

ORINDA UNION SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2020



**ORINDA UNION SCHOOL DISTRICT
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JUNE 30, 2020**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Orinda Union School District
Orinda, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Orinda Union School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in net OPEB liability and related ratios, schedule of district contributions and investment returns for OPEB, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Orinda Union School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020 on our consideration of Orinda Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Orinda Union School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orinda Union School District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Christy White, Inc." in a cursive script.

San Diego, California
November 30, 2020

ORINDA UNION SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

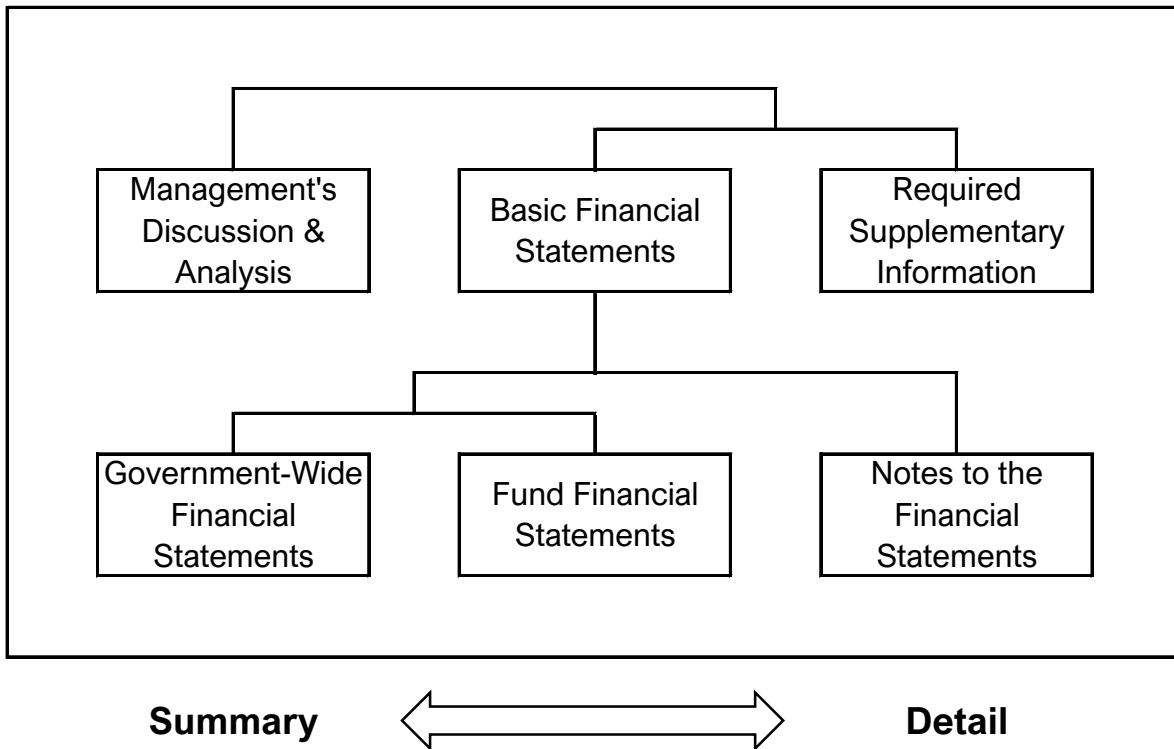
Our discussion and analysis of Orinda Union School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The District's total net position was \$(4,812,244) at June 30, 2020. This was an increase of \$963,454 from the prior year.
- ▶ Overall revenues were \$38,891,312 which exceeded expenses of \$37,927,858.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**ORINDA UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**ORINDA UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$(4,812,244) at June 30, 2020, as reflected in the table below. Of this amount, \$(39,797,202) was unrestricted. 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 that net position for day-to-day operations.

	Governmental Activities		
	2020	2019	Net Change
ASSETS			
Current and other assets	\$ 36,258,067	\$ 11,354,112	\$ 24,903,955
Capital assets	29,508,306	30,813,194	(1,304,888)
Total Assets	65,766,373	42,167,306	23,599,067
DEFERRED OUTFLOWS OF RESOURCES	10,880,795	8,433,396	2,447,399
LIABILITIES			
Current liabilities	2,020,524	2,363,019	(342,495)
Long-term liabilities	75,406,634	50,544,922	24,861,712
Total Liabilities	77,427,158	52,907,941	24,519,217
DEFERRED INFLOWS OF RESOURCES	4,032,254	3,468,459	563,795
NET POSITION			
Net investment in capital assets	24,758,304	23,393,194	1,365,110
Restricted	10,226,654	5,015,923	5,210,731
Unrestricted	(39,797,202)	(34,184,815)	(5,612,387)
Total Net Position	\$ (4,812,244)	\$ (5,775,698)	\$ 963,454

**ORINDA UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it slightly, so you can see our total revenues and expenses for the year.

	Governmental Activities		
	2020	2019	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 294,778	\$ 154,267	\$ 140,511
Operating grants and contributions	2,003,996	1,522,380	481,616
General revenues			
Property taxes	24,057,277	18,853,661	5,203,616
Unrestricted federal and state aid	7,557,217	7,569,287	(12,070)
Other	4,978,044	6,477,553	(1,499,509)
Total Revenues	38,891,312	34,577,148	4,314,164
EXPENSES			
Instruction	23,507,193	23,535,546	(28,353)
Instruction-related services	3,514,118	3,966,478	(452,360)
Pupil services	1,355,997	1,124,443	231,554
General administration	3,870,515	3,380,309	490,206
Plant services	3,839,190	3,497,566	341,624
Ancillary and community services	918,466	891,550	26,916
Debt service	359,956	347,814	12,142
Other outgo	562,423	344,845	217,578
Total Expenses	37,927,858	37,088,551	839,307
Change in net position	963,454	(2,511,403)	3,474,857
Net Position - Beginning	(5,775,698)	(3,264,295)	(2,511,403)
Net Position - Ending	\$ (4,812,244)	\$ (5,775,698)	\$ 963,454

The cost of all our governmental activities this year was \$37,927,858 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$24,057,277 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**ORINDA UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District's functions. 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.

	Net Cost of Services	
	2020	2019
Instruction	\$ 21,792,640	\$ 22,423,568
Instruction-related services	3,298,529	3,673,275
Pupil services	1,111,921	938,271
General administration	3,830,531	3,377,835
Plant services	3,792,202	3,488,401
Ancillary and community services	917,518	889,736
Debt service	359,956	347,814
Transfers to other agencies	525,787	273,004
Total Expenses	\$ 35,629,084	\$ 35,411,904

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$35,759,007, which is more than last year's ending fund balance of \$10,505,338. The District's General Fund had \$429,465 more in operating revenues than expenditures for the year ended June 30, 2020. The District's Building Fund had \$438,424 less in operating revenues than expenditures for the year ended June 30, 2020, and net other financing sources of \$20,000,000 due to the issuance of Election 2018 Measure E, Series A, and Measure I, Series A general obligation bonds, leading to an increase in fund balance of \$19,561,576. The District's Bond Interest and Redemption Fund had \$4,344,256 more in revenue than expenditures for the year ended June 30, 2020.

