



Financial Statements
June 30, 2024

Kerman Unified School District

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Independent Auditor's Report

To the Governing Board
Kerman Unified School District
Kerman, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kerman Unified School District (the District) as of and for the year ended June 30, 2024, 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 Kerman Unified School District, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 total 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 GAAS, 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 GAAS. 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 Information

Management is responsible for the other information included in the financial statements. The other information comprises the Local Education Agency Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Fresno, California
December 5, 2024



Kerman Unified School District

Gordon Pacheco, District Superintendent
Kraig L. Magnussen, Assistant Superintendent/Chief Business Official
Gabe Melgoza, Assistant Superintendent Personnel
Sandeep Jaspal, Assistant Superintendent Educational Services

Board of Trustees
Daniel Babshoff
Maria S. Cantu
Julie Gragnani
Kindra Melgoza
Jim Volkoff

This section of Kerman Unified 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, 2024, with comparative information for the fiscal year ended June 30, 2023. 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 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. 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 governmental activities.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified 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 Kerman Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

In the *Statement of Net Position* and the *Statement of Activities*, we 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, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

FINANCIAL HIGHLIGHTS

- The District's total net position increased from \$112 million to \$134 million.
- The District's governmental activities revenues decreased from \$128 million to \$122 million.
- The District's governmental activities expenses increased from \$89 million to \$101 million.
- The General Fund reported a minimal change in fund balance from prior year.
- The Building Fund reported a decrease in fund balance this year of \$8.5 million.
- The Special Reserve Fund for Capital Outlay Projects reported a decrease in fund balance this year of \$11 million.
- The remaining funds reported an overall decrease in fund balance this year of \$1.7 million.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$133,500,429 for the fiscal year ended June 30, 2024. Of this amount, \$36,416,925 was restricted. 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 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	
	2024	2023
Assets		
Current and other assets	\$ 97,235,286	\$ 120,737,867
Capital assets	165,369,621	122,555,528
Total assets	262,604,907	243,293,395
Deferred Outflows of Resources	26,261,487	22,141,158
Liabilities		
Current liabilities	12,143,025	14,514,593
Long-term liabilities	128,912,483	124,108,302
Total liabilities	141,055,508	138,622,895
Deferred Inflows of Resources	14,310,457	14,567,293
Net Position		
Net investment in capital assets	121,817,901	86,682,152
Restricted	36,416,925	36,747,219
Unrestricted (deficit)	(24,734,397)	(11,185,006)
Total net position	\$ 133,500,429	\$ 112,244,365

The \$133,500,429 in net 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*. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2024	2023
Revenues		
Program revenues		
Charges for services and sales	\$ 968,954	\$ 530,360
Operating grants and contributions	30,801,311	32,508,094
Capital grants and contributions	10,879	329,454
General revenues		
Federal and State aid not restricted	73,632,643	68,653,526
Property taxes	11,006,761	10,296,617
Other general revenues	5,468,367	15,562,120
Total revenues	<u>121,888,915</u>	<u>127,880,171</u>
Expenses		
Instruction-related	63,287,903	55,538,384
Pupil services	14,475,159	12,622,297
Administration	7,610,371	6,627,630
Plant services	10,324,739	9,485,714
All other services	4,934,679	4,365,030
Total expenses	<u>100,632,851</u>	<u>88,639,055</u>
Change in net position	<u>\$ 21,256,064</u>	<u>\$ 39,241,116</u>

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$100,632,851. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$11,006,761 because the cost was paid by those who benefited from the programs of \$968,954 or by other governments and organizations who subsidized certain programs with grants and contributions of \$30,821,190. We paid for the remaining "public benefit" portion of our governmental activities with \$79,101,010 in Federal and State unrestricted funds, and other revenues, including interest and general entitlements.

In Table 3, we have presented the net cost of each of the District's largest functions. 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	
	2024	2023	2024	2023
Instruction-related	\$ 63,287,903	\$ 55,538,384	\$ (42,877,028)	\$ (30,910,370)
Pupil services	14,475,159	12,622,297	(8,480,716)	(7,333,177)
Administration	7,610,371	6,627,630	(5,941,291)	(3,752,464)
Plant services	10,324,739	9,485,714	(6,904,324)	(9,273,349)
All other services	4,934,679	4,365,030	(4,648,348)	(4,001,787)
Total	<u>\$ 100,632,851</u>	<u>\$ 88,639,055</u>	<u>\$ (68,851,707)</u>	<u>\$ (55,271,147)</u>

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$85,092,261, which is a decrease of \$21,131,013 from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	July 1, 2023	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2024
General	\$ 46,027,805	\$ 109,851,690	\$ 109,851,512	\$ 46,027,983
Student Activities	1,743,917	321,911	281,993	1,783,835
Child Development	269,955	1,138,526	949,579	458,902
Cafeteria	5,770,722	5,314,774	5,997,264	5,088,232
Deferred Maintenance	22,621	1,024,398	1,012,915	34,104
Building	8,511,195	488,447	8,999,642	-
Capital Facilities	3,057,265	446,446	2,096,330	1,407,381
County School Facilities	47,026	10,879	-	57,905
Special Reserve Fund for Capital Outlay Projects	37,992,047	8,640,934	19,543,943	27,089,038
Bond Interest and Redemption	2,780,721	3,320,460	2,956,300	3,144,881
Total	<u>\$ 106,223,274</u>	<u>\$ 130,558,465</u>	<u>\$ 151,689,478</u>	<u>\$ 85,092,261</u>

The fund balance in the General Fund experienced minimal change from the prior year. The fund balance in the Building Fund decreased by \$8,511,195 and the Special Reserve Fund for Capital Outlay Projects decreased by \$10,903,009 primarily due to ongoing capital projects. The remaining funds reflected a decrease of \$1,716,987.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. A schedule showing the District’s original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

The District budgeted a decrease in General Fund balance of \$1,791,793. Revenues and sources in were \$523,820 less than budgeted and expenditures and transfers out were \$2,315,791 less than budgeted, leaving the fund with an increase of \$178.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2024, the District had \$165,369,621 in a broad range of capital assets and right-to-use assets, (net of depreciation and amortization expenses), including land, buildings, furniture, equipment, right-to use leased assets, and right-to-use subscription IT assets. This amount represents a net increase (including additions, deductions, depreciation, and amortization expense) of \$42,814,093 (Table 5).

Table 5

	Governmental Activities	
	2024	2023
Land and construction in progress	\$ 83,904,047	\$ 42,315,576
Buildings and improvements	77,128,783	77,317,215
Equipment	2,807,136	2,494,269
Right-to-use leased assets	867,299	428,468
Right-to-use subscription IT assets	662,356	-
Total	<u>\$ 165,369,621</u>	<u>\$ 122,555,528</u>

We present more detailed information about our capital assets and right-to-use assets in the Notes to Financial Statements.

Long-Term Liabilities

At June 30, 2024, the District had \$128,912,483 in long-term liabilities outstanding versus \$124,108,302 last year, an increase of \$4,804,191 which was primarily due to the pension liability. The liabilities consisted of:

Table 6

	Governmental Activities	
	2024	2023
Long-Term Liabilities		
General obligation bonds	\$ 54,785,611	\$ 54,965,316
Unamortized premiums	2,336,214	2,528,247
Leases	803,184	354,799
Subscription-based IT arrangements	151,070	-
Supplemental retirement plan	376,400	564,600
Compensated absences	88,205	79,306
Net OPEB liability	10,167,768	12,439,838
Aggregate net pension liability	60,204,031	53,176,196
Total	<u>\$ 128,912,483</u>	<u>\$ 124,108,302</u>

SIGNIFICANT EVENTS OF FISCAL YEAR 2023-2024 ARE NOTED BELOW

During this post-pandemic era, we are focused on being innovative in how we revolutionize teaching methods, provide social and emotional support, enhance technology for our growing network, and construct our new elementary school. We are proceeding cautiously despite the influx of funds, as many of these funds are one-time allocations.

STUDENT ACHIEVEMENT

The District is prioritizing English Learner (EL) students and addressing the social-emotional needs of all students. In addition to the California Assessment of Student Performance and Progress (CAASPP) data, we continue to emphasize local benchmarks to closely monitor student progress, allowing teachers to make necessary instructional adjustments. The District remains committed to meeting the rigorous demands of the California Common Core State Standards, as outlined in the goals set by the Board of Trustees.

