



Financial Statements
June 30, 2021

Orcutt Union School District



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Independent Auditor's Report

To the Board of Directors
Orcutt Union School District
Orcutt, 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 Orcutt Union School District (the District) as of and for the year ended June 30, 2021, 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 the District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 15 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, Fiduciary Activities, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

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 pages 64 and 65, schedule of changes in the District's net OPEB liability and related ratios on page 66, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 67, schedule of the District's proportionate share of the net pension liability on pages 68 and 69, and schedule of District contributions on pages 70 and 71, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The combining non-major governmental 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 non-major governmental 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 non-major governmental 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 March 29, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
March 29, 2022



ORCUTT Union School District

Where a Dedicated Staff Means Kids Come First

BOARD OF TRUSTEES
SHAUN HENDERSON
LISA MORININI
LIZ PHILLIPS
MARK STELLER
MELANIE WAFFLE
HOLLY EDDS, Ed.D.
District Superintendent
JOE DANA
Assistant Superintendent
SUSAN SALUCCI
Assistant Superintendent

This section of Orcutt Union School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021, with comparative information for the year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

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

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

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

The Primary unit of the government is the Orcutt Union School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$34,173 for the fiscal year ended June 30, 2021. Of this amount, \$(28,953,662) was the unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2021	2020 (as restated)
Assets		
Current and other assets	\$ 54,497,044	\$ 64,907,693
Capital assets	52,859,673	38,090,029
Total assets	<u>107,356,717</u>	<u>102,997,722</u>
Deferred outflows of resources	<u>11,592,911</u>	<u>12,678,195</u>
Liabilities		
Current liabilities	5,499,641	10,149,716
Long-term liabilities	<u>108,800,356</u>	<u>102,987,935</u>
Total liabilities	<u>114,299,997</u>	<u>113,137,651</u>
Deferred inflows of resources	<u>4,615,458</u>	<u>5,846,236</u>
Net Position		
Net investment in capital assets	20,801,795	14,759,987
Restricted	8,186,040	14,224,958
Unrestricted	<u>(28,953,662)</u>	<u>(32,292,915)</u>
Total net position	<u>\$ 34,173</u>	<u>\$ (3,307,970)</u>

The \$(28,953,662) in unrestricted net deficit position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 14. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2021	2020*
Revenues		
Program revenues		
Charges for services	\$ 808,017	\$ 970,821
Operating grants and contributions	14,172,691	8,398,619
General revenues		
Federal and State aid not restricted	29,903,594	31,131,040
Property taxes	19,491,591	19,002,851
Other general revenues	2,417,073	4,591,360
Total revenues	<u>66,792,966</u>	<u>64,094,691</u>
Expenses		
Instruction-related	44,067,206	41,654,580
Pupil services	5,959,274	5,853,854
Administration	2,781,704	2,835,906
Plant services	5,418,857	5,818,227
All other services	5,223,782	4,668,157
Total expenses	<u>63,450,823</u>	<u>60,830,724</u>
Change in net position	<u>\$ 3,342,143</u>	<u>\$ 3,263,967</u>

* The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$63,450,823. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$19,491,591 because the cost was paid by those who benefited from the programs (\$808,017) or by other governments and organizations who subsidized certain programs with grants and contributions (\$14,172,691). We paid for the remaining "public benefit" portion of our governmental activities with \$29,903,594 in State funds and with \$2,417,073 other revenues, like interest and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2021	2020*	2021	2020*
Instruction-related	\$ 44,067,206	\$ 41,654,580	\$ (34,187,987)	\$ (35,339,964)
Pupil services	5,959,274	5,853,854	(2,913,500)	(3,520,066)
Administration	2,781,704	2,835,906	(2,652,481)	(2,712,610)
Plant services	5,418,857	5,818,227	(5,233,118)	(5,798,466)
All other services	5,223,782	4,668,157	(3,483,029)	(4,090,178)
Total	\$ 63,450,823	\$ 60,830,724	\$ (48,470,115)	\$ (51,461,284)

* The total and net cost of services for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$49,596,928, which is a decrease of \$5,497,968 from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	June 30, 2020 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2021
General	\$ 19,230,200	\$ 50,980,800	\$ 49,175,047	\$ 21,035,953
Charter Schools	1,944,017	8,897,447	8,407,784	2,433,680
Building	22,253,065	12,553,755	15,638,880	19,167,940
Non-Major Governmental Funds	11,667,614	7,024,493	11,732,752	6,959,355
Total	\$ 55,094,896	\$ 79,456,495	\$ 84,954,463	\$ 49,596,928

General Fund Budgetary Highlights

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

- Revenues – restricted revenue increased significantly due to state and federal COVID relief funds.
- Expenditures – increased largely due to cost related to COVID pandemic, most significantly with the purchase of computers and connectivity for distance learning.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had \$52,859,673 in a broad range of capital assets (net decrease of depreciation), including land, construction in progress, buildings and improvements, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$14,769,644 or 38.78%, from last year (Table 5).

Table 5

	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 6,272,001	\$ 12,154,458
Buildings and improvements	43,379,520	23,033,266
Equipment	3,208,152	2,902,305
Total	\$ 52,859,673	\$ 38,090,029

This year’s major additions included:

Construction in progress at various school sites for repair and upgrades

Long-Term Liabilities

At the end of this year, the District had \$108,800,356 in long-term liabilities outstanding versus \$102,987,935 last year, an increase of 5.64%. Long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2021	2020
Long-Term Liabilities		
General obligation bonds	\$ 48,755,000	\$ 43,840,000
Unamortized premiums	2,606,828	1,892,720
Compensated absences	181,433	185,635
Net OPEB liability	3,365,018	6,329,606
Aggregate net pension liability	53,892,077	50,739,974
Total	\$ 108,800,356	\$ 102,987,935

FACTORS BEARING ON THE DISTRICT’S FUTURE

The District is continuing to experience declining enrollment which intensified over the course of the COVID pandemic. The District is also experiencing a decline in the rate of attendance of our students, which further negatively impacts our average daily attendance. We expect the rate of attendance to improve with the end of the pandemic.

The District has received a significant amount of COVID relief funding and has been thoughtfully spending the funds to address learning loss in our students, retain our staff, and to make improvements to our facilities which will continue to use our students in the years to come. We will continue to spend these funds over the course of the next few years.

While the economy continues to recover from the COVID pandemic, there is still significant uncertainty. Our District continues to closely monitor staffing in order to make sure that we are appropriately staffed for the number of student enrolled. We will continue to face challenges in the coming years due to the Local Control Funding Formula, declining enrollment, increasing special education costs, increasing staffing and pension costs. Adequacy of funding will be one of the most important issues for the District into the future.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Ms. Sandy Knight, Director of Fiscal Services, at Orcutt Union School District, 500 Dyer Street, Orcutt, California, 93455, or e-mail at sknight@orcutt-schools.net.