CURRENT YEAR BUDGET 2019-2020

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**ORINDA UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2019-2020 the District had invested \$29,508,306 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2020	2019	Net Change
CAPITAL ASSETS			
Land	\$ 3,792,395	\$ 3,792,395	\$ -
Construction in progress	151,443	32,823	118,620
Land improvements	8,203,002	8,203,002	-
Buildings & improvements	46,197,360	46,197,360	-
Furniture & equipment	864,640	833,743	30,897
Accumulated depreciation	(29,700,534)	(28,246,129)	(1,454,405)
Total Capital Assets	\$ 29,508,306	\$ 30,813,194	\$ (1,304,888)

Long-Term Liabilities

At year-end, the District had \$75,406,634 in long-term liabilities, an increase of 44.99% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2020	2019	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 24,311,578	\$ 4,640,000	\$ 19,671,578
Compensated absences	94,105	85,933	8,172
Net OPEB liability	18,636,715	13,448,067	5,188,648
Net pension liability	31,118,251	31,055,922	62,329
Clean renewable energy bonds	2,690,000	2,780,000	(90,000)
Less: current portion of long-term liabilities	(1,444,015)	(1,465,000)	20,985
Total Long-term Liabilities	\$ 75,406,634	\$ 50,544,922	\$ 24,861,712

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

According to the UCLA Anderson Forecast, the U.S. economy is in a "depression-like crisis" and it will take at least three years before its GDP and unemployment rate return to the levels it saw before COVID-19 pandemic struck. Between February 2020 and April 2020, California lost 2.56 million nonfarm payroll jobs, a 15% drop that is nearly double the job loss during the Great Recession in 2008 and 2009.

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. Governor Gavin Newsom and the State Legislature provided resources and support beyond the Proposition 98 requirement in 2020–21, giving one-time federal resources and pension rate relief and promising more than the minimum guarantee in 2021–22.

**ORINDA UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per-pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2020. The amount of the liability is material to the financial position of the District. In response to the ongoing pandemic, the 2020-21 State Budget reduced employer contribution rates in 2020-21 and 2021-22. This will reduce the CalSTRS employer rate from 18.4% to approximately 16.15% in 2020-21 and from 18.2% to 16.0% in 2021-22. The CalPERS employer contribution rate will be reduced from CalPERS recently set rate for 2020-21 of 22.68% to 20.7% and 2021-22 estimated rate of 24.6% to 23.0%. Despite this reduction in the planned rate increases, the projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act provides California K-12 education with \$1.65 billion in Elementary and Secondary School Emergency Relief (ESSER) Funds, \$355 million in Governor's Emergency Education Relief (GEER) Funds, and \$4.4 billion in Coronavirus Relief Funds (CRF). Collectively, GEER Funds, CRF, and \$540 million in state General Fund (GF) contributions are known as Learning Loss Mitigation Funding (LLMF). CARES Act funds will be apportioned in 2020-21, however, ESSER and GEER are to be used on eligible expenditures beginning March 13, 2020 through September 30, 2022, GF is to be used on eligible expenditures beginning March 1, 2020 through June 30, 2021, and CRF is to be used on eligible expenditures beginning March 1, 2020 through December 30, 2020.

All of these factors were considered in preparing the District's budget for the 2020-21 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Office at (925) 258-6210.

**ORINDA UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Governmental Activities
ASSETS	
Cash and investments	\$ 35,168,717
Accounts receivable	1,089,350
Capital assets, not depreciated	3,943,838
Capital assets, net of accumulated depreciation	25,564,468
Total Assets	65,766,373
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	7,392,197
Deferred outflows related to OPEB	3,488,598
Total Deferred Outflows of Resources	10,880,795
LIABILITIES	
Accrued liabilities	565,856
Unearned revenue	10,653
Long-term liabilities, current portion	1,444,015
Long-term liabilities, non-current portion	75,406,634
Total Liabilities	77,427,158
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	3,262,023
Deferred inflows related to OPEB	770,231
Total Deferred Inflows of Resources	4,032,254
NET POSITION	
Net investment in capital assets	24,758,304
Restricted:	
Capital projects	4,008,108
Debt service	5,354,604
Educational programs	863,942
Unrestricted	(39,797,202)
Total Net Position	\$ (4,812,244)

The accompanying notes are an integral part of these financial statements.

**ORINDA UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 23,507,193	\$ 241,120	\$ 1,473,433	\$ (21,792,640)
Instruction-related services				
Instructional supervision and administration	1,362,756	27,630	163,765	(1,171,361)
Instructional library, media, and technology	237,850	-	1,805	(236,045)
School site administration	1,913,512	-	22,389	(1,891,123)
Pupil services				
Home-to-school transportation	124,443	3,879	17,685	(102,879)
Food services	25,077	-	-	(25,077)
All other pupil services	1,206,477	15,008	207,504	(983,965)
General administration				
Centralized data processing	728,243	-	-	(728,243)
All other general administration	3,142,272	11	39,973	(3,102,288)
Plant services	3,839,190	646	46,342	(3,792,202)
Ancillary services	11,096	-	140	(10,956)
Community services	907,370	-	808	(906,562)
Interest on long-term debt	359,956	-	-	(359,956)
Other outgo	562,423	6,484	30,152	(525,787)
Total Governmental Activities	\$ 37,927,858	\$ 294,778	\$ 2,003,996	(35,629,084)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				14,319,235
Property taxes, levied for debt service				5,870,246
Property taxes, levied for other specific purposes				3,867,796
Federal and state aid not restricted for specific purposes				7,557,217
Interest and investment earnings				203,186
Miscellaneous				4,774,858
Subtotal, General Revenue				36,592,538
CHANGE IN NET POSITION				963,454
Net Position - Beginning				(5,775,698)
Net Position - Ending				\$ (4,812,244)

The accompanying notes are an integral part of these financial statements.

**ORINDA UNION SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 6,118,499	\$ 19,561,576	\$ 5,432,053	\$ 4,056,589	\$ 35,168,717
Accounts receivable	1,089,350	-	-	-	1,089,350
Total Assets	\$ 7,207,849	\$ 19,561,576	\$ 5,432,053	\$ 4,056,589	\$ 36,258,067
LIABILITIES					
Accrued liabilities	\$ 439,926	\$ -	\$ -	\$ 48,481	\$ 488,407
Unearned revenue	10,653	-	-	-	10,653
Total Liabilities	450,579	-	-	48,481	499,060
FUND BALANCES					
Nonspendable	101,605	-	-	-	101,605
Restricted	863,942	19,561,576	5,432,053	4,008,108	29,865,679
Assigned	1,292,143	-	-	-	1,292,143
Unassigned	4,499,580	-	-	-	4,499,580
Total Fund Balances	6,757,270	19,561,576	5,432,053	4,008,108	35,759,007
Total Liabilities and Fund Balances	\$ 7,207,849	\$ 19,561,576	\$ 5,432,053	\$ 4,056,589	\$ 36,258,067

The accompanying notes are an integral part of these financial statements.

**ORINDA UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2020**

Total Fund Balance - Governmental Funds \$ 35,759,007

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 59,208,840	
Accumulated depreciation	<u>(29,700,534)</u>	29,508,306

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(77,449)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 24,311,578	
Compensated absences	94,105	
Net OPEB liability	18,636,715	
Net pension liability	31,118,251	
Clean renewable energy bonds	<u>2,690,000</u>	(76,850,649)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 7,392,197	
Deferred inflows of resources related to pensions	<u>(3,262,023)</u>	4,130,174

Deferred outflows and inflows of resources relating to OPEB:

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.

