



Financial Statements  
June 30, 2022

# Orcutt Union School District



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## Independent Auditor's Report

To the Governing Board  
Orcutt Union School District  
Orcutt, California

### Report on the Audit of the Financial Statements

#### *Opinions*

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, 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.

#### *Basis for Opinions*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's net OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability, and schedule of the District's contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and

comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

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



Rancho Cucamonga, California  
January 30, 2023



# 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*  
SANDY KNIGHT  
*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, 2022, with comparative information for the year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### **The Financial Statements**

The financial statements presented herein include all of the activities of the 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 the governmental fund financial statements.

**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 \$8,069,292 for the fiscal year ended June 30, 2022. Of this amount, \$(25,863,778) 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	
	2022	2021
<b>Assets</b>		
Current and other assets	\$ 55,045,902	\$ 54,497,044
Capital assets	56,143,487	52,859,673
Total assets	111,189,389	107,356,717
Deferred outflows of resources	10,031,569	11,592,911
<b>Liabilities</b>		
Current liabilities	7,997,315	5,499,641
Long-term liabilities	81,460,846	108,800,356
Total liabilities	89,458,161	114,299,997
Deferred inflows of resources	23,693,505	4,615,458
<b>Net Position</b>		
Net investment in capital assets	20,313,387	20,801,795
Restricted	13,619,683	8,186,040
Unrestricted	(25,863,778)	(28,953,662)
Total net position	\$ 8,069,292	\$ 34,173

The \$(25,863,778) 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	
	2022	2021
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 434,335	\$ 808,017
Operating grants and contributions	13,900,205	14,172,691
General revenues		
Federal and State aid not restricted	30,864,518	29,903,594
Property taxes	21,233,693	19,491,591
Other general revenues	1,235,861	2,417,073
Total revenues	67,668,612	66,792,966
<b>Expenses</b>		
Instruction-related	38,775,344	44,067,206
Pupil services	6,750,739	5,959,274
Administration	2,745,981	2,781,704
Plant services	7,436,117	5,418,857
All other services	3,925,312	5,223,782
Total expenses	59,633,493	63,450,823
Change in net position	\$ 8,035,119	\$ 3,342,143

**Governmental Activities**

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$59,633,493. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$21,233,693 because the cost was paid by those who benefited from the programs (\$434,335) or by other governments and organizations who subsidized certain programs with grants and contributions (\$13,900,205). We paid for the remaining “public benefit” portion of our governmental activities with \$30,864,518 in State funds and with \$1,235,861 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	
	2022	2021	2022	2021
Instruction-related	\$ 38,775,344	\$ 44,067,206	\$ (29,541,474)	\$ (34,187,987)
Pupil services	6,750,739	5,959,274	(2,950,807)	(2,913,500)
Administration	2,745,981	2,781,704	(2,369,091)	(2,652,481)
Plant services	7,436,117	5,418,857	(7,230,710)	(5,233,118)
All other services	3,925,312	5,223,782	(3,206,871)	(3,483,029)
<b>Total</b>	<b>\$ 59,633,493</b>	<b>\$ 63,450,823</b>	<b>\$ (45,298,953)</b>	<b>\$ (48,470,115)</b>

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of \$47,658,055, which is a decrease of \$1,938,873 from last year (Table 4).

**Table 4**

Governmental Fund	Balances and Activity			
	June 30, 2021	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2022
General	\$ 21,035,953	\$ 54,802,261	\$ 52,608,102	\$ 23,230,112
Charter Schools	2,433,680	9,117,692	8,419,683	3,131,689
Building	19,167,940	(436,530)	5,183,184	13,548,226
Non-Major Governmental Funds	6,959,355	6,501,067	5,712,394	7,748,028
<b>Total</b>	<b>\$ 49,596,928</b>	<b>\$ 69,984,490</b>	<b>\$ 71,923,363</b>	<b>\$ 47,658,055</b>

**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 revenues increased due to the Pre-K Planning, Educator Effectiveness, and Kitchen/Training Infrastructure Grants.
- Expenditures increased due to spending down of Covid Relief funds, technology purchases, and safety equipment which included cameras at school sites.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2022, the District had \$56,143,487 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 \$3,283,814 or 6.21%, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2022	2021
Land and construction in progress	\$ 3,790,882	\$ 6,272,001
Buildings and improvements	50,250,652	43,821,923
Equipment	2,101,953	2,765,749
Total	\$ 56,143,487	\$ 52,859,673

This year’s major additions included:

Construction in progress at various school sites for repair and upgrades	\$ 5,126,395
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**Long-Term Liabilities**

At the end of this year, the District had \$81,460,846 in long-term liabilities outstanding versus \$108,800,356 last year, a decrease of 25.13%. Long-term liabilities consisted of:

**Table 6**

	Governmental Activities	
	2022	2021
Long-Term Liabilities		
General obligation bonds	\$ 47,220,000	\$ 48,755,000
Unamortized premiums	2,280,735	2,606,828
Compensated absences	176,588	181,433
Net OPEB liability	4,623,009	3,365,018
Aggregate net pension liability	27,160,514	53,892,077
Total	\$ 81,460,846	\$ 108,800,356

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

The District continues to prepare for declining enrollment but is taking measures to increase its unduplicated pupil count and increase average daily attendance. The rate of attendance is improving with the end of the pandemic.

The District has a multi-year plan to spend the COVID relief funding to address learning loss in our students, retain highly qualified staff, and make continuous improvements to our facilities which will be used by our students in the years to come.

While the economy continues to recover from the COVID pandemic and supply chain shortages, there is still uncertainty. Our district continues to closely monitor staffing ratios in order to ensure appropriate support for enrolled students. We will continue to face challenges in the coming years due to the Local Control Funding Formula, declining enrollment, increasing special education costs, and increasing staffing and pension costs.

**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. Mary Andrade, Director of Fiscal Services, at Orcutt Union School District, 500 Dyer Street, Orcutt, California, 93455, or e-mail at [mandrade@orcutt-schools.net](mailto:mandrade@orcutt-schools.net).

Orcutt Union School District  
Statement of Net Position  
June 30, 2022

	Governmental Activities
<b>Assets</b>	
Deposits and investments	\$ 50,118,471
Receivables	4,848,610
Stores inventories	78,821
Capital assets not depreciated	3,790,882
Capital assets, net of accumulated depreciation	52,352,605
Total assets	111,189,389
<b>Deferred Outflows of Resources</b>	
Deferred charge on refunding	122,409
Deferred outflows of resources related to OPEB	1,282,811
Deferred outflows of resources related to pensions	8,626,349
Total deferred outflows of resources	10,031,569
<b>Liabilities</b>	
Accounts payable	5,627,589
Interest payable	630,814
Unearned revenue	1,738,912
Current loans	-
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	1,205,000
Long-term liabilities other than OPEB and pensions due in more than one year	48,472,323
Net other postemployment benefits liability (OPEB)	4,623,009
Aggregate net pension liability	27,160,514
Total liabilities	89,458,161