Orcutt Union School District
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Deposits and investments	\$ 45,369,328
Receivables	9,061,978
Stores inventories	65,738
Capital assets not depreciated	6,272,001
Capital assets, net of accumulated depreciation	46,587,672
Total assets	107,356,717
Deferred Outflows of Resources	
Deferred charge on refunding	136,010
Deferred outflows of resources related to OPEB	159,607
Deferred outflows of resources related to pensions	11,297,294
Total deferred outflows of resources	11,592,911
Liabilities	
Accounts payable	3,913,686
Interest payable	682,752
Unearned revenue	903,203
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	1,535,000
Long-term liabilities other than OPEB and pensions due in more than one year	50,008,261
Net other postemployment benefits liability (OPEB)	3,365,018
Aggregate net pension liability	53,892,077
Total liabilities	114,299,997

Orcutt Union School District
Statement of Net Position
June 30, 2021

	Governmental Activities
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	\$ 1,367,488
Deferred inflows of resources related to pensions	3,247,970
Total deferred inflows of resources	4,615,458
Net Position	
Net investment in capital assets	20,801,795
Restricted for	
Debt service	2,972,638
Capital projects	1,185,863
Educational programs	2,162,712
Food services	1,864,827
Unrestricted	(28,953,662)
Total net position	\$ 34,173

Orcutt Union School District
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 37,243,340	\$ 241,293	\$ 8,905,956	\$ (28,096,091)
Instruction-related activities				
Supervision of instruction	1,907,541	11,038	586,588	(1,309,915)
Instructional library, media, and technology	1,343,515	-	91,180	(1,252,335)
School site administration	3,572,810	870	42,294	(3,529,646)
Pupil services				
Home-to-school transportation	907,625	-	-	(907,625)
Food services	1,986,483	-	2,293,232	306,749
All other pupil services	3,065,166	64,313	688,229	(2,312,624)
Administration				
Data processing	119,884	-	-	(119,884)
All other administration	2,661,820	-	129,223	(2,532,597)
Plant services	5,418,857	9,857	175,882	(5,233,118)
Ancillary services	158,635	994	3,409	(154,232)
Community services	610,290	-	607,335	(2,955)
Interest on long-term liabilities	2,299,321	-	-	(2,299,321)
Other outgo	2,155,536	479,652	649,363	(1,026,521)
Total governmental activities	\$ 63,450,823	\$ 808,017	\$ 14,172,691	(48,470,115)
General Revenues and Subventions				
Property taxes, levied for general purposes				17,199,544
Property taxes, levied for debt service				2,292,047
Federal and State aid not restricted to specific purposes				29,903,594
Interest and investment earnings				144,111
Miscellaneous				2,272,962
Subtotal, general revenues				51,812,258
Change in Net Position				3,342,143
Net Position - Beginning, as restated				(3,307,970)
Net Position - Ending				\$ 34,173

Orcutt Union School District
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Charter School Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 14,831,414	\$ 1,586,152	\$ 20,333,724	\$ 6,677,876	\$ 43,429,166
Receivables	7,754,041	832,739	59,580	411,665	9,058,025
Due from other funds	370,219	415,844	-	-	786,063
Stores inventories	23,708	-	-	42,030	65,738
	<u>22,979,382</u>	<u>2,834,735</u>	<u>20,393,304</u>	<u>7,131,571</u>	<u>53,338,992</u>
Total assets	\$ 22,979,382	\$ 2,834,735	\$ 20,393,304	\$ 7,131,571	\$ 53,338,992
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 758,891	25,400	\$ 1,225,364	\$ 43,143	\$ 2,052,798
Due to other funds	415,844	266,938	-	103,281	786,063
Unearned revenue	768,694	108,717	-	25,792	903,203
	<u>1,943,429</u>	<u>401,055</u>	<u>1,225,364</u>	<u>172,216</u>	<u>3,742,064</u>
Total liabilities	1,943,429	401,055	1,225,364	172,216	3,742,064
Fund Balances					
Nonspendable	39,208	-	-	42,030	81,238
Restricted	1,636,689	405,814	19,167,940	6,743,062	27,953,505
Committed	11,313,838	-	-	-	11,313,838
Assigned	6,522,300	2,027,866	-	174,263	8,724,429
Unassigned	1,523,918	-	-	-	1,523,918
	<u>21,035,953</u>	<u>2,433,680</u>	<u>19,167,940</u>	<u>6,959,355</u>	<u>49,596,928</u>
Total fund balances	21,035,953	2,433,680	19,167,940	6,959,355	49,596,928
Total liabilities and fund balances	\$ 22,979,382	\$ 2,834,735	\$ 20,393,304	\$ 7,131,571	\$ 53,338,992

Orcutt Union School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2021

Total Fund Balance - Governmental Funds \$ 49,596,928

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	\$ 79,952,336
Accumulated depreciation is	<u>(27,092,663)</u>

Net capital assets	52,859,673
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In governmental funds, unmatured interest on long-term
 liabilities is recognized in the period when it is due. On the
 government-wide financial statements, unmatured interest on
 long-term liabilities is recognized when it is incurred.

(682,752)

An internal service fund is used by management to charge the costs
 of the workers' compensation insurance program to the individual
 funds. The assets and liabilities of the internal service fund are
 included with governmental activities.

83,227

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 (deferred charge on refunding)	136,010
Other postemployment benefits (OPEB)	159,607
Net pension liability	<u>11,297,294</u>

Total deferred outflows of resources	11,592,911
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Deferred inflows of resources represent an acquisition of net position
 that applies to a future period and is not reported in the governmental
 funds. Deferred inflows of resources amount to and related to

Other postemployment benefits (OPEB)	(1,367,488)
Net pension liability	<u>(3,247,970)</u>

Total deferred inflows of resources	(4,615,458)
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Orcutt Union School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2021

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	\$ (53,892,077)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.	(3,365,018)
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	\$ (48,755,000)
Unamortized debt premiums	(2,606,828)
Compensated absences (vacations)	<u>(181,433)</u>
Total long-term liabilities	<u>(51,543,261)</u>
Total net position - governmental activities	<u><u>\$ 34,173</u></u>

Orcutt Union School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Charter School Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula	\$ 38,529,832	\$ 7,564,023	\$ -	\$ -	\$ 46,093,855
Federal sources	4,048,106	302,550	-	1,770,170	6,120,826
Other State sources	5,297,037	907,744	-	832,307	7,037,088
Other local sources	3,105,825	123,130	103,981	3,652,471	6,985,407
Total revenues	<u>50,980,800</u>	<u>8,897,447</u>	<u>103,981</u>	<u>6,254,948</u>	<u>66,237,176</u>
Expenditures					
Current					
Instruction	32,114,484	4,761,795	-	212,045	37,088,324
Instruction-related activities					
Supervision of instruction	1,883,332	284,987	-	9,132	2,177,451
Instructional library, media, and technology	1,219,095	75,814	-	-	1,294,909
School site administration	2,621,327	665,697	-	18,199	3,305,223
Pupil services					
Home-to-school transportation	856,337	13,380	-	-	869,717
Food services	30,897	-	-	1,916,115	1,947,012
All other pupil services	2,578,384	310,503	-	-	2,888,887
Administration					
All other administration	871,211	1,792,266	-	106,909	2,770,386
Plant services	3,742,449	383,556	-	173	4,126,178
Ancillary services	16,907	119,274	-	17,449	153,630
Community services	598,461	-	-	-	598,461
Other outgo	2,155,536	-	-	-	2,155,536
Facility acquisition and construction	486,627	512	15,478,880	4,189	15,970,208
Debt service					
Principal	-	-	-	1,570,000	1,570,000
Interest and other	-	-	160,000	1,924,367	2,084,367
Total expenditures	<u>49,175,047</u>	<u>8,407,784</u>	<u>15,638,880</u>	<u>5,778,578</u>	<u>79,000,289</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>1,805,753</u>	<u>489,663</u>	<u>(15,534,899)</u>	<u>476,370</u>	<u>(12,763,113)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	5,954,174	-	5,954,174
Other sources - proceeds from bond issuance	-	-	6,495,600	769,545	7,265,145
Transfers out	-	-	-	(5,954,174)	(5,954,174)
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>12,449,774</u>	<u>(5,184,629)</u>	<u>7,265,145</u>
Net Change in Fund Balances	1,805,753	489,663	(3,085,125)	(4,708,259)	(5,497,968)
Fund Balance - Beginning, as restated	<u>19,230,200</u>	<u>1,944,017</u>	<u>22,253,065</u>	<u>11,667,614</u>	<u>55,094,896</u>
Fund Balance - Ending	<u>\$ 21,035,953</u>	<u>\$ 2,433,680</u>	<u>\$ 19,167,940</u>	<u>\$ 6,959,355</u>	<u>\$ 49,596,928</u>

Orcutt 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, 2021

Total Net Change in Fund Balances - Governmental Funds \$ (5,497,968)

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 exceed depreciation expense in the period.