Deferred outflows of resources related to OPEB	\$ 3,488,598	
Deferred inflows of resources related to OPEB	<u>(770,231)</u>	2,718,367

Total Net Position - Governmental Activities \$ (4,812,244)

**ORINDA UNION SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 21,264,458	\$ -	\$ -	\$ -	\$ 21,264,458
Federal sources	592,420	-	-	-	592,420
Other state sources	2,717,943	-	23,183	-	2,741,126
Other local sources	9,596,358	15,044	5,882,898	203,175	15,697,475
Total Revenues	34,171,179	15,044	5,906,081	203,175	40,295,479
EXPENDITURES					
Current					
Instruction	22,032,314	-	-	-	22,032,314
Instruction-related services					
Instructional supervision and administration	1,286,063	-	-	-	1,286,063
Instructional library, media, and technology	222,208	-	-	-	222,208
School site administration	1,767,355	-	-	-	1,767,355
Pupil services					
Home-to-school transportation	124,443	-	-	-	124,443
Food services	18,709	-	-	-	18,709
All other pupil services	1,150,793	-	-	-	1,150,793
General administration					
Centralized data processing	564,255	-	-	-	564,255
All other general administration	2,240,030	-	-	-	2,240,030
Plant services	2,970,614	-	-	271,206	3,241,820
Facilities acquisition and maintenance	-	201,193	-	63,174	264,367
Ancillary services	11,254	-	-	-	11,254
Community services	805,602	-	-	-	805,602
Transfers to other agencies	310,148	-	-	-	310,148
Debt service					
Principal	90,000	-	1,375,000	-	1,465,000
Interest and other	147,926	252,275	186,825	-	587,026
Total Expenditures	33,741,714	453,468	1,561,825	334,380	36,091,387
Excess (Deficiency) of Revenues Over Expenditures	429,465	(438,424)	4,344,256	(131,205)	4,204,092
Other Financing Sources (Uses)					
Other sources	-	20,000,000	1,049,577	-	21,049,577
Net Financing Sources (Uses)	-	20,000,000	1,049,577	-	21,049,577
NET CHANGE IN FUND BALANCE	429,465	19,561,576	5,393,833	(131,205)	25,253,669
Fund Balance - Beginning	6,327,805	-	38,220	4,139,313	10,505,338
Fund Balance - Ending	\$ 6,757,270	\$ 19,561,576	\$ 5,432,053	\$ 4,008,108	\$ 35,759,007

The accompanying notes are an integral part of these financial statements.

**ORINDA UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Governmental Funds \$ 25,253,669

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 149,517	
Depreciation expense:	<u>(1,454,405)</u>	(1,304,888)

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 1,465,000

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (21,049,577)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (28,204)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: (8,172)

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (1,413,572)

(Continued on following the page)

**ORINDA UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2020**

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:

(1,953,801)

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:

2,999

Change in Net Position of Governmental Activities

\$ 963,454

ORINDA UNION SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Trust Funds</u>
	<u>Retiree Benefit Fund</u>
ASSETS	
Cash and investments	\$ 1,247,552
Total Assets	<u>1,247,552</u>
NET POSITION	
Restricted	1,247,552
Total Net Position	<u>\$ 1,247,552</u>

The accompanying notes are an integral part of these financial statements.

**ORINDA UNION SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Trust Funds</u>
	<u>Retiree Benefit</u>
	<u>Fund</u>
ADDITIONS	
Investment earnings	\$ 43,087
Total Additions	<u>43,087</u>
DEDUCTIONS	
Other trust activities	<u>1,037</u>
Total Deductions	<u>1,037</u>
CHANGE IN NET POSITION	42,050
Net Position - Beginning	<u>1,205,502</u>
Net Position - Ending	<u>\$ 1,247,552</u>

The accompanying notes are an integral part of these financial statements.

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Orinda Union School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades TK-8 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. 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 of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements. The fund financial statements provide information about the District's funds and fiduciary funds. Separate statements for each fund category – governmental, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements (continued)

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Building Fund: This 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. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Non-Major Governmental Funds

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

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

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Retiree Benefit Fund: This fund exists to account separately for amounts held in trust from salary reduction agreements, other irrevocable contributions for employees' retirement benefit payments, or both.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use 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 under 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 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. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Unearned Revenue (continued)

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

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

Investments

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

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. 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. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

**ORINDA UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Capital Assets (continued)

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	5 – 50 years
Furniture and Equipment	2 – 15 years

Interfund Balances

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations 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 obligations of the funds.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2020
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 – June 30, 2020

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Postemployment Benefits Other Than Pensions (OPEB) (continued)

Gains and losses related to changes in net OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable - The non-spendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Fund Balance (continued)

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. 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.

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. 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.

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. 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. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. 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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

J. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2019. The District has not yet determined the impact on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has not yet determined the impact on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has not yet determined the impact on the financial statements.

**ORINDA UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This standard’s primary objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. A portion of this statement was effective upon issuance, while the majority of this statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

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

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Fiduciary Funds
Investment in county treasury	\$ 31,853,339	\$ -
Cash with fiscal agent	-	1,247,552
Cash in revolving fund	7,500	-
Local agency investment fund	3,307,878	-
Total	\$ 35,168,717	\$ 1,247,552

B. 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; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Contra Costa County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is 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).

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices (continued)

Investment in County Treasury (continued) –The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Cash with Fiscal Agent – The District maintains cash balances held by the California Employers' Retiree Benefit Trust (CERBT), a Section 115 trust fund dedicated to prefunding Other Postemployment Benefits for all eligible California public agencies.

Local Agency Investment Fund - The investments are held with the Local Agency Investment Fund (LAIF). The program is offered to local agencies and is also part of the Pooled Money Investment Account (PMIA). The investment maintains a fair market value of approximately \$3,307,878.

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 2 – CASH AND INVESTMENTS (continued)

D. 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 manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$32,049,621 and an amortized book value of \$31,853,339. The average weighted maturity for this pool is 282 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2020, the pooled investments in the County Treasury were rated at least A.

F. 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. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Contra Costa County Treasury Investment Pool and Local Agency Investment Funds are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 2 – CASH AND INVESTMENTS (continued)

G. Fair Value (continued)

The District's fair value measurements at June 30, 2020 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 32,049,621
Local agency investment fund	3,307,878
Total	<u>\$ 35,357,499</u>

NOTE 3 – ACCOUNTS RECEIVABLE

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

	<u>General Fund</u>
Federal Government	
Categorical aid	\$ 475,900
State Government	
Apportionment	258,810
Categorical aid	143,174
Lottery	113,514
Local Government	
Other local sources	97,952
Total	<u>\$ 1,089,350</u>

NOTE 4 – CAPITAL ASSETS

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

	<u>Balance July 01, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 3,792,395	\$ -	\$ -	\$ 3,792,395
Construction in progress	32,823	118,620	-	151,443
Total Capital Assets not Being Depreciated	<u>3,825,218</u>	<u>118,620</u>	<u>-</u>	<u>3,943,838</u>
Capital assets being depreciated				
Land improvements	8,203,002	-	-	8,203,002
Buildings & improvements	46,197,360	-	-	46,197,360
Furniture & equipment	833,743	30,897	-	864,640
Total Capital Assets Being Depreciated	<u>55,234,105</u>	<u>30,897</u>	<u>-</u>	<u>55,265,002</u>
Less Accumulated Depreciation				
Land improvements	5,035,838	163,773	-	5,199,611
Buildings & improvements	22,655,596	1,236,120	-	23,891,716
Furniture & equipment	554,695	54,512	-	609,207
Total Accumulated Depreciation	<u>28,246,129</u>	<u>1,454,405</u>	<u>-</u>	<u>29,700,534</u>
Governmental Activities				
Capital Assets, net	<u>\$ 30,813,194</u>	<u>\$ (1,304,888)</u>	<u>\$ -</u>	<u>\$ 29,508,306</u>