Orcutt Union School District  
Statement of Net Position  
June 30, 2022

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Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	\$ 736,304
Deferred inflows of resources related to pensions	<u>22,957,201</u>
Total deferred inflows of resources	<u>23,693,505</u>
Net Position	
Net investment in capital assets	20,313,387
Restricted for	
Debt service	2,670,926
Capital projects	1,875,190
Educational programs	6,756,737
Food services	2,316,830
Unrestricted	<u>(25,863,778)</u>
Total net position	<u>\$ 8,069,292</u>



Orcutt Union School District  
Statement of Activities  
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction	\$ 31,832,063	\$ 258,760	\$ 7,431,506	\$ (24,141,797)
Instruction-related activities				
Supervision of instruction	2,162,281	13,571	685,670	(1,463,040)
Instructional library, media, and technology	1,453,298	-	126,950	(1,326,348)
School site administration	3,327,702	807	716,606	(2,610,289)
Pupil services				
Home-to-school transportation	1,200,731	-	210	(1,200,521)
Food services	2,349,569	-	2,870,169	520,600
All other pupil services	3,200,439	56,765	872,788	(2,270,886)
Administration				
All other administration	2,745,981	115	376,775	(2,369,091)
Plant services	7,436,117	-	205,407	(7,230,710)
Ancillary services	402,631	13,550	66,783	(322,298)
Community services	694,905	-	-	(694,905)
Interest on long-term liabilities	991,744	-	-	(991,744)
Other outgo	1,836,032	90,767	547,341	(1,197,924)
Total governmental activities	<u>\$ 59,633,493</u>	<u>\$ 434,335</u>	<u>\$ 13,900,205</u>	<u>(45,298,953)</u>
<b>General Revenues and Subventions</b>				
Property taxes, levied for general purposes				18,598,178
Property taxes, levied for debt service				2,635,515
Federal and State aid not restricted to specific purposes				30,864,518
Interest and investment earnings				(905,184)
Miscellaneous				2,141,045
Subtotal, general revenues and subventions				<u>53,334,072</u>
Change in Net Position				8,035,119
Net Position - Beginning				<u>34,173</u>
Net Position - Ending				<u>\$ 8,069,292</u>

Orcutt Union School District  
Balance Sheet – Governmental Funds  
June 30, 2022

	General Fund	Charter Schools Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Deposits and investments	\$ 23,475,789	\$ 3,171,672	\$ 14,256,369	\$ 7,315,089	\$ 48,218,919
Receivables	3,778,878	521,973	23,095	522,546	4,846,492
Due from other funds	370,946	283,071	-	10,060	664,077
Stores inventories	15,452	-	-	63,369	78,821
<b>Total assets</b>	<b>\$ 27,641,065</b>	<b>\$ 3,976,716</b>	<b>\$ 14,279,464</b>	<b>\$ 7,911,064</b>	<b>\$ 53,808,309</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 2,775,378	\$ 198,228	\$ 731,238	\$ 42,421	\$ 3,747,265
Due to other funds	293,131	276,123	-	94,823	664,077
Unearned revenue	1,342,444	370,676	-	25,792	1,738,912
<b>Total liabilities</b>	<b>4,410,953</b>	<b>845,027</b>	<b>731,238</b>	<b>163,036</b>	<b>6,150,254</b>
<b>Fund Balances</b>					
Nonspendable	30,952	-	-	63,369	94,321
Restricted	3,581,865	3,131,689	13,548,226	7,515,597	27,777,377
Committed	5,500,000	-	-	-	5,500,000
Assigned	5,849,828	-	-	169,062	6,018,890
Unassigned	8,267,467	-	-	-	8,267,467
<b>Total fund balances</b>	<b>23,230,112</b>	<b>3,131,689</b>	<b>13,548,226</b>	<b>7,748,028</b>	<b>47,658,055</b>
<b>Total liabilities and fund balances</b>	<b>\$ 27,641,065</b>	<b>\$ 3,976,716</b>	<b>\$ 14,279,464</b>	<b>\$ 7,911,064</b>	<b>\$ 53,808,309</b>

Total Fund Balance - Governmental Funds		\$ 47,658,055
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	\$ 86,273,773	
Accumulated depreciation is	<u>(30,130,286)</u>	
Net capital assets		56,143,487
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.		
		(630,814)
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 in the statement of net position.		
		21,346
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)	122,409	
Other postemployment benefits (OPEB)	1,282,811	
Net pension liability	<u>8,626,349</u>	
Total deferred outflows of resources		10,031,569
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)	(736,304)	
Net pension liability	<u>(22,957,201)</u>	
Total deferred inflows of resources		(23,693,505)
Expenditures relating to prepaid insurance on bond issuances were recognized on the modified accrual basis, but are amortized over the life of the debt on the accrual basis. The balance to amortize is reported on the Statement of Net Position as prepaid expense.		

Orcutt Union School District  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2022

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Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		\$ (27,160,514)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(4,623,009)
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	\$ (47,220,000)	
Unamortized debt premiums	(2,280,735)	
Compensated absences (vacations)	(176,588)	
Total long-term liabilities		(49,677,323)
Total net position - governmental activities		\$ 8,069,292

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

	General Fund	Charter Schools Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local Control Funding Formula	\$ 40,455,315	\$ 7,947,771	\$ -	\$ -	\$ 48,403,086
Federal sources	3,472,048	369	-	2,826,950	6,299,367
Other State sources	7,443,201	947,046	-	439,196	8,829,443
Other local sources	3,431,697	222,506	(436,530)	3,234,921	6,452,594
Total revenues	<u>54,802,261</u>	<u>9,117,692</u>	<u>(436,530)</u>	<u>6,501,067</u>	<u>69,984,490</u>
<b>Expenditures</b>					
<b>Current</b>					
Instruction	32,902,851	4,541,467	-	219,194	37,663,512
Instruction-related activities					
Supervision of instruction	2,173,446	208,646	-	17,745	2,399,837
Instructional library, media, and technology	1,459,304	79,187	-	-	1,538,491
School site administration	2,892,614	633,652	-	26,581	3,552,847
Pupil services					
Home-to-school transportation	1,175,029	99,641	-	-	1,274,670
Food services	10,991	-	-	2,401,613	2,412,604
All other pupil services	3,007,901	338,286	-	-	3,346,187
Administration					
All other administration	1,051,994	1,795,639	-	72,128	2,919,761
Plant services	4,395,750	484,128	-	11,274	4,891,152
Ancillary services	96,685	239,037	-	72,685	408,407
Community services	737,354	-	-	-	737,354
Other outgo	1,836,032	-	-	-	1,836,032
Facility acquisition and construction	868,151	-	5,183,184	-	6,051,335
Debt service					
Principal	-	-	-	1,535,000	1,535,000
Interest and other	-	-	-	1,356,174	1,356,174
Total expenditures	<u>52,608,102</u>	<u>8,419,683</u>	<u>5,183,184</u>	<u>5,712,394</u>	<u>71,923,363</u>
Net Change in Fund Balances	2,194,159	698,009	(5,619,714)	788,673	(1,938,873)
Fund Balance - Beginning	<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>
Fund Balance - Ending	<u>\$ 23,230,112</u>	<u>\$ 3,131,689</u>	<u>\$ 13,548,226</u>	<u>\$ 7,748,028</u>	<u>\$ 47,658,055</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, 2022

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Total Net Change in Fund Balances - Governmental Funds \$ (1,938,873)

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

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

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

Capital outlays	\$ 6,321,437
Depreciation expense	<u>(3,037,623)</u>

Net expense adjustment	3,283,814
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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. 4,845

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.

