.

**Capital Asset and Debt Administration**

**Capital Assets:** At June 30, 2020, the District had \$30.0 million in a broad range of capital assets, including land, buildings, furniture and equipment, which is a net increase of \$1.1 million over the prior year.

**Table 4 - Capital Assets**

	Governmental Activities	
	2020	2019
Land and construction in progress	\$ 7,578,569	\$ 8,264,974
Buildings and improvements	21,735,800	19,921,217
Equipment	662,485	697,475
<b>Total</b>	<b>\$ 29,976,854</b>	<b>\$ 28,883,666</b>

This year's major additions included:

Sitewide modernization of Salida Elementary School	\$ 1,198,561
Sitewide modernization of Mildred Perkins Elementary School	2,378,049
Repair of interior and exterior of library at Salida Elementary School	139,978
<b>Total</b>	<b>\$ 3,716,588</b>

Depreciation of \$2.0 million was recognized during the year.

**Long-Term Liabilities:** At year-end, the District had \$44.3 million in long-term liabilities outstanding versus \$44.2 million in the prior fiscal year. This is an increase of \$146 thousand. Below is a list of these obligations.

**Table 5 - Long-Term Liabilities**

	Governmental Activities	
	2020	2019
Long-Term Liabilities		
General obligation bonds	\$ 2,610,000	\$ 2,715,000
Qualified Zone Academy Bonds	3,540,000	3,690,000
Certificates of participation	4,315,000	4,565,000
Unamortized premiums/(discounts)	553,678	306,570
Early retirement liabilities	48,000	-
Compensated absences	56,516	52,197
Total OPEB liability	145,657	154,222
Energy loan	1,746,300	1,849,023
Aggregate net pension liability	<u>31,297,838</u>	<u>30,834,792</u>
Total	<u>\$ 44,312,989</u>	<u>\$ 44,166,804</u>

At year-end, the District has a net pension liability of \$31.3 million versus \$30.8 million last year, an increase of \$0.5 million, or 1.6 percent. In addition, the District reported deferred outflows of resources from pension activities of \$8.2 million, and deferred inflows of resources from pension activities of \$2.1 million. We present more detailed information regarding our long-term liabilities in the Notes to Financial Statements.

**Factors Bearing on the District's Financial Future**

The State's economy is a major contributing factor that affects the District's financial well-being. The primary revenue source for the District is the Local Control Funding Formula from the State of California. The District relies on the increases provided to education as its main source of funding.

- **Challenges:** At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:
  - Global Pandemic called COVID-19. With the recent outbreak of COVID-19 we face many uncertainties economically and financially, as well as to enrollment and attendance factors. We know that all of these factors will be impacted, however, some impacts may cause unknown consequences in our future that we are unaware of at this time.
  - Decline in the district enrollment. Declining enrollment has been a prevailing factor since 2007. While we are hopeful that our enrollment will stabilize in the future due to residential development of housing within our district boundaries, we will continue to project our revenues based on our experiences with declines.

- Rising pension costs of both CalSTRS and CalPERS are a great concern to the District as these costs will be increasing at a rapid rate in future years. Budget adjustments have been made accordingly to project future cost implications for the rising rates of these programs.
- The increases to the cost of services and enrollment for our Special Education students and its considerable amount of encroachment these services require of the General Fund. In 2019-2020 our Special Education encroachment equated to 12.55 percent of our total General Fund Revenues. All efforts are made to minimize these increases in costs; however, they continue to climb.
- **Strengths:** There are also factors that work in the District's favor when looking at the long-term financial future of Salida Union School District:
  - Health insurance cost containment. It should be noted that two significant challenges facing many districts are rising health costs and escalating retiree benefit obligations, both of which are not factors for the District as these were capped many years ago.
  - Experienced Leadership and Staff. The District enjoys stability in its Board of Education and has the benefit of both an experienced and highly capable certificated and classified staff.
  - Employee relations. The District has an excellent relationship with its employee organizations.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the office of Jaime Towe, Salida Union School District, 4801 Sisk Road, Salida, CA 95368 or (209) 545-0339.

Salida Union School District  
Statement of Net Position  
June 30, 2020

	Governmental Activities
<b>Assets</b>	
Deposits and investments	\$ 9,192,408
Receivables	5,723,209
Prepaid items	7,723
Capital assets not depreciated	7,578,569
Capital assets, net of accumulated depreciation	22,398,285
Total assets	44,900,194
<b>Deferred Outflows of Resources</b>	
Deferred charge on refunding	200,399
Deferred outflows of resources related to pensions	8,180,091
Total deferred outflows of resources	8,380,490
<b>Liabilities</b>	
Accounts payable	2,248,328
Unearned revenue	158,916
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	664,724
Long-term liabilities other than OPEB and pensions due in more than one year	12,204,770
Net other postemployment benefits liabilities	145,657
Aggregate net pension liabilities	31,297,838
Total liabilities	46,720,233
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources related to pensions	2,129,660
<b>Net Position</b>	
Net investment in capital assets	17,431,799
Restricted for	
Debt service	207,123
Capital projects	1,067,600
Educational programs	696,284
Other restrictions	377,491
Unrestricted	(15,349,506)
Total net position	\$ 4,430,791

Salida Union School District  
Statement of Activities  
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
Instruction	\$ 19,908,489	\$ 190,840	\$ 2,455,973	\$ 809	\$ (17,260,867)
Instruction-related activities					
Supervision of instruction	485,531	5,137	128,685	-	(351,709)
Instructional library, media, and technology	177,173	-	32,399	-	(144,774)
School site administration	1,721,408	-	61,249	-	(1,660,159)
Pupil services					
Home-to-school transportation	476,996	-	10,422	-	(466,574)
Food services	1,725,886	72,990	1,366,001	-	(286,895)
All other pupil services	2,832,416	41,409	393,275	-	(2,397,732)
Administration					
Data processing	659,737	-	30,266	-	(629,471)
All other administration	1,886,205	37,658	237,554	-	(1,610,993)
Plant services	3,178,723	4,564	45,433	-	(3,128,726)
Ancillary services	625,202	-	34,392	-	(590,810)
Community services	2,974,703	627,283	2,458,847	-	111,427
Enterprise services	5,207	-	-	-	(5,207)
Interest on long-term liabilities	428,090	-	-	-	(428,090)
Other outgo	435,696	75,463	246,798	-	(113,435)
<b>Total governmental activities</b>	<b>\$ 37,521,462</b>	<b>\$ 1,055,344</b>	<b>\$ 7,501,294</b>	<b>\$ 809</b>	<b>(28,964,015)</b>
<b>General Revenues and Subventions</b>					
Property taxes, levied for general purposes					4,914,480
Property taxes, levied for debt service					271,574
Taxes levied for other specific purposes					358,352
Federal and State aid not restricted to specific purposes					20,186,444
Interest and investment earnings					237,927
Miscellaneous					1,194,116
<b>Subtotal, general revenues</b>					<b>27,162,893</b>
<b>Change in Net Position</b>					<b>(1,801,122)</b>
<b>Net Position - Beginning</b>					<b>6,231,913</b>
<b>Net Position - Ending</b>					<b>\$ 4,430,791</b>