**ORINDA UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 4 – CAPITAL ASSETS (continued)

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

Instruction	\$	882,702
Instructional supervision and administration		39,663
Instructional library, media, and technology		10,010
School site administration		103,227
Food services		6,368
All other pupil services		36,695
Centralized data processing		153,254
All other general administration		13,631
Plant services		208,855
Total Depreciation Expense	\$	1,454,405

NOTE 5 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2020 consisted of the following:

	General Fund	Non-Major Governmental Funds	District-Wide	Governmental Activities
Payroll	\$ 50,647	\$ -	\$ -	\$ 50,647
Vendors payable	373,845	48,481	-	422,326
Unmatured interest	-	-	77,449	77,449
Due to grantor government	15,434	-	-	15,434
Total	\$ 439,926	\$ 48,481	\$ 77,449	\$ 565,856

NOTE 6 – UNEARNED REVENUE

Unearned revenue at June 30, 2020 consisted of the following:

	General Fund
Federal sources	\$ 1,529
State categorical sources	9,124
Total	\$ 10,653

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 7 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2020 consisted of the following:

	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 4,640,000	\$ 20,000,000	\$ 1,375,000	\$ 23,265,000	\$ 1,380,000
Unamortized premium	-	1,049,577	2,999	1,046,578	(35,985)
Total general obligation bonds	4,640,000	21,049,577	1,377,999	24,311,578	1,344,015
Compensated absences	85,933	8,172	-	94,105	-
Net OPEB liability	13,448,067	5,188,648	-	18,636,715	-
Net pension liability	31,055,922	62,329	-	31,118,251	-
Clean renewable energy bonds	2,780,000	-	90,000	2,690,000	100,000
Total	\$ 52,009,922	\$ 26,308,726	\$ 1,467,999	\$ 76,850,649	\$ 1,444,015

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for compensated absences are typically liquidated in the General Fund and Non-Major Governmental Funds.
- Payments for clean renewable energy bonds are made in the General Fund.

A. General Obligation Bonds

The outstanding general obligation bonded debt of the District as of June 30, 2020 is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2020
					Outstanding July 01, 2019	Additions	Deductions	
2016 Refunding	2016	2023	2.00% - 5.00%	\$ 8,160,000	\$ 4,640,000	\$ -	\$ 1,375,000	\$ 3,265,000
2018 Measure E, Series A	2020	2050	3.00% - 4.00%	10,000,000	-	10,000,000	-	10,000,000
2018 Measure I, Series A	2020	2050	3.00% - 4.00%	10,000,000	-	10,000,000	-	10,000,000
					\$ 4,640,000	\$ 20,000,000	\$ 1,375,000	\$ 23,265,000

On June 8, 2016, the District issued General Obligation Refunding Bonds in the aggregate principal amount of \$8,160,000 for the purpose of providing funds to (i) refund all or a portion of the District's remaining outstanding General Obligation Bonds, Election of 1995, Series 1998 Capital Appreciation Bonds (the "1998 Bonds"), (ii) refund all or a portion of the District's remaining outstanding 2001 General Obligation Refunding Bonds (the "2001 Bonds" and, together with the 1998 Bonds, the "Prior Bonds"), and (iii) pay costs of issuance of the Bonds. The 2016 Refunding Bonds have a variable interest rate of 2.00 – 5.00 percent and mature on October 15, 2022. At June 30, 2020, the principal balance outstanding on the 2016 Refunding Bonds were \$3,265,000.

On May 28, 2020, the District issued 2018 Measure E, Series A General Obligation Bonds in the amount of \$10,000,000 and 2018 Measure I, Series A General Obligation Bonds in the amount of \$10,000,000. Both bonds have a variable interest rate of 3.00 - 4.00 percent and mature on August 1, 2049. The proceeds of Measure E, Series A Bonds will be used to: update, construct, and repair school classrooms; maintain libraries; and update technology infrastructure. Measure I, Series A will be used to: upgrade classroom air conditioning, security, and communication systems; and construct, acquire, and repair school sites and equipment. At June 30, 2020, the principal balance outstanding on the Election 2018 Measure E, Series A Bonds were \$10,000,000 and Election 2018, Measure I, Series A Bonds were \$10,000,000.

Debt service payments are made from property tax levy authorized by the voters.

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 7 – LONG-TERM LIABILITIES (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize the general obligation bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 5,660,000	\$ 158,519	\$ 5,818,519
2022	5,295,000	521,550	5,816,550
2023	1,340,000	371,600	1,711,600
2024	160,000	346,800	506,800
2025	90,000	340,400	430,400
2026 - 2030	720,000	1,634,200	2,354,200
2031 - 2035	1,270,000	1,448,600	2,718,600
2036 - 2040	1,985,000	1,163,100	3,148,100
2041 - 2045	2,845,000	811,900	3,656,900
2046 - 2050	3,900,000	335,775	4,235,775
Total	\$ 23,265,000	\$ 7,132,444	\$ 30,397,444

B. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2020 amounted to \$94,105. This amount is included as part of long-term liabilities in the government-wide financial statements.

C. Clean Renewable Energy Bonds

The outstanding clean renewable energy bonds of the District as of June 30, 2020 is as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Bonds</u>			<u>Bonds</u>
				<u>Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding</u>
				<u>July 01, 2019</u>			<u>June 30, 2020</u>
2015	2035	3.56%	\$ 2,905,000	\$ 2,780,000	\$ -	\$ 90,000	\$ 2,690,000
				\$ 2,780,000	\$ -	\$ 90,000	\$ 2,690,000

On November 1, 2015, the District entered into a long-term lease agreement to provide for the financing of the acquisition, construction and installation of photovoltaic panels for five schools within the District. The agreement is between the District and the Public Property Financing Corporation of California as the “lessor”. The lessor’s funds for acquiring these items were generated by the issuance of \$2,905,000 of Clean Renewable Energy Bonds (CREBS). The lease was issued with an effective interest rate of 3.56%.

CREBS are long-term debt instruments which provide federal tax credits in lieu of a portion of the traditional bond interest, resulting in a lower effective interest rate for the borrower.

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 7 – LONG-TERM LIABILITIES (continued)

C. Clean Renewable Energy Bonds (continued)

The annual requirements to amortize these bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	\$ 100,000	\$ 144,722	\$ 244,722
2022	110,000	139,342	249,342
2023	115,000	133,424	248,424
2024	130,000	127,237	257,237
2025	140,000	120,243	260,243
2026 - 2030	870,000	476,668	1,346,668
2031 - 2035	1,225,000	205,785	1,430,785
Total	\$ 2,690,000	\$ 1,347,421	\$ 4,037,421

D. Other Postemployment Benefits

The District's beginning net OPEB liability was \$13,448,067 and increased by \$5,188,648 during the year ended June 30, 2020. The ending net OPEB liability at June 30, 2020 was \$18,636,715. See Note 9 for additional information regarding the net OPEB liability.

E. Net Pension Liability

The District's beginning net pension liability was \$31,055,922 and increased by \$62,329 during the year ended June 30, 2020. The ending net pension liability at June 30, 2020 was \$31,118,251. See Note 10 for additional information regarding the net pension liability.