We are working closely with the Fresno County Superintendent of Schools (FCSS) in the following areas:

- Integrated ELD in Math for 2nd and 3rd grade
- Integrated ELD in Science for 6th grade
- Integrated and Designated ELD for K-12 SpEd
- Discovery Science for 3rd-5th grades
- Instructional Technology (scheduled by individual sites, led by Jessica Peterson)
- Leadership Coaching (scheduled by individual sites, led by Zeke Gutierrez & Stacy Percell)

- SBAC Teacher Toolkit Training for 3rd-6th grade and 7th-12th grade ELA and Math teachers
- K-12 Music
- Arts Education
- 7th-12th Grade Science PLCs
- 9th-12th Grade Math PLCs
- 8th Grade Math NIC Year 2
- Visual Arts PLC

In addition to the FCSS professional development (PD) sessions, the following PD has also been provided:

Workshops for instructional paraprofessionals in the areas of Special Education, English Learners, Social-Emotional Learning, and Technology

The District, in coordination with FCSS, has also established two Improvement Teams:

1. **English Learner Improvement Team** (comprising FCSS staff, district administrators, and EL site leads)
2. **Students with Disabilities (SWD) Improvement Team** (comprising FCSS staff, district administrators, special education teachers, general education teachers, and school psychologists)

These teams are developing long-term plans to improve academic achievement and graduation rates for EL and SWD students.

The District has collaborated with parents, staff, and the community to implement a spending plan that aligns with the eight state priorities embedded in the Local Control Funding Formula (LCFF) and Common Core funds. Clear learning goals provide a shared vision for all stakeholders. These goals will support our aim of ensuring that all students meet college and career readiness standards and are prepared to succeed in a global economy.

Student achievement is measured using multiple assessment methods for accountability purposes. Pre-assessments are used to determine what students already know, formative assessments gauge student learning as new standards are introduced, interim assessments are flexible and provide actionable feedback, and summative assessments evaluate learning outcomes for the entire year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cecilia Belmontes, Director of Fiscal Services, at (559) 843-9007.

Kraig Magnussen, Assistant Superintendent/CBO
Kerman Unified School District
15218 W. Whitesbridge Avenue
Kerman, California 93630

Kerman Unified School District
Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Deposits and investments	\$ 92,207,372
Receivables	4,946,764
Stores inventories	81,150
Capital assets not depreciated or amortized	83,904,047
Capital assets, net of accumulated depreciation and amortization	<u>81,465,574</u>
Total assets	<u>262,604,907</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	4,505,456
Deferred outflows of resources related to pensions	<u>21,756,031</u>
Total deferred outflows of resources	<u>26,261,487</u>
Liabilities	
Accounts payable	11,425,726
Unearned revenue	717,299
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	1,782,728
OPEB liability due in one year	322,156
Long-term liabilities other than OPEB and pensions due in more than one year	56,757,956
Net other postemployment benefits liability (OPEB)	9,845,612
Aggregate net pension liabilities	<u>60,204,031</u>
Total liabilities	<u>141,055,508</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	10,964,306
Deferred inflows of resources related to pensions	<u>3,346,151</u>
Total deferred inflows of resources	<u>14,310,457</u>
Net Position	
Net investment in capital assets	121,817,901
Restricted for	
Debt service	3,144,881
Capital projects	1,465,286
Educational programs	24,967,946
Child nutrition	5,054,977
Student activities	1,783,835
Unrestricted (deficit)	<u>(24,734,397)</u>
Total net position	<u>\$ 133,500,429</u>

Kerman Unified School District

Statement of Activities

Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 54,920,346	\$ 15,541	\$19,179,160	\$ 10,879	\$ (35,714,766)
Instruction-related activities					
Supervision of instruction	1,376,547	-	576,658	-	(799,889)
Instructional library, media, and technology	1,266,741	-	23,988	-	(1,242,753)
School site administration	5,724,269	-	604,649	-	(5,119,620)
Pupil services					
Home-to-school transportation	3,446,138	-	187,112	-	(3,259,026)
Food services	4,423,266	297,560	3,502,254	-	(623,452)
All other pupil services	6,605,755	6,592	2,000,925	-	(4,598,238)
Administration					
Data processing	2,523,966	-	120,274	-	(2,403,692)
All other administration	5,086,405	6,698	1,542,108	-	(3,537,599)
Plant services	10,324,739	642,563	2,777,852	-	(6,904,324)
Ancillary services	1,422,524	-	246,192	-	(1,176,332)
Interest on long-term liabilities	2,780,688	-	-	-	(2,780,688)
Other outgo	731,467	-	40,139	-	(691,328)
Total governmental activities	<u>\$ 100,632,851</u>	<u>\$ 968,954</u>	<u>\$30,801,311</u>	<u>\$ 10,879</u>	<u>(68,851,707)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					7,769,469
Property taxes, levied for debt service					3,237,292
Federal and State aid not restricted to specific purposes					73,632,643
Interest and investment earnings					4,028,976
Miscellaneous					<u>1,439,391</u>
Subtotal, general revenues and subventions					<u>90,107,771</u>
Change in Net Position					21,256,064
Net Position - Beginning					<u>112,244,365</u>
Net Position - Ending					<u>\$ 133,500,429</u>

Kerman Unified School District

Balance Sheet – Governmental Funds

June 30, 2024

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 57,181,926	\$ 142	\$ 22,391,448	\$ 12,633,856	\$ 92,207,372
Receivables	4,027,284	-	187,479	732,001	4,946,764
Due from other funds	177,703	-	7,000,142	263,192	7,441,037
Stores inventories	47,895	-	-	33,255	81,150
Total assets	\$ 61,434,808	\$ 142	\$ 29,579,069	\$ 13,662,304	\$ 104,676,323
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 7,491,060	\$ -	\$ 2,490,031	\$ 1,444,635	\$ 11,425,726
Due to other funds	7,262,847	142	-	178,048	7,441,037
Unearned revenue	652,918	-	-	64,381	717,299
Total liabilities	15,406,825	142	2,490,031	1,687,064	19,584,062
Fund Balances					
Nonspendable	52,895	-	-	33,255	86,150
Restricted	24,509,044	-	-	11,907,881	36,416,925
Committed	1,729,356	-	-	-	1,729,356
Assigned	8,751,537	-	27,089,038	34,104	35,874,679
Unassigned	10,985,151	-	-	-	10,985,151
Total fund balances	46,027,983	-	27,089,038	11,975,240	85,092,261
Total liabilities and fund balances	\$ 61,434,808	\$ 142	\$ 29,579,069	\$ 13,662,304	\$ 104,676,323

Kerman Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2024

Total Fund Balance - Governmental Funds	\$ 85,092,261
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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	\$ 224,575,916
Accumulated depreciation and amortization is	<u>(59,206,295)</u>

Net capital assets	165,369,621
--------------------	-------------

Deferred outflows of resources represent a consumption of net
position in a future period and is not reported in the governmental
funds. Deferred outflows of resources amounted to and related to

Other postemployment benefits (OPEB)	4,505,456
Net pension liability	<u>21,756,031</u>

Total deferred outflows of resources	26,261,487
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Deferred inflows of resources represent an acquisition of net position
that applies to a future period and is not reported in the governmental
funds. Deferred inflows of resources amount to and related to

Other postemployment benefits (OPEB)	(10,964,306)
Net pension liability	<u>(3,346,151)</u>

Total deferred inflows of resources	(14,310,457)
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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.	(60,204,031)
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The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.	(10,167,768)
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Long-term liabilities are not due and payable in the current period
and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of

General obligation bonds including unamortized premiums	(42,597,466)
Leases	(803,184)
Subscription-based IT arrangements	(151,070)
Compensated absences	(88,205)
Special termination benefits payable	(376,400)

In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(14,524,359)</u>
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Total long-term liabilities	<u>(58,540,684)</u>
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Total net position - governmental activities	<u><u>\$ 133,500,429</u></u>
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Kerman Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2024

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula (LCFF)	\$ 78,309,449	\$ -	\$ -	\$ 1,000,000	\$ 79,309,449
Federal sources	8,792,388	-	-	3,703,833	12,496,221
Other State sources	14,336,786	-	-	2,028,954	16,365,740
Other local sources	6,968,439	488,447	1,640,934	4,844,607	13,942,427
Total revenues	108,407,062	488,447	1,640,934	11,577,394	122,113,837
Expenditures					
Current					
Instruction	53,549,031	-	-	704,372	54,253,403
Instruction-related activities					
Supervision of instruction	1,413,728	-	-	-	1,413,728
Instructional library, media, and technology	1,251,512	-	-	-	1,251,512
School site administration	5,547,456	-	-	110,673	5,658,129
Pupil services					
Home-to-school transportation	2,640,710	-	-	-	2,640,710
Food services	118,160	-	-	4,005,563	4,123,723
All other pupil services	6,594,130	-	-	49,615	6,643,745
Administration					
Data processing	2,439,293	-	-	-	2,439,293
All other administration	5,033,037	-	-	173,208	5,206,245
Plant services	8,838,352	-	-	1,047,543	9,885,895
Ancillary services	1,140,874	-	-	281,993	1,422,867
Other outgo	731,467	-	-	-	731,467
Facility acquisition and construction	12,704,496	8,999,642	19,543,943	3,965,114	45,213,195

Kerman Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2024

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Expenditures					
Debt service					
Principal	845,173	-	-	1,669,251	2,514,424
Interest and other	4,093	-	-	1,287,049	1,291,142
Total expenditures	102,851,512	8,999,642	19,543,943	13,294,381	144,689,478
Excess (Deficiency) of Revenues Over Expenditures	5,555,550	(8,511,195)	(17,903,009)	(1,716,987)	(22,575,641)
Other Financing Sources (Uses)					
Transfers in	-	-	7,000,000	-	7,000,000
Sources from leases	607,000	-	-	-	607,000
Sources from SBITAs	837,628	-	-	-	837,628
Transfers out	(7,000,000)	-	-	-	(7,000,000)
Net Financing Sources (Uses)	(5,555,372)	-	7,000,000	-	1,444,628
Net Change in Fund Balances	178	(8,511,195)	(10,903,009)	(1,716,987)	(21,131,013)
Fund Balance - Beginning	46,027,805	8,511,195	37,992,047	13,692,227	106,223,274
Fund Balance - Ending	\$ 46,027,983	\$ -	\$ 27,089,038	\$ 11,975,240	\$ 85,092,261

Kerman Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2024

Total Net Change in Fund Balances - Governmental Funds	\$ (21,131,013)
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Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Capital outlay 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 expense in the Statement of Activities.