Salida Union School District  
Balance Sheet – Governmental Funds  
June 30, 2020

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Deposits and investments	\$ 6,593,828	\$ 1,676,981	\$ 921,599	\$ 9,192,408
Receivables	4,761,739	45,617	915,853	5,723,209
Due from other funds	230,322	-	117,919	348,241
Prepaid expenditures	6,265	1,458	-	7,723
<b>Total assets</b>	<b>\$ 11,592,154</b>	<b>\$ 1,724,056</b>	<b>\$ 1,955,371</b>	<b>\$ 15,271,581</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,956,158	\$ 7,922	\$ 284,248	\$ 2,248,328
Due to other funds	117,919	-	230,322	348,241
Unearned revenue	157,035	-	1,881	158,916
<b>Total liabilities</b>	<b>2,231,112</b>	<b>7,922</b>	<b>516,451</b>	<b>2,755,485</b>
<b>Fund Balances</b>				
Nonspendable	16,265	1,458	-	17,723
Restricted	583,217	391,620	1,393,185	2,368,022
Committed	-	-	1,048	1,048
Assigned	360,601	1,323,056	44,687	1,728,344
Unassigned	8,400,959	-	-	8,400,959
<b>Total fund balances</b>	<b>9,361,042</b>	<b>1,716,134</b>	<b>1,438,920</b>	<b>12,516,096</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,592,154</b>	<b>\$ 1,724,056</b>	<b>\$ 1,955,371</b>	<b>\$ 15,271,581</b>

Salida Union School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2020

Total Fund Balance - Governmental Funds		\$ 12,516,096
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	\$ 75,845,534	
Accumulated depreciation is	<u>(45,868,680)</u>	
Net capital assets		29,976,854
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings	200,399	
Net pension obligation	<u>8,180,091</u>	
Total deferred outflows of resources		8,380,490
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		
Net pension obligation	<u>(2,129,660)</u>	
Total deferred inflows of resources		(2,129,660)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(31,297,838)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(145,657)
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	(2,905,216)	
Certificates of participation	(4,573,462)	
Qualified zone academy bond	(3,540,000)	
Energy loan	(1,746,300)	
Compensated absences (vacations)	(56,516)	
Early retirement	<u>(48,000)</u>	
Total long-term liabilities		<u>(12,869,494)</u>
Total net position - governmental activities		<u>\$ 4,430,791</u>

Salida Union School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2020

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local Control Funding Formula	\$ 23,889,171	\$ -	\$ 472,510	\$ 24,361,681
Federal sources	1,080,056	-	3,406,054	4,486,110
Other State sources	2,821,071	-	497,261	3,318,332
Other local sources	2,398,355	525,607	947,699	3,871,661
Total revenues	<u>30,188,653</u>	<u>525,607</u>	<u>5,323,524</u>	<u>36,037,784</u>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	17,514,803	-	448,330	17,963,133
Instruction-related activities				
Supervision of instruction	443,416	-	26,456	469,872
Instructional library, media, and technology	165,891	-	3,582	169,473
School site administration	1,474,693	-	39,609	1,514,302
Pupil services				
Home-to-school transportation	341,246	-	-	341,246
Food services	15,484	-	1,616,234	1,631,718
All other pupil services	2,636,673	-	67,377	2,704,050
Administration				
Data processing	638,983	-	3,583	642,566
All other administration	1,536,649	-	185,547	1,722,196
Plant services	2,275,086	567,872	88,583	2,931,541
Ancillary services	590,594	-	7,248	597,842
Community services	507,859	-	2,189,376	2,697,235
Other outgo	435,696	-	-	435,696
Enterprise services	5,207	-	-	5,207
Facility acquisition and construction	-	1,857,128	1,263,765	3,120,893
Debt service				
Principal	-	4,357,723	245,000	4,602,723
Interest and other	-	336,097	116,270	452,367
Total expenditures	<u>28,582,280</u>	<u>7,118,820</u>	<u>6,300,960</u>	<u>42,002,060</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,606,373</u>	<u>(6,593,213)</u>	<u>(977,436)</u>	<u>(5,964,276)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	102,865	102,865
Other sources - proceeds from certificates of participation	-	4,266,385	-	4,266,385
Transfers out	<u>(102,865)</u>	<u>-</u>	<u>-</u>	<u>(102,865)</u>
Net Financing Sources (Uses)	<u>(102,865)</u>	<u>4,266,385</u>	<u>102,865</u>	<u>4,266,385</u>
Net Change in Fund Balances	1,503,508	(2,326,828)	(874,571)	(1,697,891)
Fund Balance - Beginning	7,857,534	4,042,962	2,313,491	14,213,987
Fund Balance - Ending	<u>\$ 9,361,042</u>	<u>\$ 1,716,134</u>	<u>\$ 1,438,920</u>	<u>\$ 12,516,096</u>

Salida Union 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, 2020

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Total Net Change in Fund Balances - Governmental Funds \$ (1,697,891)

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 expenses in the Statement of Activities.

This is the amount by which capital outlays exceeds depreciation in the period.

Depreciation expense	\$ (2,027,285)
Capital outlays	<u>3,120,893</u>

Net expense adjustment 1,093,608

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (420)

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. (52,319)

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. (1,713,679)

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. 8,565

Proceeds received from Certificates of Participation or Sale of Bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. (3,995,000)

Salida Union 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, 2020

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Deferred amounts on refunding (the difference between the reacquisition price of the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.	200,399
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium on issuance recognized	(271,385)
Premium amortization	24,277
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	105,000
Qualified Zone Academy bonds	150,000
Certificates of participation	4,245,000
Energy Loan	102,723
Change in net position of governmental activities	\$ (1,801,122)

Salida Union School District  
Statement of Net Position – Fiduciary Funds  
June 30, 2020

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	<u>Agency Funds</u>
Assets	
Deposits and investments	<u>\$ 98,294</u>
Liabilities	
Due to student groups	<u>\$ 98,294</u>

## **Note 1 - Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

The Salida Union School District (the District) was established in 1949 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 - 8 as mandated by the State and/or Federal agencies. The District is currently operating four elementary schools, one middle school, and one charter school.