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 8 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2020:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 7,500	\$ -	\$ -	\$ -	\$ 7,500
All others	94,105	-	-	-	94,105
Total non-spendable	101,605	-	-	-	101,605
Restricted					
Educational programs	863,942	-	-	-	863,942
Capital projects	-	19,561,576	-	4,008,108	23,569,684
Debt service	-	-	5,432,053	-	5,432,053
Total restricted	863,942	19,561,576	5,432,053	4,008,108	29,865,679
Assigned					
One-time mandated costs	389,904	-	-	-	389,904
Technology	62,924	-	-	-	62,924
School site discretionary	85,436	-	-	-	85,436
Field trips	83,560	-	-	-	83,560
Donations	31,071	-	-	-	31,071
OIS sports and drama	248	-	-	-	248
Workers compensation	2,268	-	-	-	2,268
Lottery-unrestricted	636,732	-	-	-	636,732
Total assigned	1,292,143	-	-	-	1,292,143
Unassigned	4,499,580	-	-	-	4,499,580
Total Fund Balance	\$ 6,757,270	\$ 19,561,576	\$ 5,432,053	\$ 4,008,108	\$ 35,759,007

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Orinda Union School District's defined benefit OPEB plan, Orinda Union School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit plan administered by the District. The District is a participant in the California Employer's Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit post-employment healthcare plan administered by CalPERS.

B. OPEB Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately-issued Plan Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by contacting the District.

**ORINDA UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

C. Benefits Provided

The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act (PEMHCA), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. Participation in PEMHCA is financed in part by the District through a contribution to PEMHCA that varies by employee group.

The District also offers medical coverage to its retirees. The District makes the required statutory PEMHCA contribution as described above, subject to the "Unequal Contribution Method" under which the District's contribution for retirees increases each year to 5 percent of its contribution for active employees multiplied by the years the District has participated in PEMHCA until the two amounts are equal. The PEMHCA minimum contribution is paid for the lifetime of the retiree and continues for the lifetime of an eligible surviving spouse. The District also pays the PEMCHA administrative fees.

The District makes additional contributions towards certain eligible retirees' premiums based on employee classification and date of hire, as described below.

	Certificated Employees		Management Certificated	
	Hired Before 02/12/2018	Hired On/After 02/12/2018	Hired Before 03/12/2018	Hired On/After 03/12/2018
Minimum Age	50	50	55	55
Required Service	10 Years	20 Years	5 years	30 Years
Duration of PEMHCS Minimum Benefit	Lifetime	Lifetime	Lifetime	Lifetime
Additional Contribution Cap	Certificated Cap at Retirement	Certificated Cap at Retirement	Certificated Cap at Retirement	Certificated Cap at Retirement
Duration of Additional Contribution	5 years; not to exceed age 66	5 years; not to exceed age 66	5 years; not to exceed age 66	5 years; not to exceed age 66

	Classified Employees		Management Classified	
	Hired Before 01/01/2018	Hired On/After 01/01/2018	Hired Before 03/12/2018	Hired On/After 03/12/2018
Minimum Age	55	55	55	55
Required Service	10 Years	17 Years	5 years	30 Years
Duration of PEMHCS Minimum Benefit	Lifetime	Lifetime	Lifetime	Lifetime
Additional Contribution Cap	Classified Cap at Retirement	2-Party Medicare Cap at Retirement	Classified Cap at Retirement	Classified Cap at Retirement
Duration of Additional Contribution	Lifetime	Lifetime	Lifetime	5 years; not to exceed age 66

	Confidential Employees		Unrepresented/Other	
	Hired Before 03/12/2018	Hired On/After 03/12/2018	Hired Before 03/12/2018	Hired On/After 03/12/2018
Minimum Age	55	55	55	55
Required Service	10 Years	30 Years	30 Years	30 Years
Duration of PEMHCS Minimum Benefit	Lifetime	Lifetime	Lifetime	Lifetime
Additional Contribution Cap	Classified Cap at Retirement	Classified Cap at Retirement	N/A	N/A
Duration of Additional Contribution	5 years; not to exceed age 66	5 years; not to exceed age 66	N/A	N/A

**ORINDA UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Contributions

The contribution requirements of Plan members and the Orinda Union School District are established and may be amended by the Orinda Union School District, the District’s bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through agreements between the District, the District’s bargaining units and unrepresented groups. For fiscal year 2019-20, the District contributed \$617,594 to the Plan, all of which was used for current premiums.

E. Plan Membership

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	125
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	<u>285</u>
Total number of participants**	<u><u>410</u></u>

*Information not provided

**As of the July 1, 2020 valuation date

F. Net OPEB Liability

The components of the net OPEB liability of the District at June 30, 2020, were as follows:

Total OPEB liability	\$ 19,884,267
Plan fiduciary net position	<u>1,247,552</u>
District’s net OPEB liability	<u><u>\$ 18,636,715</u></u>
 Plan fiduciary net position as a percentage of total OPEB liability	 6.27%

G. Investments

Investment Policy

The District’s policy regarding the allocation of the plan’s invested assets is established and may be amended by District management. The District participates in the California Employers’ Retiree Benefit Trust (CERBT), a Section 115 trust fund dedicated to prefunding Other Postemployment Benefits for all eligible California public agencies.

The District has adopted the CERBT Strategy 1 portfolio with an objective to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. The portfolio is invested in various asset classes in percentages approved by the CalPERS Board.

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

G. Investments (continued)

Concentrations

The Plan held the following investments:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Target Range</i>	<i>Benchmark</i>
Global Equity	57%	± 2%	MSCI All County World Index IMI (net)
Fixed Income	27%	± 2%	Bloomberg Barclays Long Liability Index
Treasury Inflation-Protected Securities	5%	± 2%	Bloomberg Barclays US TIPS Index
Real Estate Investment Trust	8%	± 2%	FTSE EPRA/NAREIT Developed Liquid Index (net)
Commodities	3%	± 2%	S&P GSCI Total Return Index
Cash	-	+ 2%	91 Day Treasury Bill

Rate of Return

For the year ended, June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 3.53 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of July 1, 2020 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Actuarial cost method	Entry Age, Level Percent of Pay
Recognition of deferred inflows and outflows of resources	Closed period equal to the average of the expected remaining service lives of all employees provided with OPEB
Salary increases	3.00 percent
Inflation rate	3.00 percent
Investment rate of return	6.00 percent, net of OPEB plan investment expense
Healthcare cost trend rate	3.5 percent for 2020 through 2023; 5.20 percent for 2024 through 2069; 4.00 percent for 2070 and later years

Pre-retirement mortality rates were based on the CalSTRS Active Member Mortality (2015-2018) for Certificated Employees and CalPERS Pre Retirement Mortality Miscellaneous and Schools (1997-2015) for all other employees. Post-retirement mortality rates were based on the CalSTRS Retired Member Mortality (2015-2018) for certificated employees and CalPERS Post Retirement Mortality miscellaneous and schools (1997-2015) for all other employees.