Capital outlays	\$ 15,583,286
Depreciation expense	<u>(1,189,114)</u>

Net expense adjustment 14,394,172

Gain on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. 375,472

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used. 4,202

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. (2,886,015)

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. 2,857,597

Proceeds received from general obligation 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. (6,485,000)

Orcutt 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, 2021

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

Premium on issuance recognized	\$ (780,145)
Premium amortization	66,037
Deferred charge on refunding amortization	(13,603)

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

General obligation bonds	1,570,000
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Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.

(267,388)

An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

4,782

Change in net position of governmental activities

\$ 3,342,143

Orcutt Union School District
Statement of Net Position – Proprietary Funds
June 30, 2021

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Current assets	
Deposits and investments	\$ 1,940,162
Receivables	<u>3,953</u>
Total current assets	<u><u>\$ 1,944,115</u></u>
Liabilities	
Current liabilities	
Accounts payable	<u>\$ 1,860,888</u>
Net Position	
Restricted	<u><u>\$ 83,227</u></u>

Orcutt Union School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2021

	<u>Governmental Activities - Internal Service Fund</u>
Nonoperating Revenues (Expenses)	
Interest income	<u>\$ 4,782</u>
Change in Net Position	4,782
Total Net Position - Beginning	<u>78,445</u>
Total Net Position - Ending	<u><u>\$ 83,227</u></u>

Orcutt Union School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021

	Governmental Activities - Internal Service Fund
Operating Activities	
Cash paid for employee benefits	\$ 7,019,821
Cash payments to other suppliers of goods or services	<u>(6,944,286)</u>
Net Cash From Operating Activities	<u>75,535</u>
Investing Activities	
Interest on investments	<u>4,782</u>
Net Change in Cash and Cash Equivalents	80,317
Cash and Cash Equivalents, Beginning	<u>1,859,845</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 1,940,162</u></u>
Reconciliation of Operating Loss to Net Cash From Operating Activities	
Adjustments to reconcile operating loss to net cash from operating activities	
Receivables	\$ 4,612
Accounts payable	<u>75,705</u>
Net Cash From Operating Activities	<u><u>\$ 80,317</u></u>

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Orcutt Union School District (the District) was established in 1884 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K -12 as mandated by the State and/or Federal agencies. The District operates eight elementary schools, with grades kindergarten through eight, and one charter school, with grades kindergarten through twelve.

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

Other Related Entities

Charter School The District has an approved Charter for Orcutt Academy Charter pursuant to *Education Code* Section 47605. The Orcutt Academy Charter is operated by the District, and its financial activities are presented in the Charter School special revenue fund.

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 proprietary.

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.

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have 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 \$5,301,218.

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

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

Non-Major Governmental Funds

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

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

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).

- **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).
- **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).

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).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has no enterprise funds.

- **Internal Service Fund** Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates an internal service fund that is used to account for the District's risk management activities.

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, of the District and for each governmental function, and excludes 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 or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net asset use 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 and proprietary 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. The internal service fund is presented in a single column on the face of the proprietary fund statements.

- **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.
- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

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.

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

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

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. 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.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

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, 5 to 20 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 and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs and Premiums

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Debt premiums, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

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, for pension related items, and for OPEB 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 and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

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 and for OPEB related items. The deferred amounts related to pension and OPEB relate to differences between contributions and the District's proportionate share of contributions, differences between expected and actual experiences, and differences between expected and actual earnings on investments.

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 District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2021, 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 governing board or chief business officer/assistant superintendent of business services 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

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$8,186,040 of net position restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are cost of reimbursement from employees. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

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

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 Santa Barbara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

Implementation of GASB Statement No. 84

As of July 1, 2020, the District adopted GASB Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activities from fiduciary to governmental. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 15.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 43,429,166
Proprietary funds	<u>1,940,162</u>
Total deposits and investments	<u><u>\$ 45,369,328</u></u>

Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	\$ 45,722
Cash in revolving	15,500
Investments	<u>45,308,106</u>
Total deposits and investments	<u><u>\$ 45,369,328</u></u>

Policies and Practices

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

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

General Authorizations

Limitations as they relate to interest rate risk, 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.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District’s portfolio is presented in the following schedule:

Investment Type	Reported Amount	Weighted Average Maturity in Days
Santa Barbara County Investment Pool	\$ 45,308,106	735

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District’s investments in the Santa Barbara County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2021.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District’s bank balance was not exposed to custodial credit risk.

Note 3 - Receivables

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Charter School Fund	Building Fund	Non-Major Governmental Funds	Proprietary Funds	Total
Federal Government						
Categorical aid	\$ 1,746,283	\$ 31,440	\$ -	\$ 302,534	\$ -	\$ 2,080,257
State Government						
LCFF apportionment	4,824,472	745,153	-	-	-	5,569,625
Categorical aid	17,846	800	-	25,535	-	44,181
Lottery	282,608	52,350	-	-	-	334,958
Local Government						
Interest	15,971	2,194	20,380	5,505	3,953	48,003
Other local sources	866,861	802	39,200	78,091	-	984,954
Total	\$ 7,754,041	\$ 832,739	\$ 59,580	\$ 411,665	\$ 3,953	\$ 9,061,978

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,878,255	\$ -	\$ -	\$ 1,878,255
Construction in progress	10,276,203	15,445,704	(21,328,161)	4,393,746
Total capital assets not being depreciated	12,154,458	15,445,704	(21,328,161)	6,272,001
Capital assets being depreciated				
Buildings and improvements	44,426,182	21,092,430	(239,480)	65,279,132
Furniture and equipment	10,059,963	373,313	(2,032,073)	8,401,203
Total capital assets being depreciated	54,486,145	21,465,743	(2,271,553)	73,680,335
Total capital assets	66,640,603	36,911,447	(23,599,714)	79,952,336
Accumulated depreciation				
Buildings and improvements	(21,392,916)	(959,120)	452,424	(21,899,612)
Furniture and equipment	(7,157,658)	(229,994)	2,194,601	(5,193,051)
Total accumulated depreciation	(28,550,574)	(1,189,114)	2,647,025	(27,092,663)
Governmental activities capital assets, net	\$ 38,090,029	\$ 35,722,333	\$ (20,952,689)	\$ 52,859,673

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

Governmental Activities	
Plant services	<u>\$ 1,189,114</u>

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2021, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	Charter School Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 266,938	\$ 103,281	\$ 370,219
Charter School Fund	415,844	-	-	415,844
Total	\$ 415,844	\$ 266,938	\$ 103,281	\$ 786,063

The balance of \$415,844 is due to the Charter School Fund from the General Fund for charter in lieu of property taxes and LCFF

The balance of \$266,938 is due to the General Fund from the Charter School Fund for charter school fees.