4,351,387

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.

496,397

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, 2022

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

Premium amortization	\$ 326,093
Deferred charge on refunding amortization	(13,601)

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	1,535,000
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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.

51,938

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.

(61,881)

Change in net position of governmental activities

\$ 8,035,119

Orcutt Union School District  
Statement of Net Position – Proprietary Funds  
June 30, 2022

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	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Current assets	
Deposits and investments	\$ 1,899,552
Receivables	<u>2,118</u>
Total current assets	<u>1,901,670</u>
Liabilities	
Current liabilities	
Accounts payable	<u>1,880,324</u>
Net Position	
Restricted	<u><u>\$ 21,346</u></u>



Orcutt Union School District  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
Year Ended June 30, 2022

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	Governmental Activities - Internal Service Fund
Nonoperating Revenues (Expenses)	
Fair market value adjustments	\$ (66,746)
Interest income	4,865
	(61,881)
Change in Net Position	
Total Net Position - Beginning	83,227
Total Net Position - Ending	\$ 21,346

Orcutt Union School District  
Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2022

	Governmental Activities - Internal Service Fund
Operating Activities	
Cash paid for employee benefits	\$ 7,808,261
Cash payments to other suppliers of goods or services	(7,853,736)
Net Cash From (Used for) Operating Activities	(45,475)
Investing Activities	
Interest on investments	4,865
Net Change in Cash and Cash Equivalents	(40,610)
Cash and Cash Equivalents, Beginning	1,940,162
Cash and Cash Equivalents, Ending	\$ 1,899,552
Reconciliation of Operating Income (Loss) to Net Cash From (Used for) Operating Activities	
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities	
Receivables	\$ 1,835
Accounts payable	(47,310)
Net Cash From (Used for) Operating Activities	\$ (45,475)

## **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 \$5,729,418.

**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 and amortization of leased assets. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net 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 governmental 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.

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

### **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.



### **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.

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.

### **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, 2022, fund balances of the governmental funds are classified as follows:

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

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

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

**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 \$13,619,683 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. 87**

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

The provisions of this Statement have been implemented as of June 30, 2022 and did not have a significant impact on the financial statements.

#### **Implementation of GASB Statement No. 92**

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

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

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.

- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022 and did not have a significant impact on the financial statements.

### **Implementation of GASB Statement No. 93**

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

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

The provisions of this Statement have been implemented as of June 30, 2022 and did not have a significant impact on the financial statements.

**Note 2 - Deposits and Investments**

**Summary of Deposits and Investments**

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

Governmental funds	\$ 48,218,919
Proprietary funds	<u>1,899,552</u>
Total deposits and investments	<u><u>\$ 50,118,471</u></u>

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

Cash on hand and in banks	\$ 43,706
Cash in revolving	15,500
Investments	<u>50,059,265</u>
Total deposits and investments	<u><u>\$ 50,118,471</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	\$ 50,059,265	664

### **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, 2022.

### **Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the District's bank balance was not exposed to custodial credit risk.

### **Note 3 - Fair Value Measurements**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

As of June 30, 2022, the District's investments of \$50,059,265 in the Santa Barbara County Treasury Investment Pool are uncategorized.



**Note 4 - Receivables**

Receivables at June 30, 2022, 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	\$ 2,175,408	\$ 31,809	\$ -	\$ 434,412	\$ -	\$ 2,641,629
State Government						
LCFF apportionment	306,445	416,464	-	-	-	722,909
Categorical aid	720,744	4,500	-	51,652	-	776,896
Lottery	244,699	45,788	-	-	-	290,487
Local Government						
Interest	8,341	4,472	23,095	11,039	2,118	49,065
Other local sources	323,241	18,940	-	25,443	-	367,624
 Total	 <u>\$ 3,778,878</u>	 <u>\$ 521,973</u>	 <u>\$ 23,095</u>	 <u>\$ 522,546</u>	 <u>\$ 2,118</u>	 <u>\$ 4,848,610</u>

**Note 5 - Capital Assets**

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

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 1,878,255	\$ -	\$ -	\$ 1,878,255
Construction in progress	4,393,746	5,126,395	(7,607,514)	1,912,627
<b>Total capital assets not being depreciated</b>	<b>6,272,001</b>	<b>5,126,395</b>	<b>(7,607,514)</b>	<b>3,790,882</b>
Capital assets being depreciated				
Buildings and improvements	65,721,535	8,584,358	-	74,305,893
Furniture and equipment	7,662,598	218,198	-	7,880,796
<b>Total capital assets being depreciated</b>	<b>73,384,133</b>	<b>8,802,556</b>	<b>-</b>	<b>82,186,689</b>
<b>Total capital assets</b>	<b>79,656,134</b>	<b>13,928,951</b>	<b>(7,607,514)</b>	<b>85,977,571</b>
Accumulated depreciation				
Buildings and improvements	(21,899,612)	(2,155,629)	-	(24,055,241)
Furniture and equipment	(4,896,849)	(881,994)	-	(5,778,843)
<b>Total accumulated depreciation</b>	<b>(26,796,461)</b>	<b>(3,037,623)</b>	<b>-</b>	<b>(29,834,084)</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 52,859,673</b>	<b>\$ 10,891,328</b>	<b>\$ (7,607,514)</b>	<b>\$ 56,143,487</b>

Depreciation and amortization expenses were charged as a direct expense to governmental functions as follows:

<b>Governmental Activities</b>	
Plant services	<u><u>\$ 3,037,623</u></u>

**Note 6 - Interfund Transactions**

**Interfund Receivables/Payables (Due To/Due From)**

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

Due To	Due From			Total
	General Fund	Charter Schools Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 276,123	\$ 94,823	\$ 370,946
Charter School Fund	283,071	-	-	283,071
Non-Major Governmental Funds	10,060	-	-	10,060
<b>Total</b>	<b>\$ 293,131</b>	<b>\$ 276,123</b>	<b>\$ 94,823</b>	<b>\$ 664,077</b>

The balance of \$283,071 is due to the Charter Schools Fund from the General Fund for charter in lieu of property taxes.

The balance of \$276,123 is due to the General Fund from the Charter Schools Fund for charter school fees.

A balance of \$59,311 is due to the General Fund from the Cafeteria Non-major Governmental Fund for indirect and fuel costs.

A balance of \$35,512 is due to the General Fund from the Child Development Non-Major Governmental Fund for indirect and salary 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.