A reporting entity is comprised of the primary government 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 Salida Union School District, this includes general operations, food service, and student related activities of the District.

### **Component Unit**

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

The Independence Charter School's financial activity is presented in the financial statements within the Charter School Fund. Individually-prepared financial statements are not prepared for the Independence Charter School.

### **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.

One fund currently defined as special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase in fund balance of \$352,181.

**Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

### 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.

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



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

- **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).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition IA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

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

**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is agency funds.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

#### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly

identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. 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 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. Each major fund is presented in a separate column. Non-major 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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be 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.

### **Prepaid Expenditures (Expenses)**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses 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. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

### **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 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 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, certificates of participation, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, and for pension related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension relate to differences between expected and actual earnings on investments, changes of assumptions, and other 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 related items.

### **Pensions**

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

### **Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the MPP's fiduciary net position have been determined on the same basis as they are reported by the MPP. For this purpose, 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.

### **Fund Balances - Governmental Funds**

As of June 30, 2020, 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.

**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 designee may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

While GASB Code Section 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization agreement, GASB Code Section 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements if they have been adopted by the Board of Trustees. At June 30, 2020, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

### **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 \$2,348,498 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 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 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

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

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

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

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

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

The provisions of this Statement have been implemented as of June 30, 2020.

### **New Accounting Pronouncements**

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

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



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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

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

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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 Statement 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

As a result of the implementation of GASB Statement No. 95, 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.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

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

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

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

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the District’s financial statements have not yet been determined.

**Note 2 - Deposits and Investments**

**Summary of Deposits and Investments**

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

Governmental funds	\$	9,192,408
Fiduciary funds		98,294
Total deposits and investments	\$	9,290,702

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

Cash on hand and in banks	\$	98,294
Cash in revolving		10,000
Investments		9,182,408
Total deposits and investments	\$	9,290,702

**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, credit risk, and concentration of credit risk are indicated in the schedules below:

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and 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.

### Segmented Time Distribution

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

<u>Investment Type</u>	<u>Reported Amount</u>	<u>12 Months or Less</u>	<u>13 - 24 Months</u>	<u>25 - 60 Months</u>	<u>More Than 60 Months</u>
U.S. Treasuries	\$ 391,620	\$ 391,620	\$ -	\$ -	\$ -
County Pool	8,790,788	-	8,790,788	-	-
Total	<u>\$ 9,182,408</u>	<u>\$ 391,620</u>	<u>\$ 8,790,788</u>	<u>\$ -</u>	<u>\$ -</u>

### 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 percent 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 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, none of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in U.S. Treasury Obligations of \$391,620, the District has no apparent custodial credit risk exposure because the related securities are backed by the full credit of the United States government. The District does not have a policy limiting the amount of securities that can be held by counterparties.



**Note 3 - Receivables**

Receivables at June 30, 2020, consisted of intergovernmental grants, entitlements, and other local sources. All receivables are considered collectible in full.

	<u>General Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Federal Government				
Categorical aid	\$ 645,355	\$ -	\$ 781,491	\$ 1,426,846
State Government				
LCFF apportionment	3,226,388	-	41,123	3,267,511
State grants and other entitlements	531,292	-	25,581	556,873
Local sources	<u>358,704</u>	<u>45,617</u>	<u>67,658</u>	<u>471,979</u>
 Total	 <u>\$ 4,761,739</u>	 <u>\$ 45,617</u>	 <u>\$ 915,853</u>	 <u>\$ 5,723,209</u>

**Note 4 - Capital Assets**

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

	July 1, 2019	Additions	Deductions	June 30, 2020
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 7,578,569	\$ -	\$ -	\$ 7,578,569
Construction in progress	686,405	-	(686,405)	-
Total capital assets not being depreciated	8,264,974	-	(686,405)	7,578,569
Capital assets being depreciated				
Land improvements	259,296	-	-	259,296
Buildings and improvements	60,935,833	3,716,588	-	64,652,421
Furniture and equipment	3,278,538	90,710	(14,000)	3,355,248
Total capital assets being depreciated	64,473,667	3,807,298	(14,000)	68,266,965
Total capital assets	72,738,641	3,807,298	(700,405)	75,845,534
Accumulated depreciation				
Land improvements	(142,306)	(17,287)	-	(159,593)
Buildings and improvements	(41,131,606)	(1,884,718)	-	(43,016,324)
Furniture and equipment	(2,581,063)	(125,280)	13,580	(2,692,763)
Total accumulated depreciation	(43,854,975)	(2,027,285)	13,580	(45,868,680)
Governmental activities capital assets, net	\$ 28,883,666	\$ 1,780,013	\$ (686,825)	\$ 29,976,854

Depreciation expense was charged as a direct expense to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 1,256,917
School site administration	141,910
Home-to-school transportation	121,637
Food services	60,819
Community services	162,183
All other administration	101,364
Plant services	182,455
Total depreciation expenses governmental activities	\$ 2,027,285

**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, 2020, between major and non-major governmental funds are as follows:

Funds	Due from Other Funds	Due to Other Funds
Major Governmental Fund		
General	\$ 230,322	\$ 117,919
Non-Major Governmental Funds		
Charter School	98,200	97,725
Child Development	806	67,737
Cafeteria	18,913	64,860
Total	\$ 348,241	\$ 348,241

The General Fund owes the Charter School Non-Major Governmental Fund for revenue contributions.	\$ 98,200
The General Fund owes the Cafeteria Non-Major Governmental Fund for negative student account balances.	18,913
The General Fund owes the Child Development Fund for CalCard expenses.	806
The Charter School Non-Major Governmental Fund owes the General Fund for the annual maintenance agreement and indirect costs.	97,725
The Child Development Fund owes the General Fund for indirect costs and transfers of CalCard expenses.	67,737
The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs.	64,860
Total	\$ 348,241

**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, 2020, consisted of the following:

The General Fund transferred to the Charter School Non-Major Governmental Fund for revenue contributions.	\$ 102,865
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**Note 6 - Prepaid Expenditures (Expenses)**

Prepaid expenditures (expenses) at June 30, 2020, consist of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Total
Technology contracts	\$ 2,272	\$ -	\$ 2,272
Amazon	3,993	-	3,993
Bank interest	-	1,458	1,458
Total	\$ 6,265	\$ 1,458	\$ 7,723

**Note 7 - Accounts Payable**

Accounts payable at June 30, 2020, consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Vendor payables	\$ 80,359	\$ 7,922	\$ 118,420	\$ 206,701
State LCFF apportionment	1,188,805	-	40,408	1,229,213
Salaries and benefits	686,994	-	125,420	812,414
Total	\$ 1,956,158	\$ 7,922	\$ 284,248	\$ 2,248,328