A balance of \$40,044 is due to the General Fund from the Capital Facilities Non-Major Governmental Fund for administrative fees.

A balance of \$59,441 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for indirect and fuel costs.

All remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following:

The Capital Facilities Non-Major Governmental Fund transferred to the Building Fund for capital projects. \$ 5,954,174

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.

Note 6 - Accounts Payable

Accounts payable at June 30, 2021, consisted of the following:

	General Fund	Charter School Fund	Building Fund	Non-Major Governmental Funds	Proprietary Funds	Total
Vendor payables	\$ 465,706	\$ 16,319	\$ -	\$ 39,762	\$ 1,860,888	\$ 2,382,675
Salaries and benefits	293,185	9,081	-	3,381	-	305,647
Construction	-	-	1,225,364	-	-	1,225,364
Total	\$ 758,891	\$ 25,400	\$ 1,225,364	\$ 43,143	\$ 1,860,888	\$ 3,913,686

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2021, consisted of the following:

	General Fund	Charter School Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 210,196	\$ -	\$ -	\$ 210,196
State categorical aid	549,552	108,717	-	658,269
Other local	8,946	-	25,792	34,738
Total	\$ 768,694	\$ 108,717	\$ 25,792	\$ 903,203

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, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 43,840,000	\$ 6,485,000	\$ (1,570,000)	\$ 48,755,000	\$ 1,535,000
Unamortized debt premiums	1,892,720	780,145	(66,037)	2,606,828	-
Compensated absences	185,635	-	(4,202)	181,433	-
Total	\$ 45,918,355	\$ 7,265,145	\$ (1,640,239)	\$ 51,543,261	\$ 1,535,000

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments for compensated absences are typically liquidated in the fund in which the employee worked.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2021
				Bonds Outstanding July 1, 2020	Issued	Redeemed	
03/01/2012	02/01/2031	2.00%-4.00%	\$ 4,150,000	\$ 425,000	\$ -	\$ (210,000)	\$ 215,000
03/01/2012	08/01/2028	2.00%-3.50%	1,525,000	935,000	-	(100,000)	835,000
07/15/2015	08/01/2030	3.25%	7,415,000	5,400,000	-	(455,000)	4,945,000
06/28/2018	08/01/2048	3.25%-5.00%	15,210,000	14,160,000	-	(750,000)	13,410,000
06/25/2020	08/01/2049	2.00%-4.00%	20,500,000	20,500,000	-	-	20,500,000
06/25/2020	02/01/2031	.60%-1.80%	2,420,000	2,420,000	-	(55,000)	2,365,000
03/16/2021	10/01/2023	5.00%	6,485,000	-	6,485,000	-	6,485,000
				\$ 43,840,000	\$ 6,485,000	\$ (1,570,000)	\$ 48,755,000

Debt Service Requirements to Maturity

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2022	\$ 1,535,000	\$ 1,672,226	\$ 3,207,226
2023	1,205,000	1,631,299	2,836,299
2024	7,375,000	1,440,912	8,815,912
2025	1,000,000	1,254,003	2,254,003
2026	1,075,000	1,225,084	2,300,084
2027-2031	5,700,000	5,569,786	11,269,786
2032-2036	3,815,000	4,713,757	8,528,757
2037-2041	6,670,000	3,684,922	10,354,922
2042-2046	10,170,000	2,418,097	12,588,097
2047-2050	10,210,000	620,743	10,830,743
Total	<u>\$ 48,755,000</u>	<u>\$ 24,230,829</u>	<u>\$ 72,985,829</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$181,433.

Note 9 - Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2021, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 3,062,465	\$ 159,607	\$ 1,367,488	\$ (2,888,197)
Medicare Premium Payment (MPP) Program	302,553	-	-	30,600
Total	<u>\$ 3,365,018</u>	<u>\$ 159,607</u>	<u>\$ 1,367,488</u>	<u>\$ (2,857,597)</u>

The details of each plan are as follows:

District Plan

Plan Administration

The California Public Employees’ Retirement System (CalPERS) administers the District’s Postemployment Benefits Plan (the Plan) by maintaining the assets provided and payment at the direction of the District. The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. The Public Agency Retirement Services (PARS) administers the District’s Postemployment Benefits Plan (the Plan). The Plan is a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Financial information for PARS can be found on the PARS website at: <http://www.pars.org>.

Plan Membership

At June 30, 2020, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	50
Active employees	199
	249
Total	249

Benefits Provided

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

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, Orcutt Educators Association, the local California Service Employees Association (CSEA), and unrepresented groups. Voluntary contributions based on projected pay-as-you-go financing requirements and any additional mounts to prefund benefits with the District, Orcutt Educators Association, CSEA, and the unrepresented groups are based on availability of funds. For the measurement period of June 30, 2021, the District contributed \$3,134,186 to the Plan, of which \$964,186 was used for current premiums and \$2,170,000 was used to fund the OPEB Trust.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2021.

Asset Class	Target Allocation
US Large Cap	15%
US Small Cap	15%
Long-Term Corporate Bonds	80%
Long-Term Government Bonds	80%
Short-Term Government Fixed	5%

Net OPEB Liability of the District

The District's net OPEB liability of \$3,062,465 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The components of the net OPEB liability of the District as of June 30, 2021, was as follows:

Total OPEB liability	\$ 10,422,833
Plan fiduciary net position	<u>(7,360,368)</u>
Net OPEB liability	<u>\$ 3,062,465</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>70.62%</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2021 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total OPEB liability to June 30, 2021. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	5.00 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00 percent

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period of July 1, 2019 to June 30, 2020.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
US Large Cap	7.8%
US Small Cap	7.8%
Long-Term Corporate Bonds	4.5%
Long-Term Government Bonds	4.5%
Short-Term Government Fixed	3.3%

Discount Rate

The discount rate used to measure the total OPEB liability was 5%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2020	\$ 10,546,518	\$ 4,488,865	\$ 6,057,653
Service cost	329,053	-	329,053
Interest	511,448	715,785	(204,337)
Employer Contributions	-	3,134,186	(3,134,186)
Benefit payments	(964,186)	(964,186)	-
Administrative expense	-	(14,282)	14,282
Net change in total OPEB liability	(123,685)	2,871,503	(2,995,188)
Balance, June 30, 2021	\$ 10,422,833	\$ 7,360,368	\$ 3,062,465

There were no changes to changes of assumptions, other inputs, and benefits noted from the prior evaluation.

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

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

Discount Rate	Net OPEB Liability
1% decrease (4.00%)	\$ 3,588,728
Current discount rate (5.00%)	3,062,465
1% increase (6.00%)	2,561,072

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

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

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3.0%)	\$ 2,244,212
Current healthcare cost trend rate (4.0%)	3,062,465
1% increase (5.0%)	3,989,047

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$(2,888,197). At June 30, 2021, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 129,696	\$ 251,951
Changes of assumptions	-	746,842
Net difference between projected and actual earnings on OPEB plan investments	29,911	368,695
Total	\$ 159,607	\$ 1,367,488

Deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as a reduction in the OPEB liability in the subsequent fiscal year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (330,458)
2023	(330,465)
2024	(345,412)
2025	(215,683)
2026	1,038
Thereafter	13,099
Total	\$ (1,207,881)

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, 2019 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2021, the District reported a liability of \$302,553 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, was 0.0714% and 0.0730%, respectively, resulting in a net decrease in the proportionate share of 0.0016%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$30,600.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Experience Study	July 1, 2014 through June 30, 2018	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.21%	3.50%
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

For the valuation as of June 30, 2019, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population (159,339).