This is the amount by which capital outlay exceed depreciation and amortization expense in the period.

Depreciation and amortization expense	\$ (4,578,788)
Capital outlay	<u>47,392,881</u>

Net expense adjustment	42,814,093
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The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was	(1,489,546)
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Right-to-use leased assets acquired this year were financed with leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.	(607,000)
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Right-to-use subscription IT assets acquired this year were financed with Subscription-Based IT Arrangements (SBITAs). The amount financed by the SBITAs is reported in the governmental funds as a source of financing. On the other hand, the SBITAs are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.	(837,628)
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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.	(8,899)
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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.	183,160
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Kerman Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2024

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.

(561,760)

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

192,033

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

1,669,251

Supplemental employee retirement plan

188,200

Leases

158,615

Subscription-based IT arrangements

686,558

Change in net position of governmental activities

\$ 21,256,064

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Kerman Unified School District (the District) was established on July 1, 1983, 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 four elementary schools, one middle school, one high school, and one continuation/opportunity school.

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Fund for Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase in fund balance of \$8,751,537.

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.

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

Non-Major Governmental Funds

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

- **Student Activities Fund** The Student Activities Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

For financial reporting purposes, the District has consolidated the Student Activities Fund (SACS Fund 08) and the Foundation Private-Purpose Trust Fund (SACS Fund 73) while keeping the funds and related activities separate for internal reporting purposes. The Student Activities Fund will reflect an increase in ending fund balance of \$1,679,887 from this consolidation.

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

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

- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

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

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

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation of capital assets 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 is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial

statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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 expenses, are not recognized in the governmental funds but are recognized in the government-wide statements.

Investments

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

The District's investment in the county treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool are not required to be categorized within the fair value hierarchy.

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.

Capital Assets, Depreciation, and Amortization

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

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

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, 2024.

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

The District records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Liabilities

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

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

Premiums

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities fund statement of net position. Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, debt premiums are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Leases

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

Subscriptions

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

Fund Balances - Governmental Funds

As of June 30, 2024, 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 one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than ten 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 \$36,416,925 of restricted net position.

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the Statement of Activities.

Estimates

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

Property Tax

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

Note 2 - Deposits and Investments**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2024, are classified in the accompanying financial statements as follows:

Governmental funds	<u>\$ 92,207,372</u>
--------------------	----------------------

Deposits and investments as of June 30, 2024, consist of the following:

Cash on hand and in banks	\$ 108,948
Cash in revolving	5,000
Investments	<u>92,093,424</u>
Total deposits and investments	<u>\$ 92,207,372</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 has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$92,093,424 in the Fresno County Treasury Investment Pool that has an average weighted maturity of 782 days.

Credit Risk

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

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2024, none of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Receivables

Receivables at June 30, 2024, consisted of intergovernmental grants, entitlements, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 2,929,455	\$ -	\$ 499,057	\$ 3,428,512
State Government				
Other state grants	359,870	-	141,704	501,574
and entitlements	737,959	187,479	91,240	1,016,678
Local Sources				
Total	<u>\$ 4,027,284</u>	<u>\$ 187,479</u>	<u>\$ 732,001</u>	<u>\$ 4,946,764</u>

Note 4 - Capital Assets

Capital assets activity for the fiscal year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Governmental Activities				
Capital assets not being depreciated or amortized				
Land	\$ 7,823,906	\$ -	\$ -	\$ 7,823,906
Construction in progress	34,491,670	45,125,222	(3,536,751)	76,080,141
Total capital assets not being depreciated or amortized	42,315,576	45,125,222	(3,536,751)	83,904,047
Capital assets being depreciated and amortized				
Land improvements	11,408,493	1,183,139	-	12,591,632
Buildings and improvements	114,857,524	2,358,742	-	117,216,266
Furniture and equipment	8,133,003	817,901	-	8,950,904
Right-to-use leased buildings and improvements	115,047	-	-	115,047
Right-to-use leased furniture and equipment	675,341	607,000	(321,949)	960,392
Right-to-use subscription IT assets	-	837,628	-	837,628
Total capital assets being depreciated and amortized	135,189,408	5,804,410	(321,949)	140,671,869
Total capital assets	177,504,984	50,929,632	(3,858,700)	224,575,916
Accumulated depreciation and amortization				
Land improvements	(7,296,438)	(424,355)	-	(7,720,793)
Buildings and improvements	(41,652,364)	(3,305,958)	-	(44,958,322)
Furniture and equipment	(5,638,734)	(505,034)	-	(6,143,768)
Right-to-use leased buildings and improvements	(36,816)	(4,602)	-	(41,418)
Right-to-use leased furniture and equipment	(325,104)	(163,567)	321,949	(166,722)
Right-to-use subscription IT assets	-	(175,272)	-	(175,272)
Total accumulated depreciation and amortization	(54,949,456)	(4,578,788)	321,949	(59,206,295)
Net depreciable and amortizable capital assets	80,239,952	1,225,622	-	81,465,574
Governmental activities capital assets, net	\$ 122,555,528	\$ 46,350,844	\$ (3,536,751)	\$ 165,369,621

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

Governmental Activities	
Instruction	\$ 2,165,088
School site administration	84,707
Home-to-school transportation	1,101,190
Food services	338,828
Data processing	182,520
All other administration	155,860
Plant services	550,595
	<u> </u>
Total depreciation and amortization expense - governmental activities	<u>\$ 4,578,788</u>

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2024, between major and non-major governmental funds are as follows:

<u>Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds		
General	\$ 177,703	\$ 7,262,847
Building	-	142
Special Reserve Fund for Capital Outlay Projects	7,000,142	-
Non-Major Governmental Funds		
Child Development	47,773	89,607
Cafeteria	215,419	88,441
	<u> </u>	<u> </u>
Total	<u>\$ 7,441,037</u>	<u>\$ 7,441,037</u>

Operating Transfers

Interfund transfers for the year ended June 30, 2024, consisted of the General Fund transferring \$7,000,000 to the Special Reserve Fund for Capital Outlay Projects for future capital projects.

Note 6 - Accounts Payable

Accounts payable at June 30, 2024, consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Vendor payables	\$ 3,367,607	\$ 2,490,031	\$ 1,207,898	\$ 7,065,536
LCFF apportionment	62,960	-	35,088	98,048
Salaries and benefits	4,060,493	-	-	4,060,493
Other State	-	-	201,649	201,649
Total	<u>\$ 7,491,060</u>	<u>\$ 2,490,031</u>	<u>\$ 1,444,635</u>	<u>\$ 11,425,726</u>

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2024, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 33,392	\$ 5,814	\$ 39,206
State categorical aid	619,526	58,567	678,093
Total	<u>\$ 652,918</u>	<u>\$ 64,381</u>	<u>\$ 717,299</u>

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

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

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 54,965,316	\$ 1,489,546	\$ (1,669,251)	\$ 54,785,611	\$ 1,332,144
Unamortized debt premiums	2,528,247	-	(192,033)	2,336,214	-
Leases	354,799	607,000	(158,615)	803,184	185,526
Subscription-based IT arrangements (SBITAs)	-	837,628	(686,558)	151,070	76,858
Supplemental retirement plan	564,600	-	(188,200)	376,400	188,200
Compensated absences	79,306	8,899	-	88,205	-
Total	<u>\$ 58,492,268</u>	<u>\$ 2,943,073</u>	<u>\$ (2,894,657)</u>	<u>\$ 58,540,684</u>	<u>\$ 1,782,728</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The premium is being amortized annually over the life of the associated debt. The leases and SBITAs are paid by the fund using the right-to-use asset. The supplemental early retirement is paid by the General Fund. The compensated absences will be paid by the fund for which the employee worked.