**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, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
<b>Long-Term Liabilities</b>					
General obligation bonds	\$ 2,715,000	\$ -	\$ (105,000)	\$ 2,610,000	\$ 110,000
Qualified Zone Academy Bonds	3,690,000	-	(150,000)	3,540,000	155,000
Certificates of participation	4,565,000	3,995,000	(4,245,000)	4,315,000	285,000
Unamortized debt premiums	306,570	271,385	(24,277)	553,678	-
Early retirement liabilities	-	60,000	(12,000)	48,000	12,000
Compensated absences	52,197	4,319	-	56,516	-
Energy loan	1,849,023	-	(102,723)	1,746,300	102,724
<b>Total</b>	<b>\$ 13,177,790</b>	<b>\$ 4,330,704</b>	<b>\$ (4,639,000)</b>	<b>\$ 12,869,494</b>	<b>\$ 664,724</b>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The Special Reserve Fund for Capital Outlay Projects makes payments for the Certificates of Participation, Energy Loan, and QZAB. The early retirement liabilities will be paid by the General Fund. The compensated absences will be paid by the fund for which the employee worked. The premiums will be amortized over the life of the related debt.

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Redeemed	Bonds Outstanding June 30, 2020
1988	2021	5.5-5.6	\$ 1,500,000	\$ 215,000	\$ (105,000)	\$ 110,000
2019	2046	3.0-8.0	2,500,000	2,500,000	-	2,500,000
<b>Total</b>				<b>\$ 2,715,000</b>	<b>\$ (105,000)</b>	<b>\$ 2,610,000</b>

**Debt Service Requirements to Maturity**

The current interest bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2021	\$ 110,000	\$ 119,325	\$ 229,325
2022	-	116,300	116,300
2023	-	116,300	116,300
2024	-	116,300	116,300
2025	15,000	115,700	130,700
2026-2030	155,000	549,300	704,300
2031-2035	350,000	455,626	805,626
2036-2040	645,000	301,247	946,247
2041-2045	1,060,000	136,082	1,196,082
2046	275,000	4,469	279,469
<b>Total</b>	<b><u>\$ 2,610,000</u></b>	<b><u>\$ 2,030,649</u></b>	<b><u>\$ 4,640,649</u></b>

**Qualified Zone Academy Bonds**

2012 Qualified Zone Academy Bonds

On December 1, 2012, the District issued \$4,545,000 in Qualified Zone Academy Bond. The Bond was issued to finance the acquisition, constructions, installation, modernization and equipping of energy conservation projects through the geographic boundaries of the District. The 2012 Qualified Zone Academy Bond has interest rates ranging from 3.25 to 6.25 percent. Interest is payable on the Certifications each August 1, commencing August 1, 2013. Principal amounts on the Qualified Zone Academy Bond will be due on August 1, commencing August 1, 2013.

The 2012 Qualified Zone Academy Bond matures through 2036 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 155,000	\$ 183,925	\$ 338,925
2022	165,000	176,950	341,950
2023	170,000	169,525	339,525
2024	175,000	161,875	336,875
2025	180,000	154,000	334,000
2026-2030	1,040,000	610,775	1,650,775
2031-2035	1,290,000	298,925	1,588,925
2036	365,000	15,950	380,950
<b>Total</b>	<b><u>\$ 3,540,000</u></b>	<b><u>\$ 1,771,925</u></b>	<b><u>\$ 5,311,925</u></b>

### Certificates of Participation

#### 2003B Certificates of Participation Issuance

In March 2003, the District issued certificates of participation in the amount of \$1,880,000 with interest rates ranging from 4.1 to 4.85 percent. As of June 30, 2020, the principal balance outstanding was \$460,000.

#### 2020 Refunding Certificates of Participation Issuance

In February 2020, the District issued certificates of participation in the amount of \$3,395,000 with interest rates ranging from 2.25 to 4.00 percent to refund the District's 2010 Refunding Certificates of Participation. As of June 30, 2020, the principal balance outstanding was \$3,855,000.

2020 Issuance related refunding information:

Cash flow requirements of the refunded certificates of participation	\$ 6,382,753
Cash flow requirements of the refunding certificates of participation	<u>5,340,845</u>
Cash flow savings	<u>\$ 1,041,908</u>
Economic gain (net present value savings)	<u>\$ 849,242</u>
Net present value percentage	2.15258%

The Certificates of Participation have payment requirements as follows

Year Ending June 30,	Principal	Interest	Total
2021	\$ 285,000	\$ 145,792	\$ 430,792
2022	300,000	132,821	432,821
2023	310,000	119,092	429,092
2024	155,000	104,913	259,913
2025	155,000	100,262	255,262
2026-2030	870,000	427,213	1,297,213
2031-2035	1,040,000	258,513	1,298,513
2036-2040	<u>1,200,000</u>	<u>91,750</u>	<u>1,291,750</u>
Total	<u>\$ 4,315,000</u>	<u>\$ 1,380,356</u>	<u>\$ 5,695,356</u>

### Early Retirement Incentive

The District entered into internal early retirement incentive agreements with eligible employees during the year totaling \$60,000 to be paid out over five years at \$12,000 a year. The remaining balance of this obligation at June 30, 2020 was \$48,000.

**Compensated Absences**

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to \$56,516.

**California Energy Commission Loan**

In June of 2015, the District entered into an agreement with the California Energy Commission (CEC) to obtain financing on energy conservation projects. The total approved funding amount and projection of total project costs is \$2,054,469 to be paid to the District as project costs are submitted to the CEC for reimbursement. The loan is interest free and is to be paid back semiannually over a 20-year term commencing December 22, 2017. The payment schedule is reflected based on a 20-year payment period for the amount received by the District. The remaining payments are as follows:

Year Ending June 30,	Lease Payment
2021	\$ 102,724
2022	102,723
2023	102,724
2024	102,723
2025	102,724
2026-2030	513,617
2031-2035	513,618
2036-2037	205,447
Total	\$ 1,746,300

**Note 9 - Net Other Postemployment Benefit (OPEB) Liability**

For the fiscal year ended June 30, 2020, the District reported net OPEB liability and OPEB expense for the following plan:

OPEB Plan	Net OPEB Liability	OPEB Expense
Medicare Premium Payment (MPP) Program	\$ 145,657	\$ (8,565)



The details of the plan are as follows:

### **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, 2018, 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.

#### **Contributions**

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

#### **Net OPEB Liability and OPEB Expense**

At June 30, 2020, the District reported a liability of \$145,657 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0391 percent and 0.0403 percent, resulting in a(n) net decrease in the proportionate share of 0.0012 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of \$(8,565).