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, 2020, 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, 2020, is 2.21%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

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

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

Discount Rate	Net OPEB Liability
1% decrease (1.21%)	\$ 334,556
Current discount rate (2.21%)	302,553
1% increase (3.21%)	275,320

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 274,335
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	302,553
1% increase (5.50% Part A and 6.40% Part B)	335,037

Note 10 - Fund Balances

Fund balances composed of the following elements:

	General Fund	Charter School Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 15,500	\$ -	\$ -	\$ -	\$ 15,500
Stores inventories	23,708	-	-	42,030	65,738
Total nonspendable	<u>39,208</u>	<u>-</u>	<u>-</u>	<u>42,030</u>	<u>81,238</u>
Restricted					
Legally restricted programs	1,636,689	405,814	-	1,901,809	3,944,312
Capital projects	-	-	19,167,940	1,185,863	20,353,803
Debt services	-	-	-	3,655,390	3,655,390
Total restricted	<u>1,636,689</u>	<u>405,814</u>	<u>19,167,940</u>	<u>6,743,062</u>	<u>27,953,505</u>
Committed					
Technology update	1,000,000	-	-	-	1,000,000
Textbook adoption	1,000,000	-	-	-	1,000,000
Set aside for economic downturn	5,313,838	-	-	-	5,313,838
TK expansion planning	2,000,000	-	-	-	2,000,000
Strategic planning	2,000,000	-	-	-	2,000,000
Total committed	<u>11,313,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,313,838</u>
Assigned					
Postemployment benefits	5,761	-	-	-	5,761
Deferred maintenance	5,295,457	-	-	-	5,295,457
LCAP carryover	903,082	-	-	-	903,082
Site donation accounts	200,000	-	-	-	200,000
Compensated Absences	50,000	-	-	-	50,000
CTE match requirement	68,000	-	-	-	68,000
Other	-	2,027,866	-	174,263	2,202,129
Total assigned	<u>6,522,300</u>	<u>2,027,866</u>	<u>-</u>	<u>174,263</u>	<u>8,724,429</u>
Unassigned					
Reserve for economic uncertainties	1,523,918	-	-	-	1,523,918
Total	<u>\$ 21,035,953</u>	<u>\$ 2,433,680</u>	<u>\$ 19,167,940</u>	<u>\$ 6,959,355</u>	<u>\$ 49,596,928</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, 2021, the District contracted with SISC II 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 2021, the District participated in the SIPE, an insurance purchasing pool. The intent of the SIPE is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SIPE. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the name of SIPE. Each participant pays its workers' compensation premium based on its individual rate.

Employee Medical Benefits

The District has contracted with the SISC III to provide employee health benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

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, 2021, 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	\$ 39,706,122	\$ 8,855,161	\$ 2,945,106	\$ 5,034,937
CalPERS	14,185,955	2,442,133	302,864	2,735,746
Total	<u>\$ 53,892,077</u>	<u>\$ 11,297,294</u>	<u>\$ 3,247,970</u>	<u>\$ 7,770,683</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, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2021, 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	16.15%	16.15%
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% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were \$3,565,709.

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

At June 30, 2021, 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	\$ 39,706,122
State's proportionate share of the net pension liability	20,468,511
Total	\$ 60,174,633

The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, was 0.0410% and 0.0413%, respectively, resulting in a net decrease in the proportionate share of 0.0003%.

For the year ended June 30, 2021, the District recognized pension expense of \$5,034,937. In addition, the District recognized pension expense and revenue of \$2,867,437 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,565,709	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	404,292	1,825,325
Differences between projected and actual earnings on pension plan investments	943,188	-
Differences between expected and actual experience in the measurement of the total pension liability	70,063	1,119,781
Changes of assumptions	3,871,909	-
Total	\$ 8,855,161	\$ 2,945,106

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (575,528)
2023	321,362
2024	641,152
2025	556,202
Total	\$ 943,188

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
2022	\$ 717,935
2023	525,072
2024	689,239
2025	(218,784)
2026	(246,541)
Thereafter	(65,763)
Total	\$ 1,401,158

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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each 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, 2020, are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) 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%)	\$ 59,990,420
Current discount rate (7.10%)	39,706,122
1% increase (8.10%)	22,958,578

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, 2019 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, 2021, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

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, 2021, are presented above and the total District contributions were \$1,318,959.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$14,185,955. The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, was 0.0462% and 0.0462%, respectively, resulting in no change in the proportionate share.

For the year ended June 30, 2021, the District recognized pension expense of \$2,735,746. At June 30, 2021, 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	\$ 1,318,959	\$ -
Change in proportion and differences between contributions made and District’s proportionate share of contributions	72,267	302,864
Differences between projected and actual earnings on pension plan investments	295,307	-
Differences between expected and actual experience in the measurement of the total pension liability	703,580	-
Changes of assumptions	52,020	-
Total	\$ 2,442,133	\$ 302,864

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (110,511)
2023	98,571
2024	171,333
2025	135,914
Total	\$ 295,307

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
2022	\$ 412,597
2023	144,621
2024	(27,547)
2025	(4,668)
Total	\$ 525,003

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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 20,394,898
Current discount rate (7.15%)	14,185,955
1% increase (8.15%)	9,032,845

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 \$2,316,429 (10.328% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 13 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

Litigation

The District is involved in various 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 of the overall financial position of the District at June 30, 2021.

Construction Commitments

As of June 30, 2021, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Joe Nightingale - phase II	\$ 1,147,226	06/30/22
Lakeview - science classroom upgrade	15,874	06/30/22
Olga Reed - classroom modernization	129,979	06/30/22
Orcutt Academy High School - modernization	672,700	06/30/22
Orcutt Academy High School - science classroom renovation	784	06/30/22
Orcutt Academy High School - multi-purpose room	119,905	06/30/22
Orcutt Junior High School - science classroom renovation	7,202	06/30/22
Orcutt Junior High School - admin building	1,466,000	06/30/22
Pine Grove - parking lot	900,522	06/30/22
 Total	 <u><u>\$ 4,460,192</u></u>	

Note 14 - Participation in Joint Powers Authorities

The Orcutt Union School District participates in three joint ventures under joint powers agreements (JPAs): the Self-Insurance Program for Employees, the Self-Insured Schools of California II, and the Self-Insured Schools of California III. The relationships between the Orcutt Union School District and the JPAs are such that none of the JPAs are a component unit of the Orcutt Union School District for financial reporting purposes.

The JPAs are independently accountable for their fiscal matters. The insurance groups maintain their own accounting records. Budgets are not subject to any approval other than of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

Self-Insurance Program for Employees (SIPE)

SIPE was established to provide the services and other items necessary and appropriate for the development, operation, and maintenance of a self-insurance system for workers' compensation claims against the public educational agencies who are members thereof. The participants consist of the Office of the County Superintendent of Schools, school districts, and a community college. Each participant may appoint one representative to the governing board, the governing board is responsible for establishing premium rates and making budgeting decisions.