General Obligation Bonds

The District's outstanding general obligation 2015 refunding bonds of \$1,985,000 contain a provision that in an event of default, any Refunding Bond Owner has the right, for the equal benefit and protection of all Refunding Bond Owners similarly situated (provided that the Owners of a majority in aggregate principal amount of the Refunding Bonds then Outstanding shall have the right to direct the method of conducting all remedial proceedings taken hereunder):

- (a) by mandamus, suit, action or proceeding, to compel the District and its members, officers, agents or employees to perform each and every term, provision and covenant contained in the Paying Agent Agreement and the Refunding Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it, including without limitation to compel the District to direct the County to levy ad valorem taxes as described in Sections 6.02 of the agreement;
- (b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Refunding Bond Owners' rights;

- (c) upon the happening and continuation of any default by the District hereunder or under the Refunding Bonds, by suit, action or proceeding in any court of competent jurisdiction, to require the District and its members and employees to account as if it and they were the trustees of an express trust; or
- (d) upon the happening and continuation of any default by the District hereunder or under the Refunding Bonds, proceed to enforce all other remedies available under this Paying Agent Agreement and the Refunding Bonds and under applicable law and in equity.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2023	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2024
2004	2030	5.38-5.53	\$ 212,954	\$ 212,954	\$ -	\$ -	\$ 212,954
	Accreted interest			1,422,470	189,160	-	1,611,630
2006	2031	4.41-4.92	1,063,376	958,714	-	(117,504)	841,210
	Accreted interest			1,531,867	135,285	(151,747)	1,515,405
2007	2032	4.36-4.43	1,711,016	1,711,016	-	-	1,711,016
	Accreted interest			2,094,552	190,323	-	2,284,875
2009	2045	3.78-7.42	6,254,805	4,688,841	-	(207,769)	4,481,072
	Accreted interest			8,414,902	974,778	(277,231)	9,112,449
2015	2026	3.06	4,140,000	1,545,000	-	(480,000)	1,065,000
2017	2047	2.75-5.00	12,000,000	10,780,000	-	(60,000)	10,720,000
2018	2049	3.42-5.00	5,015,000	4,575,000	-	-	4,575,000
2019	2033	3.00-4.00	8,900,000	7,300,000	-	(335,000)	6,965,000
2022	2050	0.55-4.00	9,985,000	9,730,000	-	(40,000)	9,690,000
Total				<u>\$ 54,965,316</u>	<u>\$ 1,489,546</u>	<u>\$ (1,669,251)</u>	<u>\$ 54,785,611</u>

Debt Service Requirements to Maturity

The capital appreciation bonds mature as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2025	\$ 322,144	\$ 475,460	\$ 797,604	\$ -	\$ 797,604
2026	318,270	480,702	798,972	47,650	846,622
2027	387,378	923,242	1,310,620	215,715	1,526,335
2028	382,074	894,008	1,276,082	325,697	1,601,779
2029	377,256	867,654	1,244,910	438,076	1,682,986
2030-2034	2,375,950	4,156,337	6,532,287	3,567,713	10,100,000
2035-2039	1,660,581	3,390,362	5,050,943	7,404,057	12,455,000
2040-2044	1,203,977	2,823,858	4,027,835	11,862,165	15,890,000
2045	218,622	512,736	731,358	2,938,642	3,670,000
Total	<u>\$ 7,246,252</u>	<u>\$ 14,524,359</u>	<u>\$ 21,770,611</u>	<u>\$ 26,799,715</u>	<u>\$ 48,570,326</u>

The current interest bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2025	\$ 1,010,000	\$ 1,246,309	\$ 2,256,309
2026	1,130,000	1,207,989	2,337,989
2027	895,000	1,168,969	2,063,969
2028	1,000,000	1,129,799	2,129,799
2029	1,110,000	1,088,169	2,198,169
2030-2034	6,565,000	4,690,127	11,255,127
2035-2039	4,085,000	3,780,246	7,865,246
2040-2044	6,255,000	2,848,879	9,103,879
2045-2049	9,010,000	1,207,655	10,217,655
2050	1,955,000	26,493	1,981,493
Total	<u>\$ 33,015,000</u>	<u>\$ 18,394,635</u>	<u>\$ 51,409,635</u>

Leases

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

<u>Lease</u>	<u>Leases Outstanding July 1, 2023</u>	<u>Addition</u>	<u>Payments</u>	<u>Leases Outstanding June 30, 2024</u>
Copier leases	\$ 354,799	\$ 318,999	\$ (131,718)	\$ 542,080
Printer lease	-	288,001	(26,897)	261,104
Total	<u>\$ 354,799</u>	<u>\$ 607,000</u>	<u>\$ (158,615)</u>	<u>\$ 803,184</u>

Copier Leases

The District entered various agreements to lease copiers. Under the terms of the leases, the District paid a total principal and interest costs of \$145,302 for the year ended June 30, 2024. The annual interest rate charged on the leases is 3%. At June 30, 2024, the District has recognized a right-to-use leased asset of \$672,391 and a lease liability of \$542,080 related to this agreement. During the fiscal year, the District recorded \$134,767 in amortization expense and \$13,584 in interest expense for the right-to-use the copiers. The District also pays for each additional copy in excess of the contracted amount, which is not included in the measurement of the lease liability as they are variable in nature.

Printer Lease

The District entered an agreement to lease printers. Under the terms of the leases, the District paid a total principal and interest costs of \$31,050 for the year ended June 30, 2024. The annual interest rate charged on the leases is 3%. At June 30, 2024, the District has recognized a right-to-use leased asset of \$288,001 and a lease liability of \$261,104 related to this agreement. During the fiscal year, the District recorded \$28,800 in amortization expense and \$4,153 in interest expense for the right-to-use the printers.

Portables Lease

The District entered an agreement to lease three portables with an option to purchase the portables at the end of the lease term. Under the terms of the lease, the District paid a total principal and interest costs of \$125,496. The annual interest rate charged on the lease is 3%. At June 30, 2024, the District has recognized a right-to-use leased asset of \$115,047 and no lease liability related to this agreement. During the fiscal year, the District recorded \$4,602 in amortization expense and no interest expense for the right-to-use the portables.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2024, are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 185,526	\$ 21,558	\$ 207,084
2026	191,170	15,914	207,084
2027	196,985	10,099	207,084
2028	164,634	4,350	168,984
2029	64,869	573	65,442
Total	<u>\$ 803,184</u>	<u>\$ 52,494</u>	<u>\$ 855,678</u>

Subscriptions-Based Information Technology Arrangements (SBITAs)

The District entered into SBITAs for the general operations of the District. At June 30, 2024, the District recognized right-to-use subscriptions IT assets of \$837,628 and a SBITA liability of \$151,070 related to these arrangements. During the fiscal year, the District recorded \$175,272 in amortization expense and \$4,093 in interest expense. The subscriptions had an interest rate of 3.00%.

Year Ending June 30,	Principal	Interest	Total
2025	\$ 74,403	\$ 2,455	\$ 76,858
2026	76,667	192	76,859
Total	<u>\$ 151,070</u>	<u>\$ 2,647</u>	<u>\$ 153,717</u>

Supplemental Employee Retirement Plan (SERP)

On October 15, 2020, the Board of Trustees adopted resolution FY 20-05 to establish a supplemental employee retirement plan for certain eligible employees of the District effective July 1, 2021. Eligibility requirements for employees to participate in the plan shall be as follows:

- Employee must be a Certificated, Classified or Management/unrepresented employee of the District
- Employee must be at least 55 years of age by June 30, 2021
- Employee must have at least five years of service with the District by June 30, 2021
- Employee must retire/resign from the District by June 30, 2021
- Employee must submit a Letter of Resignation and SERP Enrollment Package by December 18, 2020

The remaining payment requirements for the plan as of June 30, 2024 are as follows:

Year Ending June 30,	Payment
2025	\$ 188,200
2026	188,200
Total	<u>\$ 376,400</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2024, amounted to \$88,205.

Note 9 - Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2024, the District reported 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	\$ 9,953,405	\$ 4,505,456	\$ 10,964,306	\$ 797,715
Medicare Premium Payment (MPP) Program	214,363	-	-	(9,761)
Total	<u>\$ 10,167,768</u>	<u>\$ 4,505,456</u>	<u>\$ 10,964,306</u>	<u>\$ 787,954</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District’s governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	16
Active employees	439
Total	455

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 benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Kerman Unified Teachers Association (KUTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, KUTA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2023, the District paid \$226,194 in benefits.

Total OPEB Liability of the District

The District’s total OPEB liability of \$9,953,405 was measured as of June 30, 2023, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%
Discount rate	3.65%
Healthcare cost trend rates	4.00%

The discount rate was based on the Bond Buyer 20-bond Index.

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Active 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, 2023 valuation were based on the results of an actual experience study for the period July 1, 2022 to June 30, 2023.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2022	<u>\$ 12,215,714</u>
Service cost	691,548
Interest	440,673
Differences between expected and actual experience	(3,098,766)
Changes of assumptions or other inputs	(69,570)
Benefit payments	<u>(226,194)</u>
Net change in total OPEB liability	<u>(2,262,309)</u>
Balance, June 30, 2023	<u><u>\$ 9,953,405</u></u>

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

Changes of assumptions - The discount rate changed from 3.54% to 3.65% since the previous valuation.