Actuarial assumptions used in the July 1, 2020 valuation were based on a review of plan experience during the period July 1, 2018 to June 30, 2020.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table on the following page provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

H. Actuarial Assumptions and Other Inputs (continued)

Asset Class	Assumed Asset Allocation	Real Rate of Return
Global ex-U.S. Equity	59%	5.5%
U.S. Fixed	25%	1.5%
TIPS	5%	1.2%
Real Estate	8%	3.7%
Commodities	3%	0.6%

The discount rate of 5.09 percent was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

I. Changes in Net OPEB Liability

	<u>June 30, 2020</u>
Total OPEB Liability	
Service Cost	\$ 863,375
Interest on total OPEB liability	912,759
Difference between expected and actual experience	2,305,600
Changes of assumptions	1,766,558
Benefits payments	(617,594)
Net change in total OPEB liability	5,230,698
Total OPEB liability - beginning	14,653,569
Total OPEB liability - ending (a)	<u>\$ 19,884,267</u>
 Plan fiduciary net position	
Contributions - employer	\$ 617,594
Net investment income	72,330
Benefit payments	(617,594)
Difference between actual and expected return on assets	(30,280)
Net change in plan fiduciary net position	42,050
Plan fiduciary net position - beginning	1,205,502
Plan fiduciary net position - ending (b)	<u>\$ 1,247,552</u>
 District's net OPEB liability - ending (a) - (b)	<u>\$ 18,636,715</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	6.27%
 Covered-employee payroll	\$ 16,384,131
 District's net OPEB liability (asset) as a percentage of covered-employee payroll	113.75%

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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

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

	<u>1% Decrease (4.09%)</u>	<u>Valuation Discount (5.09%)</u>	<u>1% Increase (6.09%)</u>
Net OPEB liability	\$ 21,243,458	\$ 18,636,715	\$ 16,476,352

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

The following presents the net OPEB liability of the Orinda Union School District, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease (2.5% to an ultimate 3.0%)</u>	<u>Valuation Trend (3.5% to an ultimate 4.0%)</u>	<u>1% Increase (4.5% to an ultimate 5.0%)</u>
Net OPEB liability	\$ 16,384,381	\$ 18,636,715	\$ 21,162,656

L. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Orinda Union School District recognized OPEB expense of \$2,031,166. At June 30, 2020, the Orinda Union School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 24,224	\$ 10,447
Differences between expected and actual experience	1,961,481	759,784
Changes in assumptions	1,502,893	-
Total	<u>\$ 3,488,598</u>	<u>\$ 770,231</u>

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

L. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (continued)

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 613,840	\$ 286,478
2022	613,840	286,476
2023	613,840	197,277
2024	613,840	-
2025	607,784	-
Thereafter	425,454	-
Total	<u>\$ 3,488,598</u>	<u>\$ 770,231</u>

NOTE 10 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 22,953,383	\$ 5,654,047	\$ 2,469,349	\$ 3,360,681
PERS Pension	8,164,868	1,738,150	792,674	1,691,021
Total	<u>\$ 31,118,251</u>	<u>\$ 7,392,197</u>	<u>\$ 3,262,023</u>	<u>\$ 5,051,702</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**ORINDA UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 10 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2020, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers’ Retirement Board. The required employer contribution rate for fiscal year 2020 was 18.13% of annual payroll reduced to 17.10% pursuant to California Senate Bill 90 (SB 90). The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$2,341,521 for the year ended June 30, 2020.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,746,782 to CalSTRS.

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

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

District's proportionate share of the net pension liability	\$ 22,953,383
State's proportionate share of the net pension liability associated with the District	12,522,703
Total	<u>\$ 35,476,086</u>

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 10 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the District’s proportion was 0.025 percent, which was unchanged from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$3,360,681. In addition, the District recognized pension expense and revenue of \$342,615 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 884,171
Differences between expected and actual experience	57,945	646,799
Changes in assumptions	2,903,101	-
Changes in proportion and differences between District contributions and proportionate share of contributions	351,480	938,379
District contributions subsequent to the measurement date	2,341,521	-
Total	<u>\$ 5,654,047</u>	<u>\$ 2,469,349</u>

The \$2,341,521 reported as 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 year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 892,912	\$ 461,283
2022	892,914	1,075,121
2023	778,450	324,185
1900	744,542	373,946
2025	3,708	153,287
Thereafter	-	81,527
Total	<u>\$ 3,312,526</u>	<u>\$ 2,469,349</u>

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 10 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	4.80%
Fixed Income	12%	1.30%
Real Estate	13%	3.60%
Private Equity	13%	6.30%
Risk Mitigating Strategies	9%	1.80%
Inflation Sensitive	4%	3.30%
Cash/Liquidity	2%	-0.40%
	100%	

*20-year geometric average

**ORINDA UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 10 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’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 the total pension liability.

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 34,179,487	\$ 22,953,383	\$ 13,644,804

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

B. California Public Employees’ Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 10 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2020 was 20.733% of annual payroll reduced to 19.721% pursuant to California Senate Bill 90 (SB 90). Contributions to the plan from the District were \$756,380 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$8,164,868 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the District's proportion was 0.028 percent, which was a decrease of 0.003 percent from its proportion measured as of June 30, 2018.

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 10 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

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

For the year ended June 30, 2020, the District recognized pension expense of \$1,691,021. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 75,731
Differences between expected and actual experience	593,097	-
Changes in assumptions	388,673	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	716,943
District contributions subsequent to the measurement date	756,380	-
Total	<u>\$ 1,738,150</u>	<u>\$ 792,674</u>

The \$756,380 reported as 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 year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 619,756	\$ 267,082
2022	256,876	28,221
2023	95,580	129,575
1900	9,558	367,796
Total	<u>\$ 981,770</u>	<u>\$ 792,674</u>

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 10 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial Assumptions (continued)

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

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. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	100.0%		

*An expected inflation of 2.00% used for this period.

**An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

**ORINDA UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 10 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District’s proportionate share of the net pension liability	\$ 11,769,120	\$ 8,164,868	\$ 5,174,892

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

B. Litigation

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

NOTE 12 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in three joint ventures under joint powers authorities (JPAs), the Contra Costa County Schools Insurance Group (CCCSIG) for workers' compensation insurance, the East Bay Schools Insurance Group (EBSIG) for property and liability insurance, and Schools Self-Insurance of Contra Costa County (SSICCC) for dental and vision insurance. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs 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 JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

**ORINDA UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2020, total deferred outflows related to pensions was \$7,392,197 and total deferred inflows related to pensions was \$3,262,023.

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 9. At June 30, 2020, total deferred outflows related to other postemployment benefits was \$3,488,598 and total deferred inflows related to other postemployment benefits was \$770,231.

REQUIRED SUPPLEMENTARY INFORMATION

**ORINDA UNION SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 21,097,279	\$ 21,177,603	\$ 21,264,458	\$ 86,855
Federal sources	507,103	513,660	506,337	(7,323)
Other state sources	2,025,439	2,247,829	2,300,701	52,872
Other local sources	10,073,836	10,076,048	9,596,358	(479,690)
Total Revenues	33,703,657	34,015,140	33,667,854	(347,286)
EXPENDITURES				
Certificated salaries	14,006,077	14,282,551	14,240,947	41,604
Classified salaries	4,996,189	4,896,171	4,819,853	76,318
Employee benefits	8,534,698	8,611,117	8,422,828	188,289
Books and supplies	1,025,588	1,207,362	759,342	448,020
Services and other operating expenditures	4,775,160	5,518,571	4,502,531	1,016,040
Capital outlay	-	6,700	30,897	(24,197)
Other outgo				
Excluding transfers of indirect costs	372,248	688,204	548,074	140,130
Total Expenditures	33,709,960	35,210,676	33,324,472	1,886,204
Excess (Deficiency) of Revenues Over Expenditures	(6,303)	(1,195,536)	343,382	1,538,918
Other Financing Sources (Uses)				
Other sources	43,844	43,844	86,083	42,239
Net Financing Sources (Uses)	43,844	43,844	86,083	42,239
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning	6,557,441	6,327,805	6,327,805	-
Fund Balance - Ending	\$ 6,594,982	\$ 5,176,113	\$ 6,757,270	\$ 1,581,157

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On-behalf payments amounting to \$417,242 are not included in the actual revenues and expenditures reported in this schedule as this relates to the portion of on-behalf payments not recorded by the client.