**Note 7 - Accounts Payable**

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

	General Fund	Charter Schools Fund	Building Fund	Non-Major Governmental Funds	Proprietary Funds	Total
Vendor payables	\$ 853,221	\$ 8,799	\$ -	\$ 39,041	\$ 1,880,324	\$ 2,781,385
LCFF apportionment	1,915,955	175,614	-	-	-	2,091,569
Salaries and benefits	6,202	13,815	-	3,380	-	23,397
Construction	-	-	731,238	-	-	731,238
<b>Total</b>	<b>\$ 2,775,378</b>	<b>\$ 198,228</b>	<b>\$ 731,238</b>	<b>\$ 42,421</b>	<b>\$ 1,880,324</b>	<b>\$ 5,627,589</b>

**Note 8 - Unearned Revenue**

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

	General Fund	Charter Schools Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 742,350	\$ -	\$ -	\$ 742,350
State categorical aid	600,094	370,676	25,792	996,562
<b>Total</b>	<b>\$ 1,342,444</b>	<b>\$ 370,676</b>	<b>\$ 25,792</b>	<b>\$ 1,738,912</b>

**Note 9 - Long-Term Liabilities Other than OPEB and Pensions**

**Summary**

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

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due in One Year
<b>Long-Term Liabilities</b>					
General obligation bonds	\$ 48,755,000	\$ -	\$ (1,535,000)	\$ 47,220,000	\$ 1,205,000
Unamortized debt premiums	2,606,828	-	(326,093)	2,280,735	-
Compensated absences	181,433	-	(4,845)	176,588	-
<b>Total</b>	<b>\$ 51,543,261</b>	<b>\$ -</b>	<b>\$ (1,865,938)</b>	<b>\$ 49,677,323</b>	<b>\$ 1,205,000</b>

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.

Additions and deductions from compensated absences are reported to its net cumulative change in the current year.

**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, 2022	
				Outstanding July 1, 2021	Issued Redeemed		
03/01/2012	02/01/2031	2.00%-4.00%	\$ 4,150,000	\$ 215,000	\$ -	\$ -	
03/01/2012	08/01/2028	2.00%-3.50%	1,525,000	835,000	-	735,000	
07/15/2015	08/01/2030	3.25%	7,415,000	4,945,000	-	4,470,000	
06/28/2018	08/01/2048	3.25%-5.00%	15,210,000	13,410,000	-	13,410,000	
06/25/2020	08/01/2049	2.00%-4.00%	20,500,000	20,500,000	-	19,800,000	
06/25/2020	02/01/2031	.60%-1.80%	2,420,000	2,365,000	-	2,320,000	
03/16/2021	10/01/2023	5.00%	6,485,000	6,485,000	-	6,485,000	
				<b>\$ 48,755,000</b>	<b>\$ -</b>	<b>\$ (1,535,000)</b>	<b>\$ 47,220,000</b>

**Debt Service Requirements to Maturity**

The bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	1,155,000	1,192,629	2,347,629
2028-2032	5,115,000	5,382,562	10,497,562
2033-2037	4,325,000	4,540,044	8,865,044
2038-2042	7,320,000	3,450,653	10,770,653
2043-2047	10,985,000	2,098,778	13,083,778
2048-2050	7,665,000	342,650	8,007,650
Total	<u>\$ 47,220,000</u>	<u>\$ 22,558,614</u>	<u>\$ 69,778,614</u>

**Compensated Absences**

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to \$176,588.

**Note 10 - Net Other Postemployment Benefits (OPEB) Liability**

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

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 4,383,729	\$ 1,282,811	\$ 736,304	\$ (433,124)
Medicare Premium Payment (MPP) Program	239,280	-	-	(63,273)
Total	<u>\$ 4,623,009</u>	<u>\$ 1,282,811</u>	<u>\$ 736,304</u>	<u>\$ (496,397)</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, 2022, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	62
Active employees	161
	223
Total	223

**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, 2022, the District contributed \$932,081 to the Plan, all of which was used for current premiums.

## 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, 2022.

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 \$4,383,729 was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The components of the net OPEB liability of the District as of June 30, 2022, was as follows:

Total OPEB liability	\$ 10,801,251
Plan fiduciary net position	<u>(6,417,522)</u>
 Net OPEB liability	 <u><u>\$ 4,383,729</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 <u><u>59.41%</u></u>

### Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	4.75 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, 2022, valuation were based on the results of an actuarial experience study for the period of July 1, 2021 to June 30, 2022.

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, 2022, (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	7.5%
US Small Cap	7.5%
Long-Term Corporate Bonds	4.3%
Long-Term Government Bonds	4.3%
Short-Term Government Fixed	3.0%

#### **Discount Rate**

The discount rate used to measure the total OPEB liability was 4.75%. 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, 2021	\$ 10,422,833	\$ 7,360,368	\$ 3,062,465
Service cost	338,102	-	338,102
Interest	506,292	(921,679)	1,427,971
Employer Contributions	-	932,081	(932,081)
Changes of assumptions	127,132	-	127,132
Experience (Gains)/Losses	338,973	-	338,973
Benefit payments	(932,081)	(932,081)	-
Administrative expense	-	(21,167)	21,167
Net change in total OPEB liability	378,418	(942,846)	1,321,264
Balance, June 30, 2022	<u>\$ 10,801,251</u>	<u>\$ 6,417,522</u>	<u>\$ 4,383,729</u>

There were no changes to benefit terms noted from the prior evaluation.

Changes of assumptions and other inputs reflect a change in the inflation rate from 2.75% in 2021 to 2.50% in 2022 and investment rate of return from 5.00% in 2021 to 4.75% in 2022.

**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 (3.75%)	\$ 4,906,845
Current discount rate (4.75%)	4,383,729
1% increase (5.75%)	3,884,553

**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 Rate	Net OPEB Liability
1% decrease (3.0%)	\$ 3,679,109
Current healthcare cost trend rate (4.0%)	4,383,729
1% increase (5.0%)	5,176,727

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$(496,397). At June 30, 2022, 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	\$ 404,347	\$ 175,601
Changes of assumptions	107,136	560,703
Net difference between projected and actual earnings on OPEB plan investments	771,328	-
Total	\$ 1,282,811	\$ 736,304

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 879
2024	(14,068)
2025	115,661
2026	332,376
2027	74,547
Thereafter	37,112
Total	\$ 546,507

## **Medicare Premium Payment (MPP) Program**

### **Plan Description**

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

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

### **Benefits Provided**

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

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

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

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

At June 30, 2022, the District reported a liability of \$239,280 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020 was 0.0600% and 0.0714%, respectively, resulting in a(n) net decrease in the proportionate share of 0.0114%.

For the year ended June 30, 2022, the District recognized OPEB expense of \$(63,273).