### Actuarial Methods and Assumptions

The June 30, 2019, total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23 percent of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

### Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

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

The following presents the District's proportionate share of the net OPEB liability 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 (2.50%)	\$ 158,945
Current discount rate (3.50%)	145,657
1% increase (4.50%)	133,439

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 136,524
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	145,657
1% increase (4.7% Part A and 5.1% Part B)	163,899

**Note 10 - Fund Balances**

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
<b>Nonspendable</b>				
Revolving cash	\$ 10,000	\$ -	\$ -	\$ 10,000
Prepaid expenditures	6,265	1,458	-	7,723
Total nonspendable	<u>16,265</u>	<u>1,458</u>	<u>-</u>	<u>17,723</u>
<b>Restricted</b>				
Legally restricted programs	583,217	-	113,067	696,284
Food service	-	-	377,491	377,491
Capital projects	-	381,574	695,504	1,077,078
Debt services	-	10,046	207,123	217,169
Total restricted	<u>583,217</u>	<u>391,620</u>	<u>1,393,185</u>	<u>2,368,022</u>
<b>Committed</b>				
Deferred maintenance program	-	-	1,048	1,048
<b>Assigned</b>				
Special projects	360,601	-	-	360,601
Capital projects	-	1,323,056	-	1,323,056
Other	-	-	44,687	44,687
Total assigned	<u>360,601</u>	<u>1,323,056</u>	<u>44,687</u>	<u>1,728,344</u>
<b>Unassigned</b>				
Reserve for economic uncertainties	2,872,888	-	-	2,872,888
Remaining unassigned	5,528,071	-	-	5,528,071
Total unassigned	<u>8,400,959</u>	<u>-</u>	<u>-</u>	<u>8,400,959</u>
Total	<u>\$ 9,361,042</u>	<u>\$ 1,716,134</u>	<u>\$ 1,438,920</u>	<u>\$ 12,516,096</u>

## **Note 11 - Risk Management**

### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, the District contracted with Central Region Schools' 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 2020, the District participated in the CRSIG, an insurance purchasing pool. The intent of CRSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in 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 insures that each participant shares equally in the overall performance of CRSIG. Participation in CRSIG is limited to districts that can meet CRSIG selection criteria.

### **Employee Medical Benefits**

The District has contracted with Self Insured Schools of California (SISC) to provide employee health benefits. SISC is a joint powers authority administered by Kern County Superintendent of Schools. SISC pools resources to provide schools with a more stable long-term insurance solution rather than purchasing from commercial carriers. SISC provides a very cost effective environment which reflects its commitment to preventing losses and controlling costs. SISC strives to provide the best coverage and service to their members while keeping costs affordable and stable.

## **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, 2020, 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	\$ 19,969,095	\$ 5,577,712	\$ 1,907,388	\$ 2,515,095
CalPERS	11,328,743	2,602,379	222,272	1,871,875
Total	<u>\$ 31,297,838</u>	<u>\$ 8,180,091</u>	<u>\$ 2,129,660</u>	<u>\$ 4,386,970</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, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/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 percent 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, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	17.10%	17.10%
Required employer contribution rate	10.328%	10.328%
Required state contribution rate		

### 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 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were \$2,140,265.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 19,969,095
State's proportionate share of the net pension liability	10,894,474
Total	\$ 30,863,569

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.0221 percent and 0.0224 percent, resulting in a net decrease in the proportionate share of 0.0003 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$2,515,095. In addition, the District recognized pension expense and revenue of \$1,622,422 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,140,265	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	861,382	575,466
Differences between projected and actual earnings on pension plan investments	-	769,216
Differences between expected and actual experience in the measurement of the total pension liability	50,411	562,706
Changes of assumptions	2,525,654	-
Total	\$ 5,577,712	\$ 1,907,388

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

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

Year Ended June 30,	Deferred Inflows of Resources
2021	\$ (77,588)
2022	(610,666)
2023	(126,784)
2024	45,822
Total	\$ (769,216)



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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 570,571
2022	570,572
2023	567,790
2024	609,808
2025	66,009
Thereafter	(85,475)
Total	<u>\$ 2,299,275</u>

#### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS 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, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	-3.3%
Cash/liquidity	2%	-0.4%

### Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 29,735,635
Current discount rate (7.10%)	19,969,095
1% increase (8.10%)	11,870,773

**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, 2018, 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, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

**Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were \$1,108,669.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$11,328,743. The net pension liability was measured as of June 30, 2019. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District’s proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0389 percent and 0.0383 percent, resulting in an net increase in the proportionate share of 0.0006 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$1,871,875. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,108,669	\$ -
Change in proportion and differences between contributions made and District’s proportionate share of contributions	131,506	117,195
Differences between projected and actual earnings on pension plan investments	-	105,077
Differences between expected and actual experience in the measurement of the total pension liability	822,921	-
Changes of assumptions	539,283	-
Total	\$ 2,602,379	\$ 222,272

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

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

Year Ended June 30,	Deferred Inflows of Resources
2021	\$ 103,721
2022	(207,181)
2023	(31,395)
2024	29,778
Total	\$ (105,077)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 790,549
2022	404,247
2023	165,197
2024	16,522
Total	\$ 1,376,515

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

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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 percent 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 percent. 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%)	\$ 16,329,638
Current discount rate (7.15%)	11,328,743
1% increase (8.15%)	7,180,155

### **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 \$1,137,967 (10.328 percent 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. On behalf payments have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of these contributions totaling \$381,712 has been recorded in these financial statements. On behalf payments related to these additional contributions have not been included in the budgeted amounts reported in the General Fund – Budgetary Comparison Schedule.

### **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, 2020.

#### **Litigation**

The District is involved in litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2020.

**Note 14 - Participation in Joint Powers Authorities**

The District is a member of the Central Region Schools' Insurance Group (CRSIG) and the Self Insured Schools of California (SISC) joint powers authorities (JPA). The District pays annual premiums these entities for its health, workers' compensation, and property liability coverage. The relationship between the District and the JPAs 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 the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

The District has appointed one member to the governing board of CRSIG.

During the year ended June 30, 2020, the District made payment of \$332,764 to CRSIG for workers' compensation and property and liability insurance.

The District has appointed no board members to the governing board of SISC.

During the year ended June 30, 2020, the District made payment of \$1,079,783 to SISC for health coverage.

**Note 15 - Subsequent Event**

**World-Wide Coronavirus Pandemic**

Subsequent to year-end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.