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.65%)	\$ 10,797,126
Current discount rate (3.65%)	9,953,405
1% increase (4.65%)	9,164,086

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

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

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (3%)	\$ 8,760,637
Current healthcare cost trend rate (4%)	9,953,405
1% increase (5%)	11,377,495

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$797,715. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 272,090 *	\$ -
Differences between expected and actual experience	260,524	4,040,180
Changes of assumptions	3,972,842	6,924,126
Total	<u>\$ 4,505,456</u>	<u>\$ 10,964,306</u>

* Includes implicit subsidy payments of \$68,806.

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the subsequent fiscal year. The deferred outflows of resources and deferred inflows of resources related to changes of assumptions and differences between expected and actual experience in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period and will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2025	\$ 323,879
2026	323,879
2027	323,879
2028	323,879
2029	323,879
Thereafter	<u>2,613,971</u>
Total	<u><u>\$ 4,233,366</u></u>
<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2025	\$ 836,046
2026	836,046
2027	836,046
2028	836,046
2029	836,046
Thereafter	<u>6,784,076</u>
Total	<u><u>\$ 10,964,306</u></u>

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, 2022, 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, 2024, the District reported a liability of \$214,363 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2023 and June 30, 2022, respectively, was 0.0706% and 0.0680%, resulting in a net increase in the proportionate share of 0.0026%.

For the year ended June 30, 2024, the District recognized OPEB expense of \$(9,761).

Actuarial Methods and Assumptions

The June 30, 2023 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total OPEB liability to June 30, 2023, using the assumptions listed in the following table:

Measurement Date	June 30, 2023	June 30, 2022
Valuation Date	June 30, 2022	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.65%	3.54%
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, 2022, 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 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 179 or an average of 0.13% of the potentially eligible population (138,780).

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, 2023, 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

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2023, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2023, was 3.65%, which is an increase of 0.11% from 3.54% as of June 30, 2022.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.65%)	\$ 232,969
Current discount rate (3.65%)	214,363
1% increase (4.65%)	198,186

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

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 197,236
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	214,363
1% increase (5.50% Part A and 6.40% Part B)	233,700

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 5,000	\$ -	\$ -	\$ 5,000
Stores inventories	47,895	-	33,255	81,150
Total nonspendable	52,895	-	33,255	86,150
Restricted				
Legally restricted programs	24,509,044	-	458,902	24,967,946
Student activities	-	-	1,783,835	1,783,835
Food service	-	-	5,054,977	5,054,977
Capital projects	-	-	1,465,286	1,465,286
Debt services	-	-	3,144,881	3,144,881
Total restricted	24,509,044	-	11,907,881	36,416,925
Committed				
Technology/Facility projects	1,729,356	-	-	1,729,356
Assigned				
Postemployment benefits	8,751,537	-	-	8,751,537
Capital projects	-	27,089,038	-	27,089,038
Deferred maintenance	-	-	34,104	34,104
Total assigned	8,751,537	27,089,038	34,104	35,874,679
Unassigned				
Reserve for economic uncertainties	5,475,229	-	-	5,475,229
Remaining unassigned	5,509,922	-	-	5,509,922
Total unassigned	10,985,151	-	-	10,985,151
Total	\$ 46,027,983	\$ 27,089,038	\$ 11,975,240	\$ 85,092,261

Note 11 - 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, 2024, the District contracted with Organization of Self Insured Schools (OSS) 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 2024, the District participated in the Fresno County Self Insurance Group (FCSIG), an insurance purchasing pool. The intent of the Fresno County Self Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Fresno County Self Insurance Group. 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 Fresno County Self Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Fresno County Self Insurance Group. Participation in the Fresno County Self Insurance Group is limited to districts that can meet the Fresno County Self Insurance Group's selection criteria.

Employee Medical Benefits

The District has contracted with California Valued Trust (CVT) and Self-Insured Schools of California (SISC III) to provide employee medical benefits. The District switch from CVT to SISC III during the fiscal year. Both are a shared risk pool comprised of other member Districts. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

Note 12 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2024, 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	\$ 36,375,480	\$ 12,808,795	\$ 2,790,358	\$ 5,853,796
CalPERS	23,828,551	8,947,236	555,793	3,911,098
Total	<u>\$ 60,204,031</u>	<u>\$ 21,756,031</u>	<u>\$ 3,346,151</u>	<u>\$ 9,764,894</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, 2022, 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, 2024, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2024, are presented above and the District's total contributions were \$6,367,505.

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

At June 30, 2024, 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	\$ 36,375,480
State's proportionate share of the net pension liability	<u>17,428,516</u>
Total	<u>\$ 53,803,996</u>

The net pension liability was measured as of June 30, 2023. 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, 2023 and June 30, 2022, respectively was 0.0478% and 0.0453%, resulting in a net increase in the proportionate share of 0.0025%.

For the year ended June 30, 2024, the District recognized pension expense of \$5,853,796. In addition, the District recognized pension expense and revenue of \$2,370,760 for support provided by the State. At June 30, 2024, 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	\$ 6,367,504	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,216,448	844,085
Differences between projected and actual earnings on pension plan investments	155,702	-
Differences between expected and actual experience in the measurement of the total pension liability	2,858,514	1,946,273
Changes of assumptions	210,627	-
Total	<u>\$ 12,808,795</u>	<u>\$ 2,790,358</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ (1,144,400)
2026	(1,793,476)
2027	2,947,309
2028	146,269
Total	<u>\$ 155,702</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ 764,724
2026	534,682
2027	520,284
2028	228,292
2029	664,724
Thereafter	782,525
Total	<u>\$ 3,495,231</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
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 expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2023, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.05%

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%)	\$ 61,016,966
Current discount rate (7.10%)	36,375,480
1% increase (8.10%)	15,907,855

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, 2022, 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, 2024, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	26.680%	26.680%

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, 2024, are presented above and the total District contributions were \$3,580,551.

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

As of June 30, 2024, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$23,828,551. The net pension liability was measured as of June 30, 2023. 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, 2023 and June 30, 2022, respectively was 0.0658% and 0.0630%, resulting in a net increase in the proportionate share of 0.0028%.

For the year ended June 30, 2024, the District recognized pension expense of \$3,911,098. At June 30, 2024, 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	\$ 3,580,550	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	854,113	189,822
Differences between projected and actual earnings on pension plan investments	2,545,230	-
Differences between expected and actual experience in the measurement of the total pension liability	869,571	365,971
Changes of assumptions	1,097,772	-
Total	<u>\$ 8,947,236</u>	<u>\$ 555,793</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ 474,784
2026	281,274
2027	1,709,962
2028	79,210
Total	<u>\$ 2,545,230</u>

The deferred outflows of resources and deferred inflows of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ 872,366
2026	977,705
2027	415,592
Total	<u>\$ 2,265,663</u>

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, 2022, and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. 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 - cap-weighted	30%	4.54%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. 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 expected rate of return on the School Employer Pool investments 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 (5.90%)	\$ 34,449,925
Current discount rate (6.90%)	23,828,551
1% increase (7.90%)	15,050,226

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 \$2,787,715 (10.828% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 13 - Commitments and Contingencies**Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2024.

Litigation

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

Construction Commitments

As of June 30, 2024, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
New elementary school	\$ 3,448,401	November 2024
New elementary school, off-site improvements	7,464,641	May 2025
Modernization	319,085	November 2024
Total	<u>\$ 11,232,127</u>	

Note 14 - Participation in Joint Powers Authorities

The District is a member of the Self-Insured Schools of California (SISC III). The District is also a member of the Fresno County Self Insurance Group (FCSIG), and the Organization of Self Insured Schools (OSS) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its health and welfare, workers' compensation, and property and liability coverage. Payments are made directly to the JPAs. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

The District has no appointed board members to the governing board of Self-Insured Schools of California.

During the year ended June 30, 2024, the District made payment of \$7,705,361 to SISC III for health and welfare benefits.

The District has appointed one member to the governing board of Fresno County Self Insurance Group.

During the year ended June 30, 2024, the District made payment of \$980,864 to the Fresno County Self Insurance Group for worker's compensation insurance.

The District has appointed one member to the governing board of Organization of Self Insured Schools.

During the year ended June 30, 2024, the District made payment of \$518,813 to the Organization of Self Insured Schools for property and liability insurance.