Self-Insured School of California II (SISC II)

SISC II arranges for and provides property and liability insurance for its member school districts. The Orcutt Union School District pays a premium commensurate with the level of coverage requested.

Self-Insured School of California III (SISC III)

SIPE III arranges for and provides health and welfare insurance for its member school districts. The Orcutt Union School District pays a premium commensurate with the level of health and welfare insurance provided.

The District made payments of \$288,814, \$502,627, and \$7,012,093 to SIPE, SISC II, and SISC III, respectively.

Note 15 - Restatement of Prior Year Net Position and Fund Balance

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. The following table describes the effects of the implementation on beginning fund balance/net position.

	Non-Major Governmental Funds	Total Governmental Funds
Beginning Fund Balance Previously Reported at June 30, 2020	\$ 11,629,982	\$ 55,057,264
Prior Period Adjustment - Implementation of GASB 84		
Reclassification of student activity funds from agency funds to a special revenue fund	37,632	37,632
Fund Balance Restated at July 1, 2020	\$ 11,667,614	\$ 55,094,896

The restatement of net position is identified as follows:

Governmental Activities	
Beginning Net Position Governmental Activities as Previously Reported at June 30, 2020	\$ (3,345,602)
Reclassification of student activity funds from agency funds to a special revenue fund	37,632
Net Position Restated at July 1, 2020	\$ (3,307,970)



Required Supplementary Information
June 30, 2021

Orcutt Union School District

Orcutt Union School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive (Negative)
				Final to Actual
Revenues				
Local Control Funding Formula	\$ 35,525,662	\$ 38,529,832	\$ 38,529,832	\$ -
Federal sources	1,944,880	4,097,103	4,048,106	(48,997)
Other State sources	3,631,016	5,297,038	5,297,037	(1)
Other local sources	3,394,350	3,034,779	3,105,825	71,046
Total revenues ¹	<u>44,495,908</u>	<u>50,958,752</u>	<u>50,980,800</u>	<u>22,048</u>
Expenditures				
Current				
Certificated salaries	19,462,900	19,485,004	19,485,004	-
Classified salaries	7,284,563	6,799,310	6,799,309	1
Employee benefits	11,841,568	13,546,097	13,546,098	(1)
Books and supplies	2,119,387	3,701,687	3,701,687	-
Services and operating expenditures	3,642,437	2,884,802	2,844,804	39,998
Other outgo	1,804,455	2,088,671	2,776,792	(688,121)
Capital outlay	169,410	21,353	21,353	-
Total expenditures ¹	<u>46,324,720</u>	<u>48,526,924</u>	<u>49,175,047</u>	<u>(648,123)</u>
Excess of Revenues				
Over Expenditures	<u>(1,828,812)</u>	<u>2,431,828</u>	<u>1,805,753</u>	<u>(626,075)</u>
Other Financing Sources (Uses)				
Transfers in	575,000	-	-	-
Transfers out	(427,398)	(1,622,213)	-	1,622,213
Net financing sources (uses)	<u>147,602</u>	<u>(1,622,213)</u>	<u>-</u>	<u>1,622,213</u>
Net Change in Fund Balances	(1,681,210)	809,615	1,805,753	996,138
Fund Balance - Beginning	<u>19,230,200</u>	<u>19,230,200</u>	<u>19,230,200</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 17,548,990</u>	<u>\$ 20,039,815</u>	<u>\$ 21,035,953</u>	<u>\$ 996,138</u>

¹ Due to the consolidation of Fund 14, Deferred Maintenance Fund and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

Orcutt Union School District
 Budgetary Comparison Schedule – Charter School Special Revenue Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Local Control Funding Formula	\$ 6,944,491	\$ 7,564,023	\$ 7,564,023	\$ -
Federal sources	-	302,550	302,550	-
Other State sources	563,824	907,744	907,744	-
Other local sources	175,481	123,128	123,130	2
Total revenues	<u>7,683,796</u>	<u>8,897,445</u>	<u>8,897,447</u>	<u>2</u>
Expenditures				
Current				
Certificated salaries	3,212,796	3,417,013	3,417,013	-
Classified salaries	494,903	506,153	506,153	-
Employee benefits	1,795,820	1,851,567	1,851,567	-
Books and supplies	367,568	472,808	472,808	-
Services and operating expenditures	2,380,979	2,160,243	2,160,243	-
Total expenditures	<u>8,252,066</u>	<u>8,407,784</u>	<u>8,407,784</u>	<u>-</u>
Net Change in Fund Balances	(568,270)	489,661	489,663	2
Fund Balance - Beginning	1,944,017	1,944,017	1,944,017	-
Fund Balance - Ending	<u>\$ 1,375,747</u>	<u>\$ 2,433,678</u>	<u>\$ 2,433,680</u>	<u>\$ 2</u>

Orcutt Union School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 329,053	\$ 530,760	\$ 641,330	\$ 624,166
Interest	511,448	540,240	557,439	408,468
Difference between expected and actual experience	-	(253,337)	-	-
Changes of assumptions	-	(442,521)	(787,928)	-
Benefit payments	(964,186)	(736,117)	(662,926)	(637,429)
Net change in total OPEB liability	(123,685)	(360,975)	(252,085)	395,205
Total OPEB Liability - Beginning	10,546,518	10,907,493	11,159,578	10,764,373
Total OPEB Liability - Ending (a)	<u>\$ 10,422,833</u>	<u>\$ 10,546,518</u>	<u>\$ 10,907,493</u>	<u>\$ 11,159,578</u>
Plan Fiduciary Net Position				
Employer Contributions	\$ 3,134,186	\$ 1,586,117	\$ 4,077,328	\$ 637,429
Actual Investment Income	715,785	192,259	85,360	-
Investment Gains/(Losses)	-	31,230	(74,788)	-
Benefit payments	(964,186)	(736,117)	(662,926)	(637,429)
Administrative expense	(14,282)	(9,598)	-	-
Net change in plan fiduciary net position	2,871,503	1,063,891	3,424,974	-
Plan Fiduciary Net Position - Beginning	4,488,865	3,424,974	-	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ 7,360,368</u>	<u>\$ 4,488,865</u>	<u>\$ 3,424,974</u>	<u>\$ -</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 3,062,465</u>	<u>\$ 6,057,653</u>	<u>\$ 7,482,519</u>	<u>\$ 11,159,578</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	70.62%	42.56%	31.40%	0.00%
Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Net OPEB Liability as a Percentage of Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