Required Supplementary Information  
June 30, 2020

**Salida Union School District**

Salida Union School District  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local Control Funding Formula	\$ 23,974,402	\$ 23,928,642	\$ 23,889,171	\$ (39,471)
Federal sources	1,037,826	1,043,251	1,080,056	36,805
Other State sources	977,297	1,340,707	2,821,071	1,480,364
Other local sources	1,569,460	1,932,701	2,398,355	465,654
Total revenues <sup>1</sup>	<u>27,558,985</u>	<u>28,245,301</u>	<u>30,188,653</u>	<u>1,943,352</u>
<b>Expenditures</b>				
Current				
Certificated salaries	12,227,510	12,282,371	12,267,129	15,242
Classified salaries	4,123,223	4,141,388	4,057,502	83,886
Employee benefits	4,794,744	4,789,601	5,943,204	(1,153,603)
Books and supplies	1,616,081	1,237,444	1,132,179	105,265
Services and operating expenditures	5,715,637	5,075,121	4,903,847	171,274
Other outgo	243,164	243,164	256,697	(13,533)
Capital outlay	-	-	21,722	(21,722)
Total expenditures <sup>1</sup>	<u>28,720,359</u>	<u>27,769,089</u>	<u>28,582,280</u>	<u>(813,191)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,161,374)</u>	<u>476,212</u>	<u>1,606,373</u>	<u>1,130,161</u>
Other Financing Uses Transfers out	<u>(61,769)</u>	<u>(102,865)</u>	<u>(102,865)</u>	<u>-</u>
Net Change in Fund Balances	(1,223,143)	373,347	1,503,508	1,130,161
Fund Balance - Beginning	<u>7,857,534</u>	<u>7,857,534</u>	<u>7,857,534</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 6,634,391</u>	<u>\$ 8,230,881</u>	<u>\$ 9,361,042</u>	<u>\$ 1,130,161</u>

<sup>1</sup> Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund are included in the actual revenues and expenditures, however are not included in the original and final General Fund budgets. On behalf payments of \$1,519,679 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

Salida Union School District  
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
Year Ended June 30, 2020

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.0391%	0.0403%	0.0382%
Proportionate share of the net OPEB liability	\$ 145,657	\$ 154,222	\$ 160,558
Covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Salida Union School District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>						
Proportion of the net pension liability	0.0221%	0.0224%	0.0211%	0.0220%	0.0220%	0.0216%
Proportionate share of the net pension liability	\$ 19,969,095	\$ 20,630,882	\$ 19,494,829	\$ 17,792,180	\$ 14,834,896	\$ 12,626,912
State's proportionate share of the net pension liability	10,894,474	11,812,145	11,532,976	10,128,770	7,846,025	7,624,675
Total	<u>\$ 30,863,569</u>	<u>\$ 32,443,027</u>	<u>\$ 31,027,805</u>	<u>\$ 27,920,950</u>	<u>\$ 22,680,921</u>	<u>\$ 20,251,587</u>
Covered payroll	<u>\$ 12,420,835</u>	<u>\$ 11,964,109</u>	<u>\$ 11,180,723</u>	<u>\$ 11,045,452</u>	<u>\$ 11,159,054</u>	<u>\$ 9,636,448</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>160.77%</u>	<u>172.44%</u>	<u>174.36%</u>	<u>161.08%</u>	<u>132.94%</u>	<u>131.03%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>						
Proportion of the net pension liability	0.0389%	0.0383%	0.0379%	0.4080%	0.0407%	0.0396%
Proportionate share of the net pension liability	\$ 11,328,743	\$ 10,203,910	\$ 9,059,273	\$ 8,063,212	\$ 6,000,692	\$ 4,500,475
Covered payroll	<u>\$ 5,389,763</u>	<u>\$ 5,061,026</u>	<u>\$ 4,841,763</u>	<u>\$ 4,917,507</u>	<u>\$ 4,539,886</u>	<u>\$ 4,146,548</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>210.19%</u>	<u>201.62%</u>	<u>187.11%</u>	<u>163.97%</u>	<u>132.18%</u>	<u>108.54%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2019	June 30, 2018	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.

Salida Union School District  
Schedule of the District Contributions  
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>						
Contractually required contribution	\$ 2,140,265	\$ 2,022,112	\$ 1,726,421	\$ 1,406,535	\$ 1,185,177	\$ 990,924
Less contributions in relation to the contractually required contribution	2,140,265	2,022,112	1,726,421	1,406,535	1,185,177	990,924
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$12,516,170	\$12,420,835	\$11,964,109	\$11,180,723	\$11,045,452	\$11,159,054
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
<b>CalPERS</b>						
Contractually required contribution	\$ 1,108,669	\$ 973,499	\$ 786,028	\$ 672,424	\$ 582,577	\$ 534,390
Less contributions in relation to the contractually required contribution	1,108,669	973,499	786,028	672,424	582,577	534,390
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,621,769	\$ 5,389,763	\$ 5,061,026	\$ 4,841,763	\$ 4,917,507	\$ 4,539,886
Contributions as a percentage of covered payroll	19.721%	18.0620%	15.5310%	13.8880%	11.8470%	11.7710%

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

**Note 1 - Purpose of Schedules**

**Budgetary Comparison Schedule**

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United 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.

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

At June 30, 2020, the District’s General Fund exceeded the budgeted amounts as indicated below. The District’s General Fund exceeding the budgeted amount in total was caused by the required recording of State on behalf contributions totaling \$1,519,679.

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	\$ 27,769,089	\$ 28,582,280	\$ 813,191

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

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

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent 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 District Contributions**

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



Supplementary Information  
June 30, 2020

## Salida Union School District



Salida Union School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	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	\$ 514,563
Migrant Education State Grant Program	84.011	14326	13,807
Title I Grants to Local Educational Agencies	84.010	14329	373,552
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	70,836
English Language Acquisition State Grants - LEP	84.365	14346	75,192
Student Support and Academic Enrichment Program	84.424	15396	30,224
Total U.S. Department of Education			<u>1,078,174</u>
U.S. Department of Health and Human Services			
Passed Through California Department of Health Care Services			
Head Start	93.600	10016	1,189,037
Head Start - Early Head Start	93.600	15291	742,093
Total U.S. Department of Health and Human Services			<u>1,931,130</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	628,302
School Breakfast Program - National School Breakfast	10.553	13525	3,100
School Breakfast Program - Especially Needy Breakfast	10.553	13526	174,527
National School Lunch Program - Summer Food Program	10.559	13004	256,207
National School Lunch Program - Commodity Supplemental Food	10.555	13391	108,229
Total Child Nutrition Cluster			<u>1,170,365</u>
Child and Adult Care Food Program	10.558	13393	306,441
Total U.S. Department of Agriculture			<u>1,476,806</u>
Total Expenditures of Federal Awards			<u>\$ 4,486,110</u>

## Organization

Salida Union School District was established in 1949 and is comprised of an area of approximately 31 square miles located in Stanislaus County. There were no changes in the District's boundaries in the current year. The District is currently operating four elementary schools, one middle school, and one charter school.