### Actuarial Methods and Assumptions

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

Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2020	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.16%	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2020, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

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

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

### Discount Rate

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

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

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

Discount Rate	Net OPEB Liability
1% decrease (1.16%)	\$ 263,752
Current discount rate (2.16%)	239,280
1% increase (3.16%)	218,370

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 217,597
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	239,280
1% increase (5.50% Part A and 6.40% Part B)	264,138

**Note 11 - Fund Balances**

Fund balances composed of the following elements:

	General Fund	Charter Schools Fund	Building Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 15,500	\$ -	\$ -	\$ -	\$ 15,500
Stores inventories	15,452	-	-	63,369	78,821
Total nonspendable	<u>30,952</u>	<u>-</u>	<u>-</u>	<u>63,369</u>	<u>94,321</u>
<b>Restricted</b>					
Legally restricted programs	3,581,865	3,131,689	-	2,338,667	9,052,221
Capital projects	-	-	13,548,226	1,875,190	15,423,416
Debt services	-	-	-	3,301,740	3,301,740
Total restricted	<u>3,581,865</u>	<u>3,131,689</u>	<u>13,548,226</u>	<u>7,515,597</u>	<u>27,777,377</u>
<b>Committed</b>					
Technology update	1,000,000	-	-	-	1,000,000
Textbook adoption	1,000,000	-	-	-	1,000,000
TK expansion planning	1,500,000	-	-	-	1,500,000
Strategic planning	2,000,000	-	-	-	2,000,000
Total committed	<u>5,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,500,000</u>
<b>Assigned</b>					
Postemployment benefits	5,588	-	-	-	5,588
Deferred maintenance	5,723,830	-	-	-	5,723,830
Compensated Absences	50,000	-	-	-	50,000
CTE match requirement	70,410	-	-	-	70,410
Capital projects	-	-	-	169,062	169,062
Other	-	-	-	-	-
Total assigned	<u>5,849,828</u>	<u>-</u>	<u>-</u>	<u>169,062</u>	<u>6,018,890</u>
<b>Unassigned</b>					
Reserve for economic uncertainties	8,057,030	-	-	-	8,057,030
Remaining unassigned	210,437	-	-	-	210,437
Total	<u>\$ 23,230,112</u>	<u>\$ 3,131,689</u>	<u>\$ 13,548,226</u>	<u>\$ 7,748,028</u>	<u>\$ 47,658,055</u>

## **Note 12 - Risk Management**

### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2022, the District contracted with 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 2022, 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 13 - Employee Retirement Systems**

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



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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 18,161,961	\$ 6,677,244	\$ 18,855,491	\$ 502,346
CalPERS	8,998,553	1,949,105	4,101,710	748,030
Total	<u>\$ 27,160,514</u>	<u>\$ 8,626,349</u>	<u>\$ 22,957,201</u>	<u>\$ 1,250,376</u>

The details of each plan are as follows:

### California State Teachers' Retirement System (CalSTRS)

#### Plan Description

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

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

#### Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	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	16.92%	16.92%
Required employer contribution rate	10.828%	10.828%
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, 2022, are presented above and the District's total contributions were \$3,958,205.

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

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

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 18,161,961
State's proportionate share of the net pension liability	9,138,394
Total	\$ 27,300,355

The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, was 0.0399% and 0.0410%, respectively, resulting in a net decrease in the proportionate share of 0.0011%.

For the year ended June 30, 2022, the District recognized pension expense of \$502,346. In addition, the District recognized pension expense and revenue of \$312,659 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,958,205	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	100,185	2,556,102
Differences between projected and actual earnings on pension plan investments	-	14,366,578
Differences between expected and actual experience in the measurement of the total pension liability	45,497	1,932,811
Changes of assumptions	2,573,357	-
Total	\$ 6,677,244	\$ 18,855,491

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
2023	\$ (3,648,250)
2024	(3,336,957)
2025	(3,419,768)
2026	(3,961,603)
Total	\$ (14,366,578)

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
2023	\$ 98,523
2024	260,456
2025	(616,794)
2026	(644,603)
2027	(466,637)
Thereafter	(400,819)
Total	\$ (1,769,874)

#### Actuarial Methods and Assumptions

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

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

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
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 of 7.10% and assume that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 36,971,251
Current discount rate (7.10%)	18,161,961
1% increase (8.10%)	2,550,608

## California Public Employees Retirement System (CalPERS)

### Plan Description

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

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

### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	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	22.91%	22.91%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total District contributions were \$1,643,558.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$8,998,553. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, was 0.0443% and 0.0462%, respectively, resulting in net decrease in the proportionate share of 0.0019%.

For the year ended June 30, 2022, the District recognized pension expense of \$748,030. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,643,558	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	36,917	627,121
Differences between projected and actual earnings on pension plan investments	-	3,453,376
Differences between expected and actual experience in the measurement of the total pension liability	268,630	21,213
Total	\$ 1,949,105	\$ 4,101,710

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
2023	\$ (866,103)
2024	(796,460)
2025	(830,362)
2026	(960,451)
Total	\$ (3,453,376)

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
2023	\$ (7,281)
2024	(173,365)
2025	(147,844)
2026	(14,297)
Total	\$ (342,787)



### Actuarial Methods and Assumptions

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

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

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

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

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

**Discount Rate**

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 15,172,823
Current discount rate (7.15%)	8,998,553
1% increase (8.15%)	3,872,583

**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 \$2,566,656 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

**Note 14 - Commitments and Contingencies**

**Grants**

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

**Litigation**

The District is 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, 2022.

**Construction Commitments**

As of June 30, 2022, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Orcutt Academy HS Multi-Use Room Building	\$ 9,449,045	September 2023
Joe Nightingale Ext. Painting	57,000	January 2023
Total	\$ 9,506,045	

**Note 15 - 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 \$341,284, \$482,592, and \$4,549,951 to SIPE, SISC II, and SISC III, respectively.



Required Supplementary Information  
June 30, 2022

## Orcutt Union School District

Orcutt Union School District  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive (Negative)
				Final to Actual
<b>Revenues</b>				
Local Control Funding Formula	\$ 38,738,909	\$ 40,455,315	\$ 40,455,315	\$ -
Federal sources	4,092,719	2,629,987	3,472,048	842,061
Other State sources	5,157,024	7,443,201	7,443,201	-
Other local sources	2,752,361	4,435,628	3,431,697	(1,003,931)
Total revenues <sup>1</sup>	<u>50,741,013</u>	<u>54,964,131</u>	<u>54,802,261</u>	<u>(161,870)</u>
<b>Expenditures</b>				
Current				
Certificated salaries	19,284,293	21,506,409	21,506,409	-
Classified salaries	6,899,251	8,153,089	8,153,090	(1)
Employee benefits	11,677,079	13,329,739	13,329,740	(1)
Books and supplies	3,833,578	3,045,588	3,045,587	1
Services and operating expenditures	3,016,579	3,610,819	3,610,818	1
Other outgo	2,002,078	1,764,066	2,720,368	(956,302)
Capital outlay	55,636	242,090	242,090	-
Total expenditures <sup>1</sup>	<u>46,768,494</u>	<u>51,651,800</u>	<u>52,608,102</u>	<u>(956,302)</u>
Excess of Revenues				
Over Expenditures	<u>3,972,519</u>	<u>3,312,331</u>	<u>2,194,159</u>	<u>(1,118,172)</u>
Other Financing Sources (Uses)				
Transfers out	<u>(3,604,185)</u>	<u>(1,546,373)</u>	<u>-</u>	<u>1,546,373</u>
Net Change in Fund Balances	368,334	1,765,958	2,194,159	428,201
Fund Balance - Beginning	<u>21,035,953</u>	<u>21,035,953</u>	<u>21,035,953</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 21,404,287</u>	<u>\$ 22,801,911</u>	<u>\$ 23,230,112</u>	<u>\$ 428,201</u>