Required Supplementary Information
June 30, 2024

Kerman Unified School District

Kerman Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Local Control Funding Formula	\$ 78,202,907	\$ 78,385,141	\$ 78,309,449	\$ (75,692)
Federal sources	6,931,501	9,739,325	8,792,388	(946,937)
Other State sources	10,401,246	16,637,224	14,336,786	(2,300,438)
Other local sources	5,876,533	5,613,820	6,968,439	1,354,619
Total revenues ¹	101,412,187	110,375,510	108,407,062	(1,968,448)
Expenditures				
Current				
Certificated salaries	33,419,213	34,338,868	33,832,187	506,681
Classified salaries	13,084,994	13,414,357	13,234,820	179,537
Employee benefits	19,586,638	22,437,080	21,324,257	1,112,823
Books and supplies	15,081,169	13,575,434	8,681,449	4,893,985
Services and operating expenditures	11,471,471	14,450,086	10,779,104	3,670,982
Other outgo	578,700	507,674	1,153,617	(645,943)
Capital outlay	13,343,269	13,443,804	12,996,812	446,992
Debt service				
Debt service - principal	-	-	845,173	(845,173)
Debt service - interest and other	-	-	4,093	(4,093)
Total expenditures ¹	106,565,454	112,167,303	102,851,512	9,315,791
Excess (Deficiency) of Revenues Over Expenditures	(5,153,267)	(1,791,793)	5,555,550	7,347,343
Other Financing Sources (Uses)				
Sources from leases	-	-	607,000	607,000
Sources from SBITAs	-	-	837,628	837,628
Transfers out	-	-	(7,000,000)	(7,000,000)
Net financing sources (uses)	-	-	(5,555,372)	(5,555,372)
Net Change in Fund Balances	(5,153,267)	(1,791,793)	178	1,791,971
Fund Balance - Beginning	46,027,805	46,027,805	46,027,805	-
Fund Balance - Ending	\$ 40,874,538	\$ 44,236,012	\$ 46,027,983	\$ 1,791,971

¹ Due to the consolidation of 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.

Kerman Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2024

	2024	2023	2022	2021
Total OPEB Liability				
Service cost	\$ 691,548	\$ 861,005	\$ 2,230,922	\$ 1,737,989
Interest	440,673	285,670	424,459	543,273
Difference between expected and actual experience	(3,098,766)	297,742	(1,263,299)	(97,988)
Changes of assumptions	(69,570)	(1,624,461)	(6,507,566)	1,697,849
Benefit payments	(226,194)	(500,707)	(390,297)	(361,952)
Net change in total OPEB liability	(2,262,309)	(680,751)	(5,505,781)	3,519,171
Total OPEB Liability - Beginning	12,215,714	12,896,465	18,402,246	14,883,075
Total OPEB Liability - Ending	<u>\$ 9,953,405</u>	<u>\$ 12,215,714</u>	<u>\$ 12,896,465</u>	<u>\$ 18,402,246</u>
Covered Payroll	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

¹ The OPEB Plan is not administered through a trust and 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.

Kerman Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2024

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 1,038,027	\$ 1,063,464	\$ 1,035,001
Interest	393,427	361,989	297,917
Difference between expected and actual experience	(82,117)	-	-
Changes of assumptions	3,705,419	(234,415)	-
Benefit payments	(179,987)	(354,062)	(340,444)
Net change in total OPEB liability	4,874,769	836,976	992,474
Total OPEB Liability - Beginning	10,008,306	9,171,330	8,178,856
Total OPEB Liability - Ending	<u>\$ 14,883,075</u>	<u>\$ 10,008,306</u>	<u>\$ 9,171,330</u>
Covered Payroll	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

¹ The OPEB Plan is not administered through a trust and 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.

Kerman Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2024

Year ended June 30,	2024	2023	2022	2021
Proportion of the net OPEB liability	0.0706%	0.0680%	0.0671%	0.0797%
Proportionate share of the net OPEB liability	\$ 214,363	\$ 224,124	\$ 267,712	\$ 337,708
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.96%)	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

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

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

Kerman Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2024

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.0763%	0.0754%	0.0723%
Proportionate share of the net OPEB liability	\$ 284,145	\$ 288,746	\$ 304,087
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Kerman Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2024

	2024	2023	2022	2021	2020
CalSTRS					
Proportion of the net pension liability	0.0478%	0.0453%	0.0477%	0.0457%	0.0431%
Proportionate share of the net pension liability	\$ 36,375,480	\$ 31,501,039	\$ 20,320,079	\$ 44,319,773	\$ 38,955,444
State's proportionate share of the net pension liability	17,428,516	15,775,597	10,224,276	22,846,848	21,252,795
Total	<u>\$ 53,803,996</u>	<u>\$ 47,276,636</u>	<u>\$ 30,544,355</u>	<u>\$ 67,166,621</u>	<u>\$ 60,208,239</u>
Covered payroll	<u>\$ 30,456,675</u>	<u>\$ 26,309,149</u>	<u>\$ 25,289,573</u>	<u>\$ 25,056,667</u>	<u>\$ 23,637,654</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>119.43%</u>	<u>119.73%</u>	<u>80.35%</u>	<u>176.88%</u>	<u>164.80%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81%</u>	<u>81%</u>	<u>87%</u>	<u>72%</u>	<u>73%</u>
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
CalPERS					
Proportion of the net pension liability	0.0658%	0.0630%	0.0611%	0.0634%	0.0626%
Proportionate share of the net pension liability	\$ 23,828,551	\$ 21,675,157	\$ 12,417,871	\$ 19,466,705	\$ 18,232,616
Covered payroll	<u>\$ 11,379,677</u>	<u>\$ 9,645,360</u>	<u>\$ 8,757,256</u>	<u>\$ 9,123,924</u>	<u>\$ 8,615,242</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>209.40%</u>	<u>224.72%</u>	<u>141.80%</u>	<u>213.36%</u>	<u>211.63%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>70%</u>	<u>81%</u>	<u>70%</u>	<u>70%</u>
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019

Kerman Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2024

	2019	2018	2017	2016	2015
CalSTRS					
Proportion of the net pension liability	0.0420%	0.0399%	0.0387%	0.0389%	0.0374%
Proportionate share of the net pension liability	\$ 38,626,809	\$ 36,921,934	\$ 31,279,184	\$ 26,174,849	\$ 21,844,635
State's proportionate share of the net pension liability	22,115,655	21,842,704	17,806,682	13,843,609	13,190,734
Total	<u>\$ 60,742,464</u>	<u>\$ 58,764,638</u>	<u>\$ 49,085,866</u>	<u>\$ 40,018,458</u>	<u>\$ 35,035,369</u>
Covered payroll	<u>\$ 22,539,051</u>	<u>\$ 21,476,335</u>	<u>\$ 19,442,693</u>	<u>\$ 18,459,673</u>	<u>\$ 16,871,188</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>171.38%</u>	<u>171.92%</u>	<u>160.88%</u>	<u>141.79%</u>	<u>129.48%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS					
Proportion of the net pension liability	0.0611%	0.0587%	0.0583%	0.0563%	0.0539%
Proportionate share of the net pension liability	<u>\$ 16,279,540</u>	<u>\$ 14,009,298</u>	<u>\$ 11,517,465</u>	<u>\$ 8,297,362</u>	<u>\$ 6,117,080</u>
Covered payroll	<u>\$ 8,026,360</u>	<u>\$ 7,450,821</u>	<u>\$ 6,964,767</u>	<u>\$ 6,195,463</u>	<u>\$ 6,373,606</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>202.83%</u>	<u>188.02%</u>	<u>165.37%</u>	<u>133.93%</u>	<u>95.98%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Kerman Unified School District
Schedule of the District's Contributions
Year Ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
CalSTRS					
Contractually required contribution	\$ 6,367,504	\$ 5,817,225	\$ 4,451,508	\$ 4,084,266	\$ 4,284,690
Less contributions in relation to the contractually required contribution	<u>6,367,504</u>	<u>5,817,225</u>	<u>4,451,508</u>	<u>4,084,266</u>	<u>4,284,690</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 33,337,717</u>	<u>\$ 30,456,675</u>	<u>\$ 26,309,149</u>	<u>\$ 25,289,573</u>	<u>\$ 25,056,667</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>
CalPERS					
Contractually required contribution	\$ 3,580,550	\$ 2,887,024	\$ 2,209,752	\$ 1,812,752	\$ 1,799,329
Less contributions in relation to the contractually required contribution	<u>3,580,550</u>	<u>2,887,024</u>	<u>2,209,752</u>	<u>1,812,752</u>	<u>1,799,329</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 13,420,352</u>	<u>\$ 11,379,677</u>	<u>\$ 9,645,360</u>	<u>\$ 8,757,256</u>	<u>\$ 9,123,924</u>
Contributions as a percentage of covered payroll	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>

Kerman Unified School District
Schedule of the District's Contributions
Year Ended June 30, 2024

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS					
Contractually required contribution	\$ 3,848,210	\$ 3,252,385	\$ 2,701,723	\$ 2,086,201	\$ 1,639,219
Less contributions in relation to the contractually required contribution	<u>3,848,210</u>	<u>3,252,385</u>	<u>2,701,723</u>	<u>2,086,201</u>	<u>1,639,219</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 23,637,654</u>	<u>\$ 22,539,051</u>	<u>\$ 21,476,335</u>	<u>\$ 19,442,693</u>	<u>\$ 18,459,673</u>
Contributions as a percentage of covered payroll	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS					
Contractually required contribution	\$ 1,556,085	\$ 1,246,574	\$ 1,034,770	\$ 825,116	\$ 729,268
Less contributions in relation to the contractually required contribution	<u>1,556,085</u>	<u>1,246,574</u>	<u>1,034,770</u>	<u>825,116</u>	<u>729,268</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 8,615,242</u>	<u>\$ 8,026,360</u>	<u>\$ 7,450,821</u>	<u>\$ 6,964,767</u>	<u>\$ 6,195,463</u>
Contributions as a percentage of covered payroll	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

This schedule presents information for the original and final 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 Total OPEB Liability and Related Ratios

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous measurement.
- *Changes of Assumptions* - The discount rate changed from 3.54% to 3.65% since the previous measurement.