## Governing Board

Member	Office	Term Expires
Dennis Thompson	President	2020
Linda Brughelli	Clerk	2022
Dr. Gary Dew	Trustee	2020
Nanci E. Fox	Trustee	2022
Virginia L Berry	Trustee	2022

## Administration

Twila Tosh	Superintendent
Jaime Towe	Chief Business Officer

Salida Union School District  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2020

	Second Period Report	Annual Report
<b>Salida Union School District</b>		
Regular ADA		
Transitional kindergarten through third	941.29	941.29
Fourth through sixth	720.37	720.37
Seventh and eighth	540.42	540.42
Total ADA	2,202.08	2,202.08
<b>Independence Charter School</b>		
Total Charter School ADA		
Transitional kindergarten through third	28.20	28.20
Fourth through sixth	16.95	16.95
Total charter school ADA	45.15	45.15
Classroom Based ADA		
Transitional kindergarten through third	27.89	27.89
Fourth through sixth	16.90	16.90
Total classroom based ADA	44.79	44.79
Non-Classroom Based ADA		
Transitional kindergarten through third	0.31	0.31
Fourth through sixth	0.05	0.05
Total non-classroom based ADA	0.36	0.36

Salida Union School District  
 Schedule of Instructional Time  
 Year Ended June 30, 2020

Salida Union School District

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	55,825	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		53,125	180	N/A	Complied
Grade 2		53,125	180	N/A	Complied
Grade 3		53,125	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		57,205	180	N/A	Complied
Grade 5		57,205	180	N/A	Complied
Grade 6		58,532	180	N/A	Complied
Grade 7		58,532	180	N/A	Complied
Grade 8		58,532	180	N/A	Complied

Independence Charter School

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	55,860	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		53,160	180	N/A	Complied
Grade 2		53,160	180	N/A	Complied
Grade 3		53,160	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		57,240	180	N/A	Complied
Grade 5		57,240	180	N/A	Complied

Salida Union School District  
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
 Year Ended June 30, 2020

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

	<u>Special Reserve Fund for Capital Outlay Projects</u>
Fund Balance	
Balance, June 30, 2020, Unaudited Actuals	\$ 1,525,768
Increase in	
Cash with Fiscal Agent	<u>190,366</u>
Balance, June 30, 2020, Audited Financial Statements	<u><u>\$ 1,716,134</u></u>

Salida Union School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2020

	(Budget) 2021 <sup>1</sup>	2020	2019	2018
General Fund <sup>3</sup>				
Revenues	\$ 29,740,323	\$ 30,180,233	\$ 30,967,388	\$ 27,158,340
Other sources	-	-	135,000	5,387
Total Revenues and Other Sources	<u>29,740,323</u>	<u>30,180,233</u>	<u>31,102,388</u>	<u>27,163,727</u>
Expenditures	30,411,696	\$ 28,146,584	29,521,887	26,022,235
Other uses and transfers out	310,947	538,561	38,210	1,767,552
Total Expenditures and Other Uses	<u>30,722,643</u>	<u>28,685,145</u>	<u>29,560,097</u>	<u>27,789,787</u>
Increase/(Decrease) in Fund Balance	<u>(982,320)</u>	<u>1,495,088</u>	<u>1,542,291</u>	<u>(626,060)</u>
Ending Fund Balance	<u>\$ 8,018,121</u>	<u>\$ 9,000,441</u>	<u>\$ 7,505,353</u>	<u>\$ 5,963,062</u>
Available Reserves <sup>2,4</sup>	<u>\$ 7,439,507</u>	<u>\$ 8,400,959</u>	<u>\$ 5,119,561</u>	<u>\$ 4,955,452</u>
Available Reserves as a Percentage of Total Outgo	<u>24.22%</u>	<u>29.29%</u>	<u>17.32%</u>	<u>17.83%</u>
Long-Term Liabilities	<u>Not Available</u>	<u>\$ 44,312,989</u>	<u>\$ 44,166,804</u>	<u>\$ 39,698,150</u>
Average Daily Attendance at P-2	<u>2,202</u>	<u>2,202</u>	<u>2,244</u>	<u>2,278</u>

The General Fund balance has increased by \$3,037,379 over the past two years. The fiscal year 2020-2021 budget projects a decrease of \$982,320 (11.0 percent). 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 surpluses in two of the past three years but anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by \$4,615,973 over the past two years due to increases in the District's Net Pension Liability in 2019-2020.

Average daily attendance has decreased by 76 over the past two years. ADA is anticipated remain stable during fiscal year 2020-2021.

<sup>1</sup> Budget 2019 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained within the General Fund.

<sup>3</sup> General Fund amounts do not include activity related to the consolidation of the Special Reserve for Other Than Capital Outlay Fund as required by GASB Statement No. 54.

<u>Name of Charter School and Charter Number</u>	<u>Included in Audit Report</u>
Independence Charter School (Charter No. 1098)	Yes
Great Valley Academy - Salida (Charter No. 1819)	No

Salida Union School District  
Combining Balance Sheet – Non-Major Governmental Funds  
June 30, 2020

	Charter School Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<b>Assets</b>									
Deposits and investments	\$ 14,862	\$ -	\$ 70,554	\$ 1,048	\$ 19,522	\$ 573,859	\$ 34,631	\$ 207,123	\$ 921,599
Receivables	46,029	297,948	504,384	-	2	67,490	-	-	915,853
Due from other funds	98,200	806	18,913	-	-	-	-	-	117,919
<b>Total assets</b>	<b>\$ 159,091</b>	<b>\$ 298,754</b>	<b>\$ 593,851</b>	<b>\$ 1,048</b>	<b>\$ 19,524</b>	<b>\$ 641,349</b>	<b>\$ 34,631</b>	<b>\$ 207,123</b>	<b>\$ 1,955,371</b>
<b>Liabilities and Fund Balances</b>									
<b>Liabilities</b>									
Accounts payable	\$ 55,331	\$ 77,417	\$ 151,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 284,248
Due to other funds	97,725	67,737	64,860	-	-	-	-	-	230,322
Unearned revenue	1,881	-	-	-	-	-	-	-	1,881
<b>Total liabilities</b>	<b>154,937</b>	<b>145,154</b>	<b>216,360</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>516,451</b>
<b>Fund Balances</b>									
Restricted	801	112,266	377,491	-	19,524	641,349	34,631	207,123	1,393,185
Committed	-	-	-	1,048	-	-	-	-	1,048
Assigned	3,353	41,334	-	-	-	-	-	-	44,687
<b>Total fund balances</b>	<b>4,154</b>	<b>153,600</b>	<b>377,491</b>	<b>1,048</b>	<b>19,524</b>	<b>641,349</b>	<b>34,631</b>	<b>207,123</b>	<b>1,438,920</b>
<b>Total liabilities and fund balances</b>	<b>\$ 159,091</b>	<b>\$ 298,754</b>	<b>\$ 593,851</b>	<b>\$ 1,048</b>	<b>\$ 19,524</b>	<b>\$ 641,349</b>	<b>\$ 34,631</b>	<b>\$ 207,123</b>	<b>\$ 1,955,371</b>