<sup>1</sup> 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 Schools Special Revenue Fund  
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local Control Funding Formula	\$ 8,325,494	\$ 7,947,771	\$ 7,947,771	\$ -
Federal sources	32,201	369	369	-
Other State sources	1,015,053	947,046	947,046	-
Other local sources	171,501	222,506	222,506	-
Total revenues	<u>9,544,249</u>	<u>9,117,692</u>	<u>9,117,692</u>	<u>-</u>
<b>Expenditures</b>				
<b>Current</b>				
Certificated salaries	3,676,145	3,484,362	3,484,362	-
Classified salaries	599,855	572,760	572,761	1
Employee benefits	1,844,940	1,756,901	1,756,899	(2)
Books and supplies	598,083	245,710	245,710	-
Services and operating expenditures	2,472,166	2,359,951	2,359,951	-
Total expenditures	<u>9,191,189</u>	<u>8,419,684</u>	<u>8,419,683</u>	<u>(1)</u>
Net Change in Fund Balances	353,060	698,008	698,009	1
Fund Balance - Beginning	<u>2,433,680</u>	<u>2,433,680</u>	<u>2,433,680</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 2,786,740</u>	<u>\$ 3,131,688</u>	<u>\$ 3,131,689</u>	<u>\$ 1</u>

Orcutt Union School District

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

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 338,102	\$ 329,053	\$ 530,760	\$ 641,330	\$ 624,166
Interest	506,292	511,448	540,240	557,439	408,468
Difference between expected and actual experience	-	-	(253,337)	-	-
Changes of assumptions	127,132	-	(442,521)	(787,928)	-
Experience (Gains)/Losses	338,973	-	-	-	-
Benefit payments	(932,081)	(964,186)	(736,117)	(662,926)	(637,429)
Net change in total OPEB liability	378,418	(123,685)	(360,975)	(252,085)	395,205
Total OPEB Liability - Beginning	10,422,833	10,546,518	10,907,493	11,159,578	10,764,373
Total OPEB Liability - Ending (a)	<u>\$ 10,801,251</u>	<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	\$ 932,081	\$ 3,134,186	\$ 1,586,117	\$ 4,077,328	\$ 637,429
Actual Investment Income	(921,679)	715,785	192,259	85,360	-
Investment Gains/(Losses)	-	-	31,230	(74,788)	-
Benefit payments	(932,081)	(964,186)	(736,117)	(662,926)	(637,429)
Administrative expense	(21,167)	(14,282)	(9,598)	-	-
Net change in plan fiduciary net position	(942,846)	2,871,503	1,063,891	3,424,974	-
Plan Fiduciary Net Position - Beginning	7,360,368	4,488,865	3,424,974	-	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ 6,417,522</u>	<u>\$ 7,360,368</u>	<u>\$ 4,488,865</u>	<u>\$ 3,424,974</u>	<u>\$ -</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 4,383,729</u>	<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	59.41%	70.62%	42.56%	31.40%	0.00%
Covered Payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Net OPEB Liability as a Percentage of Covered Payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

<sup>1</sup> 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, 2022

Year ended June 30,	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability	<u>0.0600%</u>	<u>0.0714%</u>	<u>0.0730%</u>	<u>0.0753%</u>	<u>0.0754%</u>
Proportionate share of the net OPEB liability	<u>\$ 239,280</u>	<u>\$ 302,553</u>	<u>\$ 271,953</u>	<u>\$ 288,222</u>	<u>\$ 317,280</u>
Covered payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>-0.80%</u>	<u>-0.71%</u>	<u>-0.81%</u>	<u>-0.40%</u>	<u>0.01%</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>CaISTRS</b>					
Proportion of the net pension liability	0.0399%	0.0410%	0.0413%	0.0420%	0.0417%
Proportionate share of the net pension liability	\$ 18,161,961	\$ 39,706,122	\$ 37,283,867	\$ 38,556,718	\$ 38,523,730
State's proportionate share of the net pension liability	9,138,394	20,468,511	20,340,839	22,075,524	22,790,313
Total	<u>\$ 27,300,355</u>	<u>\$ 60,174,633</u>	<u>\$ 57,624,706</u>	<u>\$ 60,632,242</u>	<u>\$ 61,314,043</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>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>82.26%</u>	<u>179.38%</u>	<u>166.09%</u>	<u>172.81%</u>	<u>165.75%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>87%</u>	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<b>CalPERS</b>					
Proportion of the net pension liability	0.0443%	0.0462%	0.0462%	0.0456%	0.0455%
Proportionate share of the net pension liability	\$ 8,998,553	\$ 14,185,955	\$ 13,456,107	\$ 12,145,090	\$ 10,865,013
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>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>141.23%</u>	<u>212.84%</u>	<u>210.26%</u>	<u>199.89%</u>	<u>110.97%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81%</u>	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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, 2022

	2017	2016	2015
<b>CaISTRS</b>			
Proportion of the net pension liability	0.0443%	0.0452%	0.0426%
Proportionate share of the net pension liability	\$ 35,807,180	\$ 30,402,486	\$ 24,868,700
State's proportionate share of the net pension liability	20,384,389	16,079,564	15,016,795
Total	\$ 56,191,569	\$ 46,482,050	\$ 39,885,495
Covered payroll	\$ 20,829,795	\$ 20,005,788	23,953,830
Proportionate share of the net pension liability as a percentage of its covered payroll	171.90%	151.97%	103.82%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
<b>CaIPERS</b>			
Proportion of the net pension liability	0.0477%	0.0473%	0.0463%
Proportionate share of the net pension liability	\$ 9,420,506	\$ 6,971,325	\$ 5,260,178
Covered payroll	\$ 5,610,720	\$ 5,023,048	5,942,471
Proportionate share of the net pension liability as a percentage of its covered payroll	167.90%	138.79%	88.52%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%
Measurement Date	June 30, 2016	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's Contributions  
Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>					
Contractually required contribution	\$ 3,958,205	\$ 3,565,709	\$ 3,785,048	\$ 3,654,577	\$ 3,219,513
Less contributions in relation to the contractually required contribution	<u>3,958,205</u>	<u>3,565,709</u>	<u>3,785,048</u>	<u>3,654,577</u>	<u>3,219,513</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 23,393,647</u>	<u>\$ 22,078,693</u>	<u>\$ 22,134,784</u>	<u>\$ 22,448,262</u>	<u>\$ 22,311,247</u>
Contributions as a percentage of covered payroll	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>
<b>CalPERS</b>					
Contractually required contribution	\$ 1,643,558	\$ 1,318,959	\$ 1,314,418	\$ 1,155,937	\$ 943,640
Less contributions in relation to the contractually required contribution	<u>1,643,558</u>	<u>1,318,959</u>	<u>1,314,418</u>	<u>1,155,937</u>	<u>943,640</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 7,173,976</u>	<u>\$ 6,371,783</u>	<u>\$ 6,665,068</u>	<u>\$ 6,399,828</u>	<u>\$ 6,075,848</u>
Contributions as a percentage of covered payroll	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>

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

Orcutt Union School District  
Schedule of the District's Contributions  
Year Ended June 30, 2022

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CaSTRS</b>			
Contractually required contribution	\$ 2,923,873	\$ 2,235,037	\$ 1,776,514
Less contributions in relation to the contractually required contribution	<u>2,923,873</u>	<u>2,235,037</u>	<u>1,776,514</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 23,242,234</u>	<u>\$ 20,829,795</u>	<u>\$ 20,005,788</u>
Contributions as a percentage of covered payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CaIPERS</b>			
Contractually required contribution	\$ 1,359,754	\$ 664,702	\$ 591,263
Less contributions in relation to the contractually required contribution	<u>1,359,754</u>	<u>664,702</u>	<u>591,263</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 9,790,855</u>	<u>\$ 5,610,720</u>	<u>\$ 5,023,048</u>
Contributions as a percentage of covered payroll	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

## **Note 1 - Purpose of Schedules**

### **Budgetary Comparison Schedules**

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

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

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

### **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 benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.21% to 2.16% since the previous valuation.