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

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

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The plan rate of investment return assumption was changed from 3.54% to 3.65% 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 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, 2024

Kerman Unified School District

Kerman Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education			
Education Stabilization Fund			
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	\$ 2,444,244
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	2,193,320
COVID-19 ESSER III State Reserve Emergency Needs	84.425U	15620	114,892
COVID-19 ESSER III State Reserve Learning Loss	84.425U	15621	224,021
COVID-19 American Rescue Plan – Homeless Children and Youth II (ARP HCY II)	84.425W	15566	50,673
Subtotal			5,027,150
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	1,798,454
School Improvement Funding for LEAs	84.010	15438	45,272
Subtotal			1,843,726
Title I Migrant Ed Summer Program	84.011	10005	5,202
Title I, Part C, Migrant Ed	84.011	14326	142,221
Subtotal			147,423
Strengthening Career and Technical Education for the 21st Century (Perkins V): Secondary, Section 131	84.048	14894	62,041
Title III, English Learner Student Program	84.365	14346	216,292
Title II, Part A, Supporting Effective Instruction	84.367	14341	87,895
Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	271,153
Passed through Fresno County SELPA			
Special Education Cluster (IDEA)			
Local Assistance, Part B, Sec 611, Private School Individual Service Plans	84.027	10115	6,440
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,107,825
Subtotal			1,114,265

Kerman Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through Fresno County SELPA			
Special Education Cluster (IDEA)			
Preschool Grants, Part B, Sec 619	84.173	13430	<u>22,442</u>
Subtotal Special Education Cluster (IDEA)			<u>1,136,707</u>
Total U.S. Department of Education			<u>8,792,387</u>
U.S. Department of Agriculture			
Passed through California Department of Education			
Child Nutrition Cluster			
School Lunch - Section 4	10.555	13523	230,537
Commodities	10.555	13524	107,901
School Lunch - Section 11	10.555	13524	<u>1,649,956</u>
Subtotal			1,988,394
School Breakfast Needy	10.553	13526	762,901
Fresh Fruit and Vegetable Program	10.582	14968	<u>116,152</u>
Subtotal Child Nutrition Cluster			<u>2,867,447</u>
Passed through California Department of Social Services			
Child and Adult Care Food Program (CACFP)			
CACFP Claims - Centers and Family Day Care Homes	10.558	13529	490,943
Cash in Lieu of Commodities	10.558	13534	<u>41,904</u>
Subtotal			<u>532,847</u>
Total U.S. Department of Agriculture			<u>3,400,294</u>
Total Federal Financial Assistance			<u><u>\$ 12,192,681</u></u>

Kerman Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2024

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,497.09	1,500.70
Fourth through sixth	1,118.63	1,121.00
Seventh and eighth	763.21	765.66
Ninth through twelfth	1,512.32	1,533.14
Total ADA	4,891.25	4,920.50

Kerman Unified School District

Schedule of Instructional Time

Year Ended June 30, 2024

Grade Level	1986-1987 Minutes Requirement	2023-2024 Actual Minutes	Number of Actual Days	Status
Kindergarten	36,000	58,080	180	Complied
Grades 1 - 3	50,400			
Grade 1		55,380	180	Complied
Grade 2		55,380	180	Complied
Grade 3		55,380	180	Complied
Grades 4 - 8	54,000			
Grade 4		55,380	180	Complied
Grade 5		55,380	180	Complied
Grade 6		55,380	180	Complied
Grade 7		64,136	180	Complied
Grade 8		64,136	180	Complied
Grades 9 - 12	64,800			
Grade 9		65,974	180	Complied
Grade 10		65,974	180	Complied
Grade 11		65,974	180	Complied
Grade 12		65,974	180	Complied

Kerman Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2024

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2024.

Kerman Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2024

	(Budget) 2025 ¹	2024	2023 ¹	2022 ¹
General Fund ³				
Revenues	\$ 101,923,763	\$ 108,040,316	\$ 116,985,633	\$ 89,130,655
Other sources	-	1,444,628	353,392	-
Total Revenues and Other Sources	<u>101,923,763</u>	<u>109,484,944</u>	<u>117,339,025</u>	<u>89,130,655</u>
Expenditures	111,323,611	102,851,512	105,603,966	68,769,436
Other uses and transfers out	-	7,000,000	8,000,000	-
Total Expenditures and Other Uses	<u>111,323,611</u>	<u>109,851,512</u>	<u>113,603,966</u>	<u>68,769,436</u>
Increase/(Decrease) in Fund Balance	<u>(9,399,848)</u>	<u>(366,568)</u>	<u>3,735,059</u>	<u>20,361,219</u>
Ending Fund Balance	<u>\$ 27,876,598</u>	<u>\$ 37,276,446</u>	<u>\$ 37,643,014</u>	<u>\$ 33,907,955</u>
Available Reserves ²	<u>\$ 11,132,361</u>	<u>\$ 10,985,151</u>	<u>\$ 11,325,057</u>	<u>\$ 6,876,944</u>
Available Reserves as a Percentage of Total Outgo	<u>10.00%</u>	<u>10.00%</u>	<u>9.97%</u>	<u>10.00%</u>
Long-Term Liabilities	<u>Not Available</u>	<u>\$ 128,912,483</u>	<u>\$ 124,108,302</u>	<u>\$ 104,905,352</u>
Average Daily Attendance at P-2	<u>4,968</u>	<u>4,891</u>	<u>4,885</u>	<u>4,477</u>

The General Fund balance has increased by \$3,368,491 over the past two years. The fiscal year 2024-2025 budget projects a decrease of \$9,399,848 (25%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2024-2025 fiscal year. Total long-term liabilities have increased by \$24,006,866 over the past two years primarily due to changes in pension liabilities.

Average daily attendance has increased by 414 over the past two years. An increase of 77 ADA is anticipated during fiscal year 2024-2025.

¹ Financial information for 2025, 2023, and 2022 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of unassigned fund balance contained within the General Fund.

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

Kerman Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2024

	Student Activities Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets								
Deposits and investments	\$ 1,771,420	\$ 566,948	\$ 5,449,609	\$ 66,267	\$ 1,397,326	\$ 257,628	\$ 3,124,658	\$ 12,633,856
Receivables	12,461	5,628	681,171	537	10,055	1,926	20,223	732,001
Due from other funds	-	47,773	215,419	-	-	-	-	263,192
Stores inventories	-	-	33,255	-	-	-	-	33,255
Total assets	\$ 1,783,881	\$ 620,349	\$ 6,379,454	\$ 66,804	\$ 1,407,381	\$ 259,554	\$ 3,144,881	\$ 13,662,304
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 46	\$ 13,273	\$ 1,196,967	\$ 32,700	\$ -	\$ 201,649	\$ -	\$ 1,444,635
Due to other funds	-	89,607	88,441	-	-	-	-	178,048
Unearned revenue	-	58,567	5,814	-	-	-	-	64,381
Total liabilities	46	161,447	1,291,222	32,700	-	201,649	-	1,687,064
Fund Balances								
Nonspendable	-	-	33,255	-	-	-	-	33,255
Restricted	1,783,835	458,902	5,054,977	-	1,407,381	57,905	3,144,881	11,907,881
Assigned	-	-	-	34,104	-	-	-	34,104
Total fund balances	1,783,835	458,902	5,088,232	34,104	1,407,381	57,905	3,144,881	11,975,240
Total liabilities and fund balances	\$ 1,783,881	\$ 620,349	\$ 6,379,454	\$ 66,804	\$ 1,407,381	\$ 259,554	\$ 3,144,881	\$ 13,662,304