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

Orcutt Union School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2021

Year ended June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability	<u>0.0714%</u>	<u>0.0730%</u>	<u>0.0753%</u>	<u>0.0754%</u>
Proportionate share of the net OPEB liability	<u>\$ 302,553</u>	<u>\$ 271,953</u>	<u>\$ 288,222</u>	<u>\$ 317,280</u>
Covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>-0.71%</u>	<u>-0.81%</u>	<u>-0.40%</u>	<u>0.01%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Orcutt Union School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
CalSTRS					
Proportion of the net pension liability	0.0410%	0.0413%	0.0420%	0.0417%	0.0443%
Proportionate share of the net pension liability	\$ 39,706,122	\$ 37,283,867	\$ 38,556,718	\$ 38,523,730	\$ 35,807,180
State's proportionate share of the net pension liability	20,468,511	20,340,839	22,075,524	22,790,313	20,384,389
Total	<u>\$ 60,174,633</u>	<u>\$ 57,624,706</u>	<u>\$ 60,632,242</u>	<u>\$ 61,314,043</u>	<u>\$ 56,191,569</u>
Covered payroll	<u>\$ 22,134,784</u>	<u>\$ 22,448,262</u>	<u>\$ 22,311,247</u>	<u>\$ 23,242,234</u>	<u>\$ 20,829,795</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>179.38%</u>	<u>166.09%</u>	<u>172.81%</u>	<u>165.75%</u>	<u>171.90%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
CalPERS					
Proportion of the net pension liability	0.0462%	0.0462%	0.0456%	0.0455%	0.0477%
Proportionate share of the net pension liability	\$ 14,185,955	\$ 13,456,107	\$ 12,145,090	\$ 10,865,013	\$ 9,420,506
Covered payroll	<u>\$ 6,665,068</u>	<u>\$ 6,399,828</u>	<u>\$ 6,075,848</u>	<u>\$ 9,790,855</u>	<u>\$ 5,610,720</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>212.84%</u>	<u>210.26%</u>	<u>199.89%</u>	<u>110.97%</u>	<u>167.90%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016

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

Orcutt Union School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2016	2015
CaSTRS		
Proportion of the net pension liability	0.0452%	0.0426%
Proportionate share of the net pension liability	\$ 30,402,486	\$ 24,868,700
State's proportionate share of the net pension liability	16,079,564	15,016,795
Total	\$ 46,482,050	\$ 39,885,495
Covered payroll	\$ 20,005,788	23,953,830
Proportionate share of the net pension liability as a percentage of its covered payroll	151.97%	103.82%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
Measurement Date	June 30, 2015	June 30, 2014
CaPERS		
Proportion of the net pension liability	0.0473%	0.0463%
Proportionate share of the net pension liability	\$ 6,971,325	\$ 5,260,178
Covered payroll	\$ 5,023,048	5,942,471
Proportionate share of the net pension liability as a percentage of its covered payroll	138.79%	88.52%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%
Measurement Date	June 30, 2015	June 30, 2014

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

Orcutt Union School District
Schedule of the District Contributions
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
CaSTRS					
Contractually required contribution	\$ 3,565,709	\$ 3,785,048	\$ 3,654,577	\$ 3,219,513	\$ 2,923,873
Less contributions in relation to the contractually required contribution	<u>3,565,709</u>	<u>3,785,048</u>	<u>3,654,577</u>	<u>3,219,513</u>	<u>2,923,873</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 22,078,693</u>	<u>\$ 22,134,784</u>	<u>\$ 22,448,262</u>	<u>\$ 22,311,247</u>	<u>\$ 23,242,234</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>
CaIPERS					
Contractually required contribution	\$ 1,318,959	\$ 1,314,418	\$ 1,155,937	\$ 943,640	\$ 1,359,754
Less contributions in relation to the contractually required contribution	<u>1,318,959</u>	<u>1,314,418</u>	<u>1,155,937</u>	<u>943,640</u>	<u>1,359,754</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 6,371,783</u>	<u>\$ 6,665,068</u>	<u>\$ 6,399,828</u>	<u>\$ 6,075,848</u>	<u>\$ 9,790,855</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>

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

Orcutt Union School District
Schedule of the District Contributions
Year Ended June 30, 2021

	2016	2015
CaSTRS		
Contractually required contribution	\$ 2,235,037	\$ 1,776,514
Less contributions in relation to the contractually required contribution	2,235,037	1,776,514
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 20,829,795	\$ 20,005,788
Contributions as a percentage of covered payroll	10.73%	8.88%
CaIPERS		
Contractually required contribution	\$ 664,702	\$ 591,263
Less contributions in relation to the contractually required contribution	664,702	591,263
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 5,610,720	\$ 5,023,048
Contributions as a percentage of covered payroll	11.847%	11.771%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedules

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

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

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuation.
- *Changes of Assumptions* – There were no changes in changes of assumptions since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the 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 3.50% to 2.21% 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, 2021

Orcutt Union School District

Orcutt Union School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through Santa Barbara County Special Education Local Plan Area			
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	970,917
Special Education Preschool Grants	84.173	13430	<u>38,641</u>
Total Special Education Cluster			<u>1,009,558</u>
Title II, Part A, Supporting Effective Instruction	84.367	14341	37,129
Title I Grants to Local Educational Agencies - Basic Grants Low-Income Neglected	84.010	14329	529,175
Title III - Limited English Proficient (LEP) Student Program	84.365	14346	50,557
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	<u>17,889</u>
Child Care and Development Fund Cluster			
COVID-19 Child Care and Development Block Grant	93.575	15555	<u>13,230</u>
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	374,233
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	41,250
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	31,440
COVID-19 CARES Act Supplemental Meal Reimbursement	84.425C	15535	<u>60,614</u>
Subtotal			<u>507,537</u>
Total U.S. Department of Education			<u>2,165,075</u>
U.S. Department of Treasury			
Passed through California Department of Education			
COVID-19 Coronavirus Relief Fund	21.019	25516	<u>2,259,425</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	888,922
School Breakfast Program - Especially Needy Breakfast	10.553	13526	559,883
National School Lunch Program - Commodity Supplemental Food	10.555	13391	<u>247,521</u>
Total Child Nutrition Cluster			<u>1,696,326</u>
Total Federal Financial Assistance			<u><u>\$ 6,120,826</u></u>

ORGANIZATION

The Orcutt Union School District was established in 1884 and consists of an area comprising approximately 69.69 square miles. The District operates eight elementary schools, with grades kindergarten through eight, and one charter school, with grades kindergarten through twelve. There were no boundary changes during the current year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Melanie Waffle	President	2022
Mark Steller	Clerk	2022
Lisa Morinini	Member	2024
Liz Phillips	Member	2024
Shaun Henderson	Member	2022

ADMINISTRATION

NAME	TITLE
Dr. Holly Edds, Ed.D.	Superintendent
Ms. Susan Salucci	Assistant Superintendent, Human Resources
Mr. Joseph Dana	Assistant Superintendent, Educational Services
Dr. Nicholas Taylor	Assistant Superintendent, Business Services

Orcutt Union School District
 Schedule of Instructional Time
 Year Ended June 30, 2021

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	N/A	-	180	Complied
Grades 1 - 3					
Grade 1	180	N/A	-	180	Complied
Grade 2	180	N/A	-	180	Complied
Grade 3	180	N/A	-	180	Complied
Grades 4 - 8					
Grade 4	180	N/A	-	180	Complied
Grade 5	180	N/A	-	180	Complied
Grade 6	180	N/A	-	180	Complied
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied

Orcutt Academy Charter School

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	N/A	-	180	Complied
Grades 1 - 3					
Grade 1	180	N/A	-	180	Complied
Grade 2	180	N/A	-	180	Complied
Grade 3	180	N/A	-	180	Complied
Grades 4 - 8					
Grade 4	180	N/A	-	180	Complied
Grade 5	180	N/A	-	180	Complied
Grade 6	180	N/A	-	180	Complied
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied
Grades 9 - 12					
Grade 9	180	N/A	-	180	Complied
Grade 10	180	N/A	-	180	Complied
Grade 11	180	N/A	-	180	Complied
Grade 12	180	N/A	-	180	Complied

Orcutt Union School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2021

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2021.

