MILLBRAE SCHOOL DISTRICT
COUNTY OF SAN MATEO
MILLBRAE, CALIFORNIA

AUDIT REPORT

June 30, 2022

Chavan & Associates, LLP
Certified Public Accountants
15105 Concord Circle, Ste. 130
Morgan Hill, CA 95037

Millbrae School District
San Mateo County

Table of Contents

Table of Contents

FINANCIAL SECTION

Chavan and Associates, llp
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Trustees
Millbrae School District
Millbrae, 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 Millbrae School District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Millbrae School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of a Matter

Deficit Net Position

As of June 30, 2022, the District's net position in its Government-wide financial statements was at a deficit mostly because of the long-term pension and OPEB liabilities and deferrals as reported in Note 9. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAGAS, we:

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of CalPERS pension contributions, schedule of CalPERS proportionate share of net pension liability, schedule of STRS pension contributions, schedule of STRS proportionate share of net pension liability, and

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schedule of changes in total OPEB liability as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, as required by the Governmental Accounting Standards Board, organization schedule, schedule of average daily attendance, schedule of instructional time offered, schedule of charter schools, schedule of financial trends and analysis, and the reconciliation of the Annual Financial and Budget report to the audited financial statements, as required by the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of average daily attendance, schedule of instructional time offered, the reconciliation of the Annual Financial and Budget report to the audited financial statement, and schedule of expenditures of federal awards are the responsibility of management and were 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 combining and individual nonmajor fund financial statements, schedule of average daily attendance, schedule of instructional time offered, the reconciliation of the Annual Financial and Budget report to the audited financial statement, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organization schedule, schedule of charter schools, and schedule of financial trends and analysis included have not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023, on our consideration of Millbrae 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Millbrae School District's internal control over financial reporting and compliance.

C & A LLP

January 26, 2023
Morgan Hill, California

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Management's Discussion and Analysis

This discussion and analysis of Millbrae School District's (the District's) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2021-22 are as follows:

- Total net position increased by $3,626,762, or 67.3%, and unrestricted net position increased by $2,748,181, or 16.5%, from June 30, 2021 to June 30, 2022, mainly due to an decrease in Total OPEB liabilities of $1,801,548 and Net Pension liability of $16,524,924.

- Deferred outflows of resources decreased by $3,783,349, or 29.9%, and deferred inflows of resources increased by $12,465,313, or 724.1%, because of changes in assumptions, estimate differences, proportionate share changes, and changes in contribution deferrals since the prior fiscal year.

- The District had $32,115,997 in expenses for governmental activities, which is 90% of total revenues. Program specific revenues in the form of operating grants and contributions and charges for services accounted for $7,454,749, or 20.86%, of total revenues in the amount of $34,601,546.

- General revenue of $28,288,010 was comprised of -$4,728,030 in property taxes, $22,765,802 in grants and entitlements, and $794,178 in other revenue.

- The fund balances of all governmental funds increased by $1,781,427, which is a 6.28% increase from 2020-21. Of this net amount, $608,813 was from an increase in the fund balance of the general fund which includes the fund balance of the postemployment benefits fund, special reserve fund for other than capital outlay and Student Activity Special Revenue as required by GASB 54.

- Total general fund revenues and expenditures totaled $29,548,836 and $29,021,561, respectively.

Using the Annual Report

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand Millbrae School District as a financial whole, an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the District-wide financial statements and provide information about the activities of the entire District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of Millbrae School District, the General Fund is by far the most significant fund.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Overview of the Financial Statements

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management Discussion and Analysis. These three sections together provide a comprehensive financial overview of the District. the basic financials are comprised of two kinds of statements that present financial information from different perspectives, District-wide and funds.

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

- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.

- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

District-Wide Financial Statements - Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2021-22?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, and required educational programs.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District does not engage in business activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins with the balance sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund, Special Reserve Fund for Capital Projects, and the Bond Interest and Redemption Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The District as a Whole

Recall that the Statement of Net Position provides a perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2022 compared to June 30, 2021:

Table 1 - Summary of Net Position

	2022	2021	Increase (Decrease)	Percent
Assets				
Current and Other Assets	$ 31,878,454	$ 37,608,341	$ (5,729,887)	-15.2%
Capital Assets	50,732,550	52,552,958	(1,820,408)	-3.5%
Total Assets	$ 82,611,004	$ 90,161,299	$ (7,550,295)	-8.4%
Deferred Outflows	$ 8,858,880	$ 12,642,229	$ (3,783,349)	-29.9%
Liabilities				
Current Liabilities	$ 3,192,644	$ 10,726,689	$ (7,534,045)	-70.2%
Long-Term Liabilities	75,848,774	95,740,448	(19,891,674)	-20.8%
Total Liabilities	$ 79,041,418	$ 106,467,137	$ (27,425,719)	-25.8%
Deferred Inflows	$ 14,186,909	$ 1,721,596	$ 12,465,313	724.1%
Net Position				
Net Investment in Capital Assets	$ 5,738,470	$ 5,978,264	$ (239,794)	-4.0%
Restricted	6,376,960	5,258,585	1,118,375	21.3%
Unrestricted	(13,873,873)	(16,622,054)	2,748,181	16.5%
Total Net Position	$ (1,758,443)	$ (5,385,205)	$ 3,626,762	67.3%

Total assets and liabilities of governmental activities decreased by 8.4%. Net position increased by 67.3% because of changes related deferrals from retirement plans. The unrestricted net position of the District, which is the portion of net position that may be used to finance day-to-day activities without constraints from grants and legal requirements, increased by 17.2%.

Table 2 shows the changes in net position for the fiscal year 2021-22:

Table 2 - Change in Net Position

	2022	2021	Increase (Decrease)	Percent
Revenues				
Program Revenues:				
Charges for Services	$ 68,257	$ 853,146	$ (784,889)	-92.0%
Operating Grants and Contributions	7,386,492	7,060,432	326,060	4.6%
General Revenues:				
Property Taxes	4,728,030	5,473,911	(745,881)	-13.6%
Grants and Entitlements - Unrestricted	22,765,802	20,407,660	2,358,142	11.6%
Other	794,178	806,397	(12,219)	-1.5%
Total Revenues	35,742,759	34,601,546	1,141,213	3.3%
Program Expenses				
Instruction	17,083,055	21,182,025	(4,098,970)	-19.4%
Instruction-Related Services	2,711,495	2,242,303	469,192	20.9%
Pupil Services	4,225,309	3,742,459	482,850	12.9%
General Administration	2,882,501	3,043,574	(161,073)	-5.3%
Plant Services	2,472,926	2,654,160	(181,234)	-6.8%
Other	2,740,711	2,459,633	281,078	11.4%
Total Expenses	32,115,997	35,324,154	(3,208,157)	-9.1%
Change in Net Position	3,626,762	(722,608)	4,349,370	601.9%
Beginning Net Position	(5,385,205)	(4,762,931)	(622,274)	-13.1%
Prior Period Adjustments - GASB 84	-	100,334	(100,334)	100.0%
Beginning Net Assets - as Adjusted	(5,385,205)	(4,662,597)	(722,608)	-15.5%
Ending Net Position	$ (1,758,443)	$ (5,385,205)	$ 3,626,762	67.3%

Governmental Activities

Property taxes made up 13.23% of revenues from governmental activities for the District during the fiscal year 2021-22 and decreased by 318.9% from 2020-21 while unrestricted grants and entitlements increased by 11.6%. These changes reflect the District's change in funding model related to LCFF and direct apportionments. Direct instruction, Instruction-Related Services, and Pupil Services represent 75% of total expenses in 2021-22 as compared to 77% in 2020-21.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

Table 3 shows the total cost of services and the net cost of services and identifies the cost of these services supported by revenues.

Table 3 - Net Cost of Services

Function	2022	2021	Increase (Decrease)	Percent
Instruction	$ 13,622,218	$ 16,731,958	$ (3,109,740)	-18.59%
Instruction-Related Services	2,002,973	2,032,151	(29,178)	-1.44%
Pupil Services	2,247,871	2,489,846	(241,975)	-9.72%
General Administration	2,741,394	2,969,869	(228,475)	-7.69%
Plant Services	2,420,387	2,544,994	(124,607)	-4.90%
Other	1,626,405	641,758	984,647	153.43%
Total Net Cost of Services	$ 24,661,248	$ 27,410,576	$ (2,749,328)	-10.03%

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupil Services and Instruction-Related Services expenses include the activities involved with assisting staff with the content and process of teaching to pupils.

General Administration expenses include the costs for the Board of Trustees, administration, fiscal and business services and other expenses associated with administrative and financial supervision of the District.

Plant Services expenses include the operation and maintenance of plant activities which involve keeping the school grounds, buildings, and equipment in an effective working condition.

Other expense includes community service, interest and fiscal charges. Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the District.

The District's Funds

The District's governmental funds reported a combined fund balance of $30,144,012, which is an increase of 6.28% from the prior year's total of $28,362,585.

Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

Table 4 - Change in Fund Balances

Funds	2022	2021	Increase (Decrease)
General Fund	$ 10,295,373	$ 9,686,560	$ 608,813
Cafeteria Fund	465,845	322,520	143,325
Foundation Fund	50,495	51,893	(1,398)
Capital Facilities Fund	910,596	842,834	67,762
Special Reserve Fund for Capital Projects	13,637,917	13,338,281	299,636
Bond Interest & Redemption Fund	4,783,786	4,120,497	663,289
Total Governmental Fund Balances	$ 30,144,012	$ 28,362,585	$ 1,781,427

Capital Assets

Table 5 shows June 30, 2022 capital asset balances, net of accumulated depreciation by category, as compared to June 30, 2021:

Table 5 - Summary of Capital Assets Net of Depreciation

Capital Asset	2022 Net Capital Asset	2021 Net Capital Asset	Change	Percentage Change
Land	$ 358,270	$ 358,270	$ -	0.0%
Buildings	49,687,624	51,663,866	(1,976,242)	-3.8%
Property and Equipment	391,660	472,659	(80,999)	-17.1%
Work-in-Progress	294,996	58,163	236,833	407.2%
Totals	$ 50,732,550	$ 52,552,958	$ (1,820,408)	-3.5%

Net capital assets decreased by $1,820,408 during the fiscal year 2021-22, mainly due to depreciation expense.

Long Term Debt

Table 6 reports the balance and changes of long-term liabilities during the fiscal year 2021-22.

Table 6 - Long-Term Liabilities

Type of Debt	2022	2021	Change	Percentage Change
Capital lease obligations	$ 20,053	$ 49,175	$ (29,122)	-59.22%
General obligation bonds	53,861,213	55,261,051	(1,399,838)	-2.53%
Total OPEB liability	7,234,357	9,035,905	(1,801,548)	-19.94%
Net Pension liabilities	14,578,899	31,103,823	(16,524,924)	-53.13%
Compensated absences	154,252	290,494	(136,242)	-46.90%
Total Long-Term Liabilities	$ 75,848,774	$ 95,740,448	$ (19,891,674)	-20.78%

Factors Bearing on the District's Future

The District's budget was developed and adopted using the Local Control Funding Formula (LCFF) and the Local Control Accountability Plan (LCAP). The Board Adopted LCAP engages stakeholders to determine the District's goals to improve student outcomes that align to the state's eight priorities.

LCFF funding is allocated through the Principal Apportionment and is funded through a combination of local property taxes and state funding from the State School Fund and Education Protection Account. The LCFF entitlement is comprised of a uniform base grant for each school district based on the grade span of pupils multiplied by units of average daily attendance (ADA). The final 2021-22 budget adoption used the super COLA of 5.07% on the LCFF funding.

As the District enters into the next fiscal year, a number of factors affecting the budget will continue to be a focus and a priority. The District is projecting deficit spending over the next several years. The state revenues under the LCFF formula are insufficient to cover ongoing increases in costs for employee retirement plans (STRS and PERS), health benefits and normal operations. Enrollment projections continue to reflect declining enrollment. Adequate reserves will be crucial to guard against fiscal volatility. Recessions are cyclical and California is on target for the next recession as we reach ten years of historic economic recovery. Therefore, continued cooperative efforts and sound decision making by the Board, the Superintendent and the entire staff will be key to the District's long-term financial health.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, 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 regarding this report or need additional financial information, contact Ralph Crame, Chief Business Official, Millbrae School District, 555 Richmond Drive, Millbrae, CA 94030 or via email at rcrame@millbraesd.org.

Basic Financial Statements

Millbrae School District
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and investments	$ 29,741,218
Accounts receivable	2,086,387
Prepaid and other assets	50,849
Capital assets - net	50,732,550
Total Assets	$ 82,611,004
Deferred Outflows of Resources	
Pension adjustments	$ 6,083,380
Deferred loss on early retirement of long-term debt	2,775,500
Total Deferred Outflows of Resources	$ 8,858,880
Liabilities	
Accounts payable	$ 796,289
Unearned revenue	938,153
Accrued interest	1,458,202
Long-term liabilities:	
Due within one year	
Financed purchases payable	20,053
Compensated absences payable	38,563
General obligation bonds	1,530,000
Total due within one year	1,588,616
Due after one year	
General obligation bonds	52,331,213
Total OPEB liability	7,234,357
Net pension liabilities	14,578,899
Compensated absences payable	115,689
Total due after one year	74,260,158
Total long-term liabilities	75,848,774
Total Liabilities	$ 79,041,418
Deferred Inflows of Resources	
Pension adjustments	$ 13,690,174
OPEB adjustments	496,735
Total Deferred Inflows of Resources	$ 14,186,909
Net Position	
Net investment in capital assets	$ 5,738,470
Restricted for:	
Cafeteria programs	414,996
Debt service	2,191,227
Educational programs	1,843,171
Other postemployment benefits	1,927,566
Unrestricted	(13,873,873)
Total Net Position	$ (1,758,443)

The notes to basic financial statements are an integral part of this statement

Millbrae School District
Statement of Activities
For the Fiscal Year Ended June 30, 2022

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 17,085,642	$ 14,438	$ 3,448,986	$ (13,622,218)
Instruction-related services:				
Supervision of instruction	835,387	-	282,616	(552,771)
Instruction library, media and technology	10,972	-	-	(10,972)
School site administration	1,865,579	10	426,339	(1,439,230)
Pupil services:				
Home-to-school transportation	80,418	-	1,505,167	1,424,749
Food services	1,440,507	-	472,931	(967,576)
All other pupil services	2,705,044	-	-	(2,705,044)
General administration:				
Data processing	588,948	-	3,335	(585,613)
All other general administration	2,293,979	-	138,198	(2,155,781)
Plant services	2,528,810	81	108,342	(2,420,387)
Ancillary services	135,685	-	160,412	24,727
Community services	87,702	-	-	(87,702)
Payments to other agencies	376,453	53,728	840,166	517,441
Interest on long-term debt	2,080,871	-	-	(2,080,871)
Total governmental activities	$ 32,115,997	$ 68,257	$ 7,386,492	(24,661,248)
General revenues:				
Taxes levied for debt service				3,768,121
Taxes levied for other specific purposes				959,909
Federal and state aid not restricted to specific purposes				
State apportionments				22,319,262
All other federal and state aid				446,540
Interest and investment earnings				271,113
Miscellaneous				523,065
Total general revenues				28,288,010
Change in net position				3,626,762
Net position beginning				(5,385,205)
Net position ending				$ (1,758,443)

The notes to basic financial statements are an integral part of this statement

Millbrae School District
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	Special Reserve for Capital Projects Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 10,254,776	$ 13,346,336	$ 4,771,871	$ 1,368,235	$ 29,741,218
Accounts receivable	1,829,109	45,969	11,915	199,394	2,086,387
Due from other funds	101,927	340,650	-	-	442,577
Prepaid and other current assets	-	-	-	50,849	50,849
Total Assets	$ 12,185,812	$ 13,732,955	$ 4,783,786	$ 1,618,478	$ 32,321,031
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 754,190	$ 30,776	$ -	$ 11,323	$ 796,289
Due to other funds	340,650	64,262	-	37,665	442,577
Unearned revenue	795,599	-	-	142,554	938,153
Total Liabilities	1,890,439	95,038	-	191,542	2,177,019
Fund balances:					
Nonspendable:					
Revolving fund	2,500	-	-	-	2,500
Inventories	-	-	-	50,849	50,849
Restricted for:					
Educational programs	1,792,676	-	-	50,495	1,843,171
Cafeteria programs	-	-	-	414,996	414,996
Debt service	-	-	4,783,786	-	4,783,786
Capital projects	-	2,024,442	-	-	2,024,442
Other postemployment benefits	1,927,566	-	-	-	1,927,566
Committed for:					
Educational programs	-	-	-	-	-
Assigned for:					
Educational programs	4,392,099	-	-	-	4,392,099
Other postemployment benefits	190,398	-	-	-	190,398
Capital projects	-	11,613,475	-	910,596	12,524,071
Unassigned:					
Reserve for economic uncertainties	877,815	-	-	-	877,815
Unappropriated	1,112,319	-	-	-	1,112,319
Total Fund Balances	10,295,373	13,637,917	4,783,786	1,426,936	30,144,012
Total Liabilities and Fund Balances	$ 12,185,812	$ 13,732,955	$ 4,783,786	$ 1,618,478	$ 32,321,031

The notes to basic financial statements are an integral part of this statement

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

Total fund balances - governmental funds		$ 30,144,012
Capital assets for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $74,980,699 and the accumulated depreciation is $24,248,149.		50,732,550
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 accrued interest at the end of the period was:		(1,458,202)
The differences from retirement plan assumptions, estimates and timing differences in actuarial valuations and the government-wide financial statements are reported as deferred inflows and outflows of resources in the Statement of Net Position.		(8,103,529)
Losses from the early retirement of long-term debt are reported as deferred outflows of resources in the government-wide statement of net position.		2,775,500
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Financed purchases	$ 20,053	
General obligation bonds	53,861,213	
Total OPEB liability	7,234,357	
Net pension liabilities	14,578,899	
Compensated absences	154,252	(75,848,774)
Total net position - governmental activities		$ (1,758,443)

The notes to basic financial statements are an integral part of this statement

Millbrae School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2022

	General Fund	Special Reserve for Capital Projects Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
LCFF Sources	$ 22,319,261	$ -	$ -	$ -	$ 22,319,261
Federal	2,128,678	-	-	1,387,909	3,516,587
Other state	3,123,450	-	11,685	89,259	3,224,394
Other local	1,977,447	631,375	3,994,137	79,557	6,682,516
Total revenues	29,548,836	631,375	4,005,822	1,556,725	35,742,758
Expenditures:					
Instruction	17,141,265	-	-	-	17,141,265
Instruction-related services:					
Supervision of instruction	903,072	-	-	-	903,072
Instruction library, media and technology	11,861	-	-	-	11,861
School site administration	2,016,734	-	-	-	2,016,734
Pupil services:					
Home-to-school transportation	86,933	-	-	-	86,933
Food services	55,234	-	-	1,298,733	1,353,967
All other pupil services	2,924,215	-	-	-	2,924,215
General administration:					
Data processing	636,667	-	-	-	636,667
All other general administration	2,151,027	-	-	41,525	2,192,552
Plant services	2,456,386	122,127	-	4,892	2,583,405
Facility acquisition and construction	7,807	129,960	-	-	137,767
Ancillary services	135,685	-	-	-	135,685
Community services	87,702	-	-	-	87,702
Payments to other agencies	376,453	-	-	-	376,453
Debt service:					
Principal	29,122	-	1,710,000	-	1,739,122
Interest and fees	1,398	-	1,632,533	-	1,633,931
Total expenditures	29,021,561	252,087	3,342,533	1,345,150	33,961,331
Excess (deficiency) of revenues over (under) expenditures	527,275	379,288	663,289	211,575	1,781,427
Other financing sources (uses):					
Transfers in	81,538	-	288,162	-	369,700
Transfers out	-	(79,652)	(288,162)	(1,886)	(369,700)
Total other financing sources (uses)	81,538	(79,652)	-	(1,886)	-
Changes in fund balances	608,813	299,636	663,289	209,689	1,781,427
Fund balances beginning	9,686,560	13,338,281	4,120,497	1,217,247	28,362,585
Fund balances ending	$ 10,295,373	$ 13,637,917	$ 4,783,786	$ 1,426,936	$ 30,144,012

The notes to basic financial statements are an integral part of this statement

Millbrae School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities
For the Fiscal Year Ended June 30, 2022

Total net change in fund balances - governmental funds		$ 1,781,427
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities , the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital assets additions net CIP of $258,161 were less than depreciation expense of $2,078,569 in the period.		(1,820,408)
The governmental funds report long-term debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Also, governmental funds report the effect of prepaid issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:		
Financed purchases principal	$ 29,122	
Bond principal paid	1,710,000	
Amortization of gain (loss) on early retirement of long-term debt	(159,509)	
Amortization of bond premiums	153,930	
Accreted Interest	(464,092)	1,269,451
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		22,731
In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation used exceeded vacation earned by $136,242.		136,243
In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		2,524,225
In governmental funds, actual contributions and benefits paid to OPEB plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		(286,907)
Change in net position of governmental activities		$ 3,626,762

The notes to basic financial statements are an integral part of this statement

Notes to the Basic Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

Millbrae 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 account policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the U. S. Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA").

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements using the criteria established by GASB. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

The Millbrae School District Financing Corporation (the "Corporation") is a nonprofit entity organized under the laws of State of California and is a blended component unit of the District. This is a nonprofit public benefit corporation created on February 6, 1996, to assist the District authorizing lease financing of improvement projects and approving related documents of and actions. The Corporation is governed by the same board that governs the District.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of Net Position and the statement of Activities) report information on all of the non-fiduciary activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Eliminations have been made to minimize the effect of interfund activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include the reconciliation with brief explanations to better identify the relationship between the government wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds' present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the 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. For the District, "available" means collectible within the current period or within one year after year-end. To achieve comparability of reporting among California districts, and so as not to distort normal revenue patterns with specific respect to reimbursement grants and correction to state-aid apportionments, the California Department of Education has defined available for district 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 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.

Deferred Outflows/Inflows of Resources:

In addition to assets, the Statement of Net Position includes 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(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding which is reported in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the net pension liability reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position reports 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(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the District's benefit plans liability reported which is in the Statement of Net Position.

Unearned Revenue:

Unearned revenue arises when assets (such as cash) are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements (such as qualified expenditures) are met are recorded as liabilities from unearned revenue.

Unavailable Revenue:

In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources as unavailable revenue.

Expenses/Expenditures:

Using 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.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund and includes transactions accounted for in the Student Activity Special Revenue, Special Reserve Fund for Other Than Capital Outlay and the Special Reserve Fund for Postemployment Benefits. These funds are not substantially composed of restricted or committed revenue sources and does not meet the definition of a special revenue fund under GASB 54.

The *Special Reserve Fund for Capital Outlay Projects* exists primarily to account for resources from rentals and proceeds from the sale of real property accumulated for capital outlay.

The *Bond Interest and Redemption Fund* is used to account for the interest and redemption of principal of general obligation bonds.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains the following nonmajor special revenue funds:

- The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service programs.

- The *Foundation Special Reserve Fund* exists primarily to account for money received from gifts and bequests.

Capital Projects Funds are used to account for resources restricted, committed or assigned for capital outlays. The District maintains the following nonmajor capital projects fund:

- The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act ("CEQA").

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated on June 30.

H. Benefit Plans

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System plans (STRS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and STRS. 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.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this period, the following time frames were used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021, to June 30, 2022

I. Assets, Liabilities, and Equity

a) Cash and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the district maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

b) Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

c) Stores Inventories and Prepaid Expenditures

Inventories

Inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's central warehouse inventory is valued at cost and consists of expendable supplies held for consumption.

Prepaid expenditures

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period, thus recording a prepaid expense in the Statement of Net Position.

d) Capital Assets

Capital assets are those purchased or acquired with an original cost of $5,000 or more and are reported at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized but are expensed as incurred.

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Assets	Years
Improvement of sites	20
Buildings	50
Portable buildings	20
Building improvements	20
Furniture and fixtures	20
Playground equipment	20
Food services equipment	15
Transportation equipment	15
Telephone system	10
Vehicles	8
Computer system and equipment	5
Office equipment	5

e) Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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, since 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. Credit for unused sick leave is applicable to all classified school members who retire after January l, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

f) Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts as well as issuance costs if related to prepaid insurance costs, are deferred and amortized over the life of the bonds. Bonds payables are reported net of applicable bond premium or discount. Issuance costs, not related to prepaid insurance costs, are expensed in the period incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

g) Fund Balance Classifications

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' minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts, of three percent of general fund