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

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

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

### **Schedule of the District's Contributions**

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



Supplementary Information  
June 30, 2022

# Orcutt Union School District



Orcutt Union School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing 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	\$ 981,796
Special Education Preschool Grants	84.173A	13430	38,676
COVID-19 Special Education ARP Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	96,213
Total Special Education Cluster			<u>1,116,685</u>
Title II, Part A, Supporting Effective Instruction	84.367	14341	236,708
Supporting Effective Instruction State Grants - Teacher Quality	84.010	14329	544,597
English Language Acquisition State Grants - LEP	84.365	14346	72,132
Student Support and Academic Enrichment Program	84.424	15396	<u>30,808</u>
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	26,796
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	103,966
COVID-19 Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D	15618	257,481
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	56,405
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	<u>184,778</u>
Subtotal			<u>629,426</u>
Total U.S. Department of Education			<u>2,630,356</u>
U.S. Federal Communications Commission			
Passed through Universal Service Administration Company			
COVID-19 Emergency Connectivity Fund Program	32.009	[1]	<u>842,061</u>
U.S. Department of Health and Human Services Human Services			
Passed through California Department of Education			
Child Care and Development Block Grant Cluster			
COVID-19 Child Development Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act One-time Stipend	93.575	15555	<u>13,230</u>
Total Child Care and Development Block Grant Cluster			<u>13,230</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	1,938,023
COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.555	15637	35,678
National School Lunch Program - Commodity Supplemental Food	10.555	13391	<u>239,577</u>
Subtotal			<u>2,213,278</u>
School Breakfast Program - Especially Needy Breakfast	10.553	13526	<u>376,260</u>
Total Child Nutrition Cluster			<u>2,589,538</u>
COVID-19 Pandemic EBT Local Administrative Grant	10.649	15644	<u>3,063</u>
Passed Through California Department of Social Services			
Child and Adult Care Food Program	10.558	13393	<u>220,462</u>
Total U.S. Department of Agriculture			<u>2,813,063</u>
Total Federal Financial Assistance			<u>\$ 6,298,710</u>

[1] Federal Financial Assistance Listing/Federal CFDA Number not available

## 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
Mark Steller	President	2022
Shaun Henderson	Clerk	2022
Melanie Waffle	Member	2022
Lisa Morinini	Member	2024
Liz Phillips	Member	2024

## ADMINISTRATION

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

Orcutt Union School District  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2022

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,465.84	1,464.02
Fourth through sixth	1,192.43	1,196.50
Seventh and eighth	926.94	920.94
Total Regular ADA	3,585.21	3,581.46
Extended Year Special Education		
Transitional kindergarten through third	2.53	2.53
Fourth through sixth	1.25	1.25
Seventh and eighth	0.91	0.91
Total Extended Year Special Education	4.69	4.69
Total ADA	3,589.90	3,586.15
<b>Orcutt Academy Charter</b>		
Regular ADA		
Transitional kindergarten through third	55.11	50.33
Fourth through sixth	42.26	42.36
Seventh and eighth	29.38	29.38
Ninth through twelfth	563.03	566.98
Total Regular ADA	689.78	689.05
Classroom Based ADA		
Transitional kindergarten through third	55.11	50.33
Fourth through sixth	42.26	42.36
Seventh and eighth	29.38	29.38
Ninth through twelfth	563.03	566.98
Total Classroom Based ADA	689.78	689.05

Orcutt Union School District  
 Schedule of Instructional Time  
 Year Ended June 30, 2022

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	46,395	-	46,395	180	-	180	-	-	-	Complied
Grades 1 - 3	50,400										
Grade 1		51,865	-	51,865	180	-	180	-	-	-	Complied
Grade 2		51,865	-	51,865	180	-	180	-	-	-	Complied
Grade 3		51,865	-	51,865	180	-	180	-	-	-	Complied
Grades 4 - 8	54,000										
Grade 4		54,017	-	54,017	180	-	180	-	-	-	Complied
Grade 5		54,030	-	54,030	180	-	180	-	-	-	Complied
Grade 6		54,030	-	54,030	180	-	180	-	-	-	Complied
Grade 7		54,050	-	54,050	180	-	180	-	-	-	Complied
Grade 8		54,050	-	54,050	180	-	180	-	-	-	Complied

Orcutt Union School District  
 Schedule of Instructional Time  
 Year Ended June 30, 2022

**Orcutt Academy Charter**

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	55,520	-	55,520	180	-	180	-	-	-	Complied
Grades 1 - 3	50,400										
Grade 1		55,520	-	55,520	180	-	180	-	-	-	Complied
Grade 2		55,520	-	55,520	180	-	180	-	-	-	Complied
Grade 3		55,520	-	55,520	180	-	180	-	-	-	Complied
Grades 4 - 8	54,000										
Grade 4		55,520	-	55,520	180	-	180	-	-	-	Complied
Grade 5		55,520	-	55,520	180	-	180	-	-	-	Complied
Grade 6		55,520	-	55,520	180	-	180	-	-	-	Complied
Grade 7		54,804	-	54,804	180	-	180	-	-	-	Complied
Grade 8		54,804	-	54,804	180	-	180	-	-	-	Complied
Grades 9 - 12	64,800										
Grade 9		64,800	-	64,800	180	-	180	-	-	-	Complied
Grade 10		64,800	-	64,800	180	-	180	-	-	-	Complied
Grade 11		64,800	-	64,800	180	-	180	-	-	-	Complied
Grade 12		64,800	-	64,800	180	-	180	-	-	-	Complied

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

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2022.

Orcutt Union School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2022

	(Budget) 2023 <sup>1</sup>	2022	2021 <sup>1</sup>	2020 <sup>1</sup>
General Fund <sup>3</sup>				
Revenues	\$ 56,155,886	\$ 54,964,132	\$ 50,958,752	\$ 49,846,953
Other sources	-	-	-	-
Total Revenues and Other Sources	<u>56,155,886</u>	<u>54,964,132</u>	<u>50,958,752</u>	<u>49,846,953</u>
Expenditures	54,650,556	49,815,769	46,331,388	44,119,920
Other uses and transfers out	1,647,321	3,382,405	3,777,749	2,853,575
Total Expenditures and Other Uses	<u>56,297,877</u>	<u>53,198,174</u>	<u>50,109,137</u>	<u>46,973,495</u>
Increase/(Decrease) in Fund Balance	<u>(141,991)</u>	<u>1,765,958</u>	<u>849,615</u>	<u>2,873,458</u>
Ending Fund Balance	<u>\$ 17,358,703</u>	<u>\$ 17,500,694</u>	<u>\$ 15,734,736</u>	<u>\$ 14,885,121</u>
Available Reserves <sup>2</sup>	<u>\$ 8,918,229</u>	<u>\$ 8,267,467</u>	<u>\$ 1,523,918</u>	<u>\$ 1,409,204</u>
Available Reserves as a Percentage of Total Outgo	<u>15.84%</u>	<u>15.54%</u>	<u>3.04%</u>	<u>3.00%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 81,460,846</u>	<u>\$ 8,800,356</u>	<u>\$ 102,987,935</u>
K-12 Average Daily Attendance at P-2 <sup>4</sup>	<u>3,593</u>	<u>3,590</u>	<u>4,105</u>	<u>4,105</u>

The General Fund balance has increased by \$2,615,573 over the past two years. The fiscal year 2022-2023 budget a decrease of \$141,991 (0.81%). 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 deficit during the 2022-2023 fiscal year. Total long-term liabilities have decreased by \$21,527,089 over the past two years.