Salida Union School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds  
Year Ended June 30, 2020

	Charter School Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<b>Revenues</b>									
Local Control Funding Formula	\$ 472,510	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 472,510
Federal sources	(1,881)	1,931,130	1,476,805	-	-	-	-	-	3,406,054
Other State sources	34,200	375,190	85,457	-	-	-	-	2,414	497,261
Other local sources	1,688	2,023	85,979	9	681	728,644	808	127,867	947,699
<b>Total revenues</b>	<b>506,517</b>	<b>2,308,343</b>	<b>1,648,241</b>	<b>9</b>	<b>681</b>	<b>728,644</b>	<b>808</b>	<b>130,281</b>	<b>5,323,524</b>
<b>Expenditures</b>									
<b>Current</b>									
Instruction	448,330	-	-	-	-	-	-	-	448,330
Instruction-related activities									
Supervision of instruction	26,456	-	-	-	-	-	-	-	26,456
Instructional library, media, and technology	3,582	-	-	-	-	-	-	-	3,582
School site administration	39,609	-	-	-	-	-	-	-	39,609
Pupil services									
Food services	-	-	1,616,234	-	-	-	-	-	1,616,234
All other pupil services	67,377	-	-	-	-	-	-	-	67,377
Administration									
Data processing	3,583	-	-	-	-	-	-	-	3,583
All other administration	2,049	114,147	64,851	-	-	4,500	-	-	185,547
Plant services	29,400	9,103	40,816	-	9,264	-	-	-	88,583
Ancillary services	7,248	-	-	-	-	-	-	-	7,248
Community services	-	2,189,376	-	-	-	-	-	-	2,189,376
Facility acquisition and construction	-	-	-	-	1,263,765	-	-	-	1,263,765
Debt service									
Principal	-	-	-	-	-	140,000	-	105,000	245,000
Interest and other	-	-	-	-	-	22,057	-	94,213	116,270
<b>Total expenditures</b>	<b>627,634</b>	<b>2,312,626</b>	<b>1,721,901</b>	<b>-</b>	<b>1,273,029</b>	<b>166,557</b>	<b>-</b>	<b>199,213</b>	<b>6,300,960</b>

Salida Union School District  
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds  
Year Ended June 30, 2020

	Charter School Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	(121,117)	(4,283)	(73,660)	9	(1,272,348)	562,087	808	(68,932)	(977,436)
Other Financing Sources Transfers in	102,865	-	-	-	-	-	-	-	102,865
Net Change in Fund Balances	(18,252)	(4,283)	(73,660)	9	(1,272,348)	562,087	808	(68,932)	(874,571)
Fund Balance - Beginning	22,406	157,883	451,151	1,039	1,291,872	79,262	33,823	276,055	2,313,491
Fund Balance - Ending	\$ 4,154	\$ 153,600	\$ 377,491	\$ 1,048	\$ 19,524	\$ 641,349	\$ 34,631	\$ 207,123	\$ 1,438,920

## **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 Salida Union School District (the District) under programs of the federal government for the year ended June 30, 2020. 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, 2020, the District had food commodities totaling \$108,229 in inventory.

### **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. 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 46206.

Districts must maintain their instructional minutes at the 1986-1987 requirements, as required by *Education Code* Section 46201.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools Independence Charter School were closed for 48 days due to the pandemic. As a result, the District received credit for these 48 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

#### **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**

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances is 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, 2020

# Salida Union 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  
Salida Union School District  
Salida, 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 Salida Union School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Salida Union School District’s basic financial statements and have issued our report thereon dated February 1, 2021.

**Internal Control over Financial Reporting**

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

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

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Salida Union 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Salida Union School District in a separate letter dated February 1, 2021.

#### **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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Fresno, California  
February 1, 2021



## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

To the Governing Board  
Salida Union School District  
Salida, California

### **Report on Compliance for Each Major Federal Program**

We have audited Salida Union School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Salida Union School District's major federal programs for the year ended June 30, 2020. Salida Union School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Salida Union School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Salida Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



### **Opinion on Each Major Federal Program**

In our opinion, Salida Union School District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### **Report on Internal Control over Compliance**

Management of Salida Union School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Salida Union School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Salida Union School District's internal control over compliance.

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

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

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

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

Fresno, California  
February 1, 2021



## Independent Auditor's Report on State Compliance

To the Governing Board  
Salida Union School District  
Salida, California

### **Report on State Compliance**

We have audited Salida Union School District's (the District) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

### **Management's Responsibility**

Management is responsible for compliance with the state laws and regulations as identified in the table below.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Compliance Requirements Tested**

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

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
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
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	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No (see below)
Comprehensive School Safety Plan	Yes
District of Choice	No (see below)
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
<b>CHARTER SCHOOLS</b>	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No (see below)
Determination of Funding for Nonclassroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No (see below)

We did not perform procedures for Kindergarten Continuance because there were no Kindergarteners retained in 2018-2019 that were in Kindergarten in 2019-2020.

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 through STRS 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.

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.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform procedures related to the Before School Education and Safety 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 procedures for the Nonclassroom-Based Instruction/Independent Study because the independent study (non-classroom based) ADA was under the level that requires testing.

We did not perform testing for the Determination of Funding for Non-classroom Based Instruction because the Charter Schools non-classroom based ADA is well below the 20 percent of total ADA requirement to require a determination.

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

### **Unmodified Opinion**

In our opinion, Salida Union School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

*Eide Bailly LLP*

Fresno, California  
February 1, 2021

**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

**Identification of major programs:**

Name of Federal Program or Cluster	CFDA Number
Child Nutrition Cluster	10.553, 10.555, 10.559
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

**STATE COMPLIANCE**

Type of auditor's report issued on compliance for programs:	Unmodified
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None reported.

None reported.



None reported.

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