**ORINDA UNION SCHOOL DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability			
Service Cost	\$ 863,375	\$ 767,841	\$ 745,477
Interest on total OPEB liability	912,759	802,404	744,210
Difference between expected and actual experience	2,305,600	-	(1,603,990)
Changes of assumptions	1,766,558	-	-
Benefits payments	<u>(617,594)</u>	<u>(571,832)</u>	<u>(469,237)</u>
Net change in total OPEB liability	5,230,698	998,413	(583,540)
Total OPEB liability - beginning	<u>14,653,569</u>	<u>13,655,156</u>	<u>14,238,696</u>
Total OPEB liability - ending (a)	<u>\$ 19,884,267</u>	<u>\$ 14,653,569</u>	<u>\$ 13,655,156</u>
Plan fiduciary net position			
Contributions - employer	\$ 617,594	\$ 571,832	\$ 683,480
Net investment income	72,330	70,609	81,552
Benefit payments	(617,594)	(571,832)	(469,237)
Administrative expens	-	(968)	(924)
Difference between actual and expected return on assets	<u>(30,280)</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	42,050	69,641	294,871
Plan fiduciary net position - beginning	<u>1,205,502</u>	<u>1,135,861</u>	<u>840,990</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,247,552</u>	<u>\$ 1,205,502</u>	<u>\$ 1,135,861</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 18,636,715</u>	<u>\$ 13,448,067</u>	<u>\$ 12,519,295</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.3%	8.2%	8.3%
Covered-employee payroll	\$ 16,384,131	\$ 19,459,621	\$ 20,129,689
District's net OPEB liability (asset) as a percentage of covered-employee payroll	113.7%	69.1%	62.2%

See accompanying notes to required supplementary information.

**ORINDA UNION SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS AND INVESTMENT RETURNS FOR OPEB
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ 1,461,278	\$ 1,418,717	\$ 1,358,255
Contributions in relation to the actuarially determined contribution	<u>617,594</u>	<u>571,832</u>	<u>683,480</u>
Contribution deficiency (excess)	<u>\$ 843,684</u>	<u>\$ 846,885</u>	<u>\$ 674,775</u>
Covered-employee payroll	\$ 16,384,131	\$ 19,459,621	\$ 20,129,689
Contributions as a percentage of covered payroll	3.8%	2.9%	3.4%
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Annual money-weighted rate of return, net of investment expense	3.53%	6.18%	9.70%

See accompanying notes to required supplementary information.

**ORINDA UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.025%	0.025%	0.025%	0.026%	0.026%	0.025%
District's proportionate share of the net pension liability	\$ 22,953,383	\$ 22,837,355	\$ 23,514,625	\$ 21,369,527	\$ 17,510,494	\$ 14,489,176
State's proportionate share of the net pension liability associated with the District	12,522,703	13,075,518	13,911,054	12,165,291	9,261,121	8,751,462
Total	<u>\$ 35,476,086</u>	<u>\$ 35,912,873</u>	<u>\$ 37,425,679</u>	<u>\$ 33,534,818</u>	<u>\$ 26,771,615</u>	<u>\$ 23,240,638</u>
District's covered payroll	\$ 13,625,606	\$ 13,477,670	\$ 13,576,120	\$ 12,677,162	\$ 12,817,399	\$ 12,144,376
District's proportionate share of the net pension liability as a percentage of its covered payroll	168.5%	169.4%	173.2%	168.6%	136.6%	119.3%
Plan fiduciary net position as a percentage of the total pension liability	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**ORINDA UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.028%	0.031%	0.032%	0.032%	0.033%	0.033%
District's proportionate share of the net pension liability	\$ 8,164,868	\$ 8,218,567	\$ 7,546,921	\$ 6,263,987	\$ 4,805,272	\$ 3,746,304
District's covered payroll	\$ 3,657,525	\$ 4,114,836	\$ 4,119,802	\$ 4,031,394	\$ 3,731,622	\$ 3,750,883
District's proportionate share of the net pension liability as a percentage of its covered payroll	223.2%	199.7%	183.2%	155.4%	128.8%	99.9%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**ORINDA UNION SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,341,521	\$ 2,223,629	\$ 1,904,108	\$ 1,682,876	\$ 1,346,881	\$ 1,138,185
Contributions in relation to the contractually required contribution*	(2,341,521)	(2,223,629)	(1,904,108)	(1,682,876)	(1,346,881)	(1,138,185)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 14,021,302	\$ 13,625,606	\$ 13,477,670	\$ 13,576,120	\$ 12,677,162	\$ 12,817,399
Contributions as a percentage of covered payroll	16.70%	16.32%	14.13%	12.40%	10.62%	8.88%

*Amounts do not include on-behalf contributions

**ORINDA UNION SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 756,380	\$ 660,131	\$ 638,531	\$ 571,584	\$ 474,260	\$ 439,248
Contributions in relation to the contractually required contribution*	(756,380)	(660,131)	(638,531)	(571,584)	(474,260)	(439,248)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,870,871	\$ 3,657,525	\$ 4,114,836	\$ 4,119,802	\$ 4,031,394	\$ 3,731,622
Contributions as a percentage of covered payroll	19.54%	18.05%	15.52%	13.87%	11.76%	11.77%

*Amounts do not include on-behalf contributions

**ORINDA UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Net OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the net OPEB liability, and the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for OPEB.

Changes in Assumptions

The discount rate changed from 6.00 percent to 5.09 percent since the previous valuations for OPEB.

Schedule of District Contributions and Investment Returns for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess of deficiency related to the actuarially determined contribution. It also presents information on the annual money weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

**ORINDA UNION SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
 FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District’s statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District’s covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District’s covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2020, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Capital outlay	\$ 6,700	\$ 30,897	\$ 24,197

SUPPLEMENTARY INFORMATION

**ORINDA UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2020**

	Second Period Report	Annual Report
	Certificate No. 0A5E07F5	Certificate No. 40A6A2C0
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	1,075.62	1,075.75
Extended Year Special Education	0.18	0.18
Special Education - Nonpublic Schools	1.84	1.96
Extended Year Special Education - Nonpublic Schools	0.02	0.02
Total TK/K through Third	1,077.66	1,077.91
Fourth through Sixth		
Regular ADA	814.07	814.07
Extended Year Special Education	0.45	0.45
Special Education - Nonpublic Schools	0.94	0.94
Total Fourth through Sixth	815.46	815.46
Seventh through Eighth		
Regular ADA	585.89	585.86
Extended Year Special Education	0.13	0.13
Special Education - Nonpublic Schools	3.36	3.25
Extended Year Special Education - Nonpublic Schools	0.27	0.27
Total Seventh through Eighth	589.65	589.51
TOTAL SCHOOL DISTRICT	2,482.77	2,482.88

**ORINDA UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2020**

Grade Level	Minutes Requirement	2019-20 Planned Instructional Minutes	2019-20 Planned Number of Days	2019-20 Actual Instructional Minutes	2019-20 Actual Number of Days	Instructional Minutes Closed due to COVID-19	Number of Days Certified Closed due to COVID-19*	Status
Kindergarten	36,000	44,730	180	32,640	131	12,090	49	Complied
Grade 1	50,400	51,750	180	37,990	131	13,760	49	Complied
Grade 2	50,400	51,750	180	37,990	131	13,760	49	Complied
Grade 3	50,400	51,750	180	37,990	131	13,760	49	Complied
Grade 4	54,000	59,505	180	45,745	131	13,760	49	Complied
Grade 5	54,000	59,505	180	45,745	131	13,760	49	Complied
Grade 6	54,000	61,060	180	44,415	131	16,645	49	Complied
Grade 7	54,000	61,060	180	44,415	131	16,645	49	Complied
Grade 8	54,000	61,060	180	44,415	131	16,645	49	Complied

*On September 21, 2020, the District certified that all schools were closed from March 16, 2020 to May 29, 2020 for a total of 49 instructional days due to COVID-19.