Kerman Unified School District

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

Year Ended June 30, 2024

	Student Activities Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues								
Local Control Funding Formula	\$ -	\$ -	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
Federal sources	-	-	3,703,833	-	-	-	-	3,703,833
Other State sources	-	1,102,678	909,097	-	-	-	17,179	2,028,954
Other local sources	321,911	35,848	701,844	24,398	446,446	10,879	3,303,281	4,844,607
Total revenues	321,911	1,138,526	5,314,774	1,024,398	446,446	10,879	3,320,460	11,577,394
Expenditures								
Current								
Instruction	-	704,372	-	-	-	-	-	704,372
Instruction-related activities								
School site administration	-	110,673	-	-	-	-	-	110,673
Pupil services								
Food services	-	-	4,005,563	-	-	-	-	4,005,563
All other pupil services	-	49,615	-	-	-	-	-	49,615
Administration								
All other administration	-	84,919	88,289	-	-	-	-	173,208
Plant services	-	-	34,628	1,012,915	-	-	-	1,047,543
Ancillary services	281,993	-	-	-	-	-	-	281,993
Facility acquisition and construction	-	-	1,868,784	-	2,096,330	-	-	3,965,114
Debt service								
Principal	-	-	-	-	-	-	1,669,251	1,669,251
Interest and other	-	-	-	-	-	-	1,287,049	1,287,049
Total expenditures	281,993	949,579	5,997,264	1,012,915	2,096,330	-	2,956,300	13,294,381

Kerman Unified School District

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

Year Ended June 30, 2024

	Student Activities Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Net Change in Fund Balances	39,918	188,947	(682,490)	11,483	(1,649,884)	10,879	364,160	(1,716,987)
Fund Balance - Beginning	1,743,917	269,955	5,770,722	22,621	3,057,265	47,026	2,780,721	13,692,227
Fund Balance - Ending	<u>\$ 1,783,835</u>	<u>\$ 458,902</u>	<u>\$ 5,088,232</u>	<u>\$ 34,104</u>	<u>\$ 1,407,381</u>	<u>\$ 57,905</u>	<u>\$ 3,144,881</u>	<u>\$ 11,975,240</u>

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 Kerman Unified School District (the District) under programs of the federal government for the year ended June 30, 2024. 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 Kerman Unified School District, it is not intended to and does not present the net position, changes in net position or fund balances of Kerman Unified School District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2024, the District had spent food commodities totaling \$107,901.

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.

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

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



Other Information
June 30, 2024

Kerman Unified School District

Organization

The Kerman Unified School District was established on July 1, 1983, and consists of an area comprising 146 square miles located in Fresno County. The District operates four elementary schools, one middle school, one high school, one continuation/opportunity school, and one online school. There were no boundary changes during the year.

Governing Board

Member	Office	Term Expires
Daniel Babshoff	President	2024
Maria Cantu	Vice President	2024
Kindra Melgoza	Clerk	2026
Jim Volkoff	Member	2026
Julie Gragnani	Member	2024

Administration

Gordon Pacheco	Superintendent
Gabriel Melgoza	Assistant Superintendent Personnel
Kraig Magnussen	Assistant Superintendent/Chief Business Official
Pam Sellick	Assistant Superintendent Educational Services
Cecilia Belmontes	Director Fiscal Services



Independent Auditor's Reports
June 30, 2024

Kerman Unified School District



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

To the Governing Board
Kerman Unified School District
Kerman, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kerman Unified School District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2024.

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 District'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 were not 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Fresno, California
December 5, 2024



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

To the Governing Board
Kerman Unified School District
Kerman, California

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Kerman Unified 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 the District's major federal program for the year ended June 30, 2024. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 its major federal program for the year ended June 30, 2024.

Basis for Opinion on the 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 the major federal program. 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 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.

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

Fresno, California
December 5, 2024



Independent Auditor's Report on State Compliance and on Internal Control Over Compliance

To the Governing Board
Kerman Unified School District
Kerman, California

Report on Compliance

Opinion on State Compliance

We have audited Kerman Unified School District's (the District) compliance with the requirements specified in the *2023-2024 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, 2024.

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, 2024.

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 *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>2023-2024 K-12 Audit Guide Procedures</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools	
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	Not Applicable

2023-2024 K-12 Audit Guide Procedures	Procedures Performed
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Not Applicable
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Charter Schools	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

The term "Not Applicable" is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001 and 2024-002.

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the noncompliance findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2024-002 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Fresno, California
December 5, 2024



Schedule of Findings and Questioned Costs
June 30, 2024

Kerman Unified School District

Financial Statements

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

Federal Awards

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

Identification of major programs

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

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Other matters to be reported	Yes
Type of auditor's report issued on compliance for programs	Unmodified

None reported.

None reported.

The following findings represent a significant deficiency or an instance of noncompliance including questioned costs that are required to be reported by the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance
61000	Classroom Teacher Salaries

2024-001 61000 – Classroom Teacher Salaries

Criteria or Specific Requirements

In accordance with *Education Code* Section 41372, the District is required to expend at least 55% of General Fund expenditures on classroom teacher salaries.

Condition

In reviewing Form CEA, it was noted the District did not meet the minimum percentage required for payment of classroom teachers. Form CEA reported total current expense (Column 5) of \$77,187,784.99 and minimum classroom compensation (Part II) of \$42,202,419.36 which represented 54.67% of current expense, resulting in a deficiency of 0.33% or \$254,719.69.

Cause

As a result of the District receiving significant sources of one-time funding to be used specifically for COVID-19 related expenditures, the District's ratio was not maintained.

Effect

The noncompliance resulted in the District being deficient by 0.33% or \$254,719.69.

Questioned Costs

There are no questioned costs related to this finding.

Repeat Finding

Yes (Finding 2023-001)

Recommendation

The District should request a waiver from the Fresno County Superintendent of Schools for this issue.

Corrective Action Plan and Views of Responsible Officials

As per *Education Code* Section 41372, the District has applied for a waiver for this unique fiscal circumstance due to the District receiving new funding sources to be used specifically for COVID-19 related expenditures that are not eligible for exclusion from this calculation.

2024-002 40000 – Expanded Learning Opportunities Grant (ELO-G)

Criteria

California Education Code Section 43522(c) states that of the funds apportioned under paragraph (3) of subdivision (b) of Section 43521, a local educational agency shall use at least 10% of its apportionment to hire paraprofessionals to provide supplemental instruction and support through the duration of this program, with a priority for full-time paraprofessionals.

Resource 7426 was established to track expenditures for this purpose.

Condition

During the audit of ELO-G, we discovered the District did not meet the requirements of *Education Code* Section 43522(c). Three expenditures in Resource 7426 were not for paraprofessional staff salaries and benefits. The expenditures were for payment of professional development costs to a 3rd party vendor for the paraprofessionals, but was not specifically for the salaries and benefits cost of the paraprofessionals attending.

Cause

It appears to be an accidental oversight that expenditures unrelated to paraprofessional salaries and benefits were charged to Resource 7426.

Effect

The District is non-compliant with the requirements of *Education Code* Section 43522(c) for the Expanded Learning Opportunities Grant by \$73,650.

Questioned Costs

The District is out of compliance in the amount of \$73,650.

Repeat Finding

No

Recommendation

The District should continue to monitor compliance with the requirements of ELO-G. The District should return principal apportionment in the amount of expenditures that were found to be noncompliant.

Corrective Action Plan

The District understands the auditor's finding was based on their Audit Guide and the funds will be recouped by the state. The District's interpretation of the California Department of Education's frequently asked questions (FAQ), indicated the following: "EC section 43522(c) does not prohibit LEAs from using these funds for costs associated with existing paraprofessionals costs, but funds expended in this way must be used pursuant to subdivisions (b) and (c) of EC Section 43522, for providing supplemental instruction and supports to specified students and should be used in this manner after prioritizing the intent of rehiring and hiring new staff." As referenced in above text, *Education Code* 43522 (b)(2)(C) states the following: "Educator training, for both certificated and classified staff, in accelerated learning strategies and effectively addressing learning gaps, including training in facilitating quality and engaging learning opportunities for all pupils." In accordance with our interpretation of the *Education Code* referenced above, we allocated funds for professional development for paraprofessionals to enhance their ability to meet the needs of our students, which the District interpreted as an allowable expense. In the future, we will ensure that the District reviews the audit guide and that it coincides with our interpretation of the *Education Code*.

Summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

State Compliance Findings

2023-001 61000

Classroom Teacher Salaries

Criteria or Specific Requirements

In accordance with *Education Code* Section 41372, the District is required to expend at least 55% of General Fund expenditures on classroom teacher salaries.

Condition

In reviewing Form CEA, it was noted the District did not meet the minimum percentage required for payment of classroom teachers. Form CEA reported total current expense (Column 5) of \$72,812,972 and minimum classroom compensation (Part II) of \$39,477,276, which represented 54.22% of current expense, resulting in a deficiency of 0.78% or \$567,941.

Questioned Costs

There are no questioned costs related to this finding.

Cause

As a result of the District receiving significant sources of one-time funding to be used specifically for COVID-19 related expenditures, the District's ratio was not maintained.

Effect

The noncompliance resulted in the District being deficient by 0.78% or \$567,941.

Recommendation

The District should request a waiver from the Fresno County Superintendent of Schools for this issue.

Current Status

Not implemented, see current year findings and recommendations.