Orcutt Union School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2021

	(Budget) 2022 ¹	2021	2020	2019
General Fund ³				
Revenues	\$ 53,994,349	\$ 50,958,752	\$ 49,846,953	\$ 50,677,579
Other sources	-	-	-	47,087
Total Revenues and Other Sources	<u>53,994,349</u>	<u>50,958,752</u>	<u>49,846,953</u>	<u>50,724,666</u>
Expenditures	50,484,839	46,331,388	44,119,920	48,344,562
Other uses and transfers out	2,881,707	3,777,749	2,853,575	-
Total Expenditures and Other Uses	<u>53,366,546</u>	<u>50,109,137</u>	<u>46,973,495</u>	<u>48,344,562</u>
Increase/(Decrease) in Fund Balance	<u>627,803</u>	<u>849,615</u>	<u>2,873,458</u>	<u>2,380,104</u>
Ending Fund Balance	<u>\$ 16,362,539</u>	<u>\$ 15,734,736</u>	<u>\$ 14,885,121</u>	<u>\$ 12,011,663</u>
Available Reserves ²	<u>\$ 1,610,000</u>	<u>\$ 1,523,918</u>	<u>\$ 1,409,204</u>	<u>\$ 1,449,829</u>
Available Reserves as a Percentage of Total Outgo	<u>3.02%</u>	<u>3.04%</u>	<u>3.00%</u>	<u>3.26%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 108,800,356</u>	<u>\$ 102,987,935</u>	<u>\$ 84,368,127</u>
K-12 Average Daily Attendance at P-2 ⁴	<u>4,112</u>	<u>4,105</u>	<u>4,105</u>	<u>4,180</u>

The General Fund balance has increased by \$3,723,073 over the past two years. The fiscal year 2021-2022 budget projects a further increase of \$627,803 (3.99%). For a district this size, the State recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years and anticipates incurring an operating surplus during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$24,432,229 over the past two years.

Average daily attendance has decreased by 75 over the past two years. Growth of 7 ADA is anticipated during fiscal year 2021-2022.

¹ Budget 2022 is included for analytical purposes only and has not been subjected to audit.

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

³ General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund and Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

⁴ Does not include Charter School.

Orcutt Union School District
Schedule of Charter Schools
Year Ended June 30, 2021

<u>Name of Charter School</u>	<u>Charter Number</u>	<u>Included in Audit Report</u>
Orcutt Academy Charter	0967	Yes

Orcutt Union School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets							
Deposits and investments	\$ 23,451	\$ 4,252	\$ 1,637,627	\$ 1,185,736	\$ 174,611	\$ 3,652,199	\$ 6,677,876
Receivables	-	38,867	329,271	40,171	165	3,191	411,665
Stores inventories	-	-	42,030	-	-	-	42,030
Total assets	\$ 23,451	\$ 43,119	\$ 2,008,928	\$ 1,225,907	\$ 174,776	\$ 3,655,390	\$ 7,131,571
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	\$ -	\$ 42,630	\$ -	\$ 513	-	\$ 43,143
Due to other funds	-	3,796	59,441	40,044	-	-	103,281
Unearned revenue	-	25,792	-	-	-	-	25,792
Total liabilities	-	29,588	102,071	40,044	513	-	172,216
Fund Balances							
Nonspendable	-	-	42,030	-	-	-	42,030
Restricted	23,451	13,531	1,864,827	1,185,863	-	3,655,390	6,743,062
Assigned	-	-	-	-	174,263	-	174,263
Total fund balances	23,451	13,531	1,906,857	1,185,863	174,263	3,655,390	6,959,355
Total liabilities and fund balances	\$ 23,451	\$ 43,119	\$ 2,008,928	\$ 1,225,907	\$ 174,776	\$ 3,655,390	\$ 7,131,571

Orcutt Union School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2021

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues								
Federal sources	\$ -	\$ 13,230	\$ 1,756,940	\$ -	\$ -	\$ -	\$ -	\$ 1,770,170
Other State sources	-	248,240	563,645	-	-	-	20,422	832,307
Other local sources	3,268	302	9,644	1,350,852	-	921	2,287,484	3,652,471
Total revenues	3,268	261,772	2,330,229	1,350,852	-	921	2,307,906	6,254,948
Expenditures								
Current								
Instruction	-	212,045	-	-	-	-	-	212,045
Instruction-related activities								
Supervision of instruction	-	9,132	-	-	-	-	-	9,132
School site administration	-	18,199	-	-	-	-	-	18,199
Pupil services								
Food services	-	-	1,916,115	-	-	-	-	1,916,115
Administration								
All other administration	-	8,865	58,000	40,044	-	-	-	106,909
Plant services	-	-	173	-	-	-	-	173
Ancillary services	17,449	-	-	-	-	-	-	17,449
Facility acquisition and construction	-	-	-	950	-	3,239	-	4,189
Debt service								
Principal	-	-	-	-	-	-	1,570,000	1,570,000
Interest and other	-	-	-	-	-	-	1,924,367	1,924,367
Total expenditures	17,449	248,241	1,974,288	40,994	-	3,239	3,494,367	5,778,578
Excess (Deficiency) of Revenues Over Expenditures	(14,181)	13,531	355,941	1,309,858	-	(2,318)	(1,186,461)	476,370
Other Financing Sources (Uses)								
Other sources	-	-	-	-	-	-	769,545	769,545
Net Change in Fund Balances	(14,181)	13,531	355,941	(4,644,316)	-	(2,318)	(416,916)	(4,708,259)
Fund Balance - Beginning	37,632	-	1,550,916	5,830,179	-	176,581	4,072,306	11,667,614
Fund Balance - Ending	\$ 23,451	\$ 13,531	\$ 1,906,857	\$ 1,185,863	\$ -	\$ 174,263	\$ 3,655,390	\$ 6,959,355

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 District under programs of the federal government for the year ended June 30, 2021. 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 financial position, or changes in net position or fund balance.

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, 2021, the District had no food commodities 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 Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Section 43504.

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 School District audit.

Non-Major Governmental Funds - Balance Sheet and 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, 2021

Orcutt 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 Board of Directors
Orcutt Union School District
Orcutt, 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 Orcutt Union School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated March 29, 2022.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 15 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
March 29, 2022



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

To the Board of Directors
Orcutt Union School District
Orcutt, California

Report on Compliance for the Major Federal Program

We have audited Orcutt Union School District’s (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District’s major federal program for the year ended June 30, 2021. The District’s major federal program is 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 the District’s major federal program 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 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 compliance for the major federal program. However, our audit does not provide a legal determination of the District’s compliance.

Opinion on the Major Federal Program

In our opinion, the 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 its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed name and date.

Rancho Cucamonga, California
March 29, 2022



Independent Auditor's Report on State Compliance

To the Board of Directors
Orcutt Union School District
Orcutt, California

Report on State Compliance

We have audited Orcutt Union School District's (the District) compliance with the types of compliance requirements described in the *2020-2021 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, 2021.

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 *2020-2021 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:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
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
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	No, see below

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

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

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

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

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 for Charter Schools because the ADA was under the level that requires testing

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, the District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Rancho Cucamonga, California
March 29, 2022



Schedule of Findings and Questioned Costs
June 30, 2021

Orcutt Union School District

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(a)	No

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/ Federal CFDA Number</u>
COVID-19 Coronavirus Relief Fund	21.019
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.