**ORINDA UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

	2021 (Budget)	2020	2019	2018
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 32,141,056	\$ 33,753,937	\$ 34,120,656	\$ 31,239,663
Expenditures And Other Financing Uses	34,379,691	33,324,472	34,350,292	31,854,158
Net change in Fund Balance	\$ (2,238,635)	\$ 429,465	\$ (229,636)	\$ (614,495)
Ending Fund Balance	\$ 4,562,478	\$ 6,757,270	\$ 6,327,805	\$ 7,000,240
Available Reserves*	\$ 2,461,306	\$ 2,999,500	\$ 3,508,219	\$ 4,116,943
Available Reserves As A Percentage Of Outgo	7.16%	9.00%	10.21%	12.92%
Long-term Liabilities	\$ 75,406,634	\$ 76,850,649	\$ 52,009,922	\$ 52,549,007
Average Daily Attendance At P-2	2,490	2,483	2,468	2,460

The General Fund ending fund balance has decreased by \$242,970 over the past two years. The fiscal year 2020-21 budget projects a decrease of \$2,238,635. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2020-21 fiscal year. Total long-term obligations have increased by \$24,301,642 over the past two years.

Average daily attendance has increased by 23 ADA over the past two years. An increase of 7 ADA is anticipated during the 2020-21 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**On-behalf payments amounting to \$417,242 are not included in the actual revenues and expenditures reported in this schedule.

**ORINDA UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
MEASURE A AND MEASURE B – PARCEL TAX
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Measure A</u>	<u>Measure B</u>	<u>Total</u>
REVENUES			
Parcel tax proceeds	\$2,928,695	\$943,268	\$3,871,963
Less: refunds/uncollected taxes	<u>(20,553)</u>	<u>(6,620)</u>	<u>(27,173)</u>
Total Revenues	<u>2,908,142</u>	<u>936,648</u>	<u>3,844,790</u>
EXPENDITURES			
Salaries	2,143,591	690,403	2,833,994
Benefits	764,298	246,164	1,010,462
Other operating services	253	81	334
Total Expenditures	<u>2,908,142</u>	<u>936,648</u>	<u>3,844,790</u>
CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to supplementary information.

**ORINDA UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

There were no reconciling items from the annual financial and budget report with the audited financial statements.

**ORINDA UNION SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 JUNE 30, 2020**

	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
ASSETS			
Cash and investments	\$ 622,512	\$ 3,434,077	\$ 4,056,589
Total Assets	\$ 622,512	\$ 3,434,077	\$ 4,056,589
LIABILITIES			
Accrued liabilities	\$ 5,914	\$ 42,567	\$ 48,481
Total Liabilities	5,914	42,567	48,481
FUND BALANCES			
Restricted	616,598	3,391,510	4,008,108
Total Fund Balances	616,598	3,391,510	4,008,108
Total Liabilities and Fund Balance	\$ 622,512	\$ 3,434,077	\$ 4,056,589

See accompanying note to supplementary information.

**ORINDA UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2020**

	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
REVENUES			
Other local sources	\$ 134,575	\$ 68,600	\$ 203,175
Total Revenues	<u>134,575</u>	<u>68,600</u>	<u>203,175</u>
EXPENDITURES			
Plant services	-	271,206	271,206
Facilities acquisition and maintenance	37,809	25,365	63,174
Total Expenditures	<u>37,809</u>	<u>296,571</u>	<u>334,380</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>96,766</u>	<u>(227,971)</u>	<u>(131,205)</u>
NET CHANGE IN FUND BALANCE	96,766	(227,971)	(131,205)
Fund Balance - Beginning	519,832	3,619,481	4,139,313
Fund Balance - Ending	<u>\$ 616,598</u>	<u>\$ 3,391,510</u>	<u>\$ 4,008,108</u>

See accompanying note to supplementary information.

**ORINDA UNION SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2020**

The Orinda Union School District was established August 1, 1923. The District currently operates four elementary schools and one intermediate school, serving pupils in Transitional Kindergarten through eighth grade. The District encompasses and serves the City of Orinda. There were no changes in the boundaries of the District during the year.

GOVERNING BOARD

Member	Office	Term Expires
Cara Hoxie	President	December 2020
Elizabeth Daoust	Vice-President	December 2022
Carol Brown	Member	December 2022
Jason Kaune	Member	December 2022
Hillary Weiner	Member	December 2020

DISTRICT ADMINISTRATORS

Carolyn Seaton, Ed.D.
Superintendent

Teresa Sidrian
Director of Business Services

**ORINDA UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES

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

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 46208*.

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.

Measure A and Measure B – Parcel Tax – Schedule of Revenues, Expenditures, and Changes in Fund Balance

This schedule discloses the revenues, expenditures, and remaining fund balance of the District's Measure A and Measure B parcel tax. In accordance with the ballot measure, proceeds from the parcel tax were used to reduce the impact of state budget cuts, maintain small class size and neighborhood schools, attract and retain skilled, qualified teachers with competitive compensation and training, and protect classroom programs and strong core academics. All expenditures reviewed were made in accordance with the purposes identified in the ballot measure.

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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

Local Education Agency Organization Structure

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

OTHER INDEPENDENT AUDITORS' REPORTS

**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**

Independent Auditors' Report

Governing Board
Orinda Union School District
Orinda, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orinda Union School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Orinda Union School District's basic financial statements, and have issued our report thereon dated November 30, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Orinda Union School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Christy White, Inc.

San Diego, California
November 30, 2020

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

Governing Board
Orinda Union School District
Orinda, California

Report on State Compliance

We have audited Orinda Union School District's compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Orinda Union School District's state programs for the fiscal year ended June 30, 2020, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Orinda Union School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, Orinda Union School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2020.

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
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
Transportation Maintenance of Effort	No
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
California Clean Energy Jobs Act	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
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Transportation Maintenance of Effort as the District did not have revenues or expenditures during the 2012-13 fiscal year.

We did not perform testing for independent study because total reported ADA was not material.

Christy White, Inc.

San Diego, California
November 30, 2020

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**ORINDA UNION SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

The District was not subject to Uniform Guidance Single Audit for the year ended June 30, 2020 because federal award expenditures did not exceed \$750,000.

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**ORINDA UNION SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no financial statement findings for the year ended June 30, 2020.

**ORINDA UNION SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related and Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

There were no state award findings or questioned costs for the year ended June 30, 2020.

**ORINDA UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

There were no findings reported for the year ended June 30, 2019.