Average daily attendance has decreased by 515 over the past two years. Growth of 3 ADA is anticipated during fiscal year 2022-2023.

<sup>1</sup> Financial information for 2023, 2021, and 2020 are included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> 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.

<sup>4</sup> Does not include Charter School.

Orcutt Union School District  
Schedule of Charter Schools  
Year Ended June 30, 2022

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<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, 2022

	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
<b>Assets</b>							
Deposits and investments	\$ 21,435	\$ 14,177	\$ 1,967,553	\$ 1,846,910	\$ 168,033	\$ 3,296,981	\$ 7,315,089
Receivables	-	45,866	443,374	28,280	267	4,759	522,546
Due from other funds	-	9,298	-	-	762	-	10,060
Stores inventories	-	-	63,369	-	-	-	63,369
<b>Total assets</b>	<b>\$ 21,435</b>	<b>\$ 69,341</b>	<b>\$ 2,474,296</b>	<b>\$ 1,875,190</b>	<b>\$ 169,062</b>	<b>\$ 3,301,740</b>	<b>\$ 7,911,064</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ -	\$ 7,635	\$ 34,786	\$ -	\$ -	\$ -	\$ 42,421
Due to other funds	-	35,512	59,311	-	-	-	94,823
Unearned revenue	-	25,792	-	-	-	-	25,792
<b>Total liabilities</b>	<b>-</b>	<b>68,939</b>	<b>94,097</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>163,036</b>
<b>Fund Balances</b>							
Nonspendable	-	-	63,369	-	-	-	63,369
Restricted	21,435	402	2,316,830	1,875,190	-	3,301,740	7,515,597
Assigned	-	-	-	-	169,062	-	169,062
<b>Total fund balances</b>	<b>21,435</b>	<b>402</b>	<b>2,380,199</b>	<b>1,875,190</b>	<b>169,062</b>	<b>3,301,740</b>	<b>7,748,028</b>
<b>Total liabilities and fund balances</b>	<b>\$ 21,435</b>	<b>\$ 69,341</b>	<b>\$ 2,474,296</b>	<b>\$ 1,875,190</b>	<b>\$ 169,062</b>	<b>\$ 3,301,740</b>	<b>\$ 7,911,064</b>

Orcutt Union School District

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

	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
<b>Revenues</b>							
Federal sources	\$ -	\$ -	\$ 2,826,950	\$ -	\$ -	\$ -	\$ 2,826,950
Other State sources	-	272,052	145,112	-	-	22,032	439,196
Other local sources	70,669	101	(35,629)	689,489	(5,201)	2,515,492	3,234,921
Total revenues	70,669	272,153	2,936,433	689,489	(5,201)	2,537,524	6,501,067
<b>Expenditures</b>							
<b>Current</b>							
Instruction	-	219,194	-	-	-	-	219,194
Instruction-related activities							
Supervision of instruction	-	17,745	-	-	-	-	17,745
School site administration	-	26,581	-	-	-	-	26,581
Pupil services							
Food services	-	-	2,401,613	-	-	-	2,401,613
Administration							
All other administration	-	14,190	57,776	162	-	-	72,128
Plant services	-	7,572	3,702	-	-	-	11,274
Ancillary services	72,685	-	-	-	-	-	72,685
Debt service							
Principal	-	-	-	-	-	1,535,000	1,535,000
Interest and other	-	-	-	-	-	1,356,174	1,356,174
Total expenditures	72,685	285,282	2,463,091	162	-	2,891,174	5,712,394
Net Change in Fund Balances	(2,016)	(13,129)	473,342	689,327	(5,201)	(353,650)	788,673
Fund Balance - Beginning	23,451	13,531	1,906,857	1,185,863	174,263	3,655,390	6,959,355
Fund Balance - Ending	\$ 21,435	\$ 402	\$ 2,380,199	\$ 1,875,190	\$ 169,062	\$ 3,301,740	\$ 7,748,028

**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, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the 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, 2022, the District had no food commodities in inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of COVID-19 Child Development Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act One-time Stipend funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, Child and Adult Care Food Program (CACFP) funds have been recorded in the current period as revenues that have not been expended as of June 30, 2022. These unspent balances are reported as legally restricted ending balances within the General Fund and Cafeteria Fund.

	Assistance Listing Number	Amount
Description		
Total Federal Revenues reported on the financial statements		\$ 6,299,367
Child and Adult Care Food Program (CACFP)	10.558	(13,887)
COVID-19 Child Development Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act One-time Stipend	93.575	13,230
Total federal financial assistance		\$ 6,298,710

### **Local Education Agency Organization Structure**

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

### **Schedule of Average Daily Attendance (ADA)**

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

### **Schedule of Instructional Time**

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

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

### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

### **Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

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

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



Independent Auditor's Reports  
June 30, 2022

# 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 Governing Board  
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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 30, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on 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 Sully LLP".

Rancho Cucamonga, California  
January 30, 2023



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

To the Governing Board  
Orcutt Union School District  
Orcutt, California

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

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

We have audited Orcutt Union School District’s (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2022. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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

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

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

#### ***Responsibilities of Management for Compliance***

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



## ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

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

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

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

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

*Eide Bailly LLP*

Rancho Cucamonga, California  
January 30, 2023



## Independent Auditor's Report on State Compliance

To the Governing Board  
Orcutt Union School District  
Orcutt, California

### Report on Compliance

#### *Opinion on State Compliance*

We have audited Orcutt Union School District's (the District) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2022.

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

#### *Basis for Opinion*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state 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 state 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 compliance requirements as identified in the table below that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

**Compliance Requirements Tested**

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

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	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
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program	Yes

	Procedures Performed
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	No, see below
In Person Instruction Grant	Yes
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes - Classroom Based	Yes
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.

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

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

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

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

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

For the 2021-2022 school year, Independent Study – Course Based does not apply to School Districts as a result of distance learning, therefore, we did not perform any procedures related to the Independent Study – Course Based Program.

The District was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

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

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.

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

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

Rancho Cucamonga, California  
January 30, 2023



Schedule of Findings and Questioned Costs  
June 30, 2022

# 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>Assistance Listing Number</u>
COVID-19 Education Stabilization Fund Child Nutrition Cluster	84.425C, 84.425D, 84.425U 10.553, 10.555
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**State Compliance**

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

None reported.

None reported.

None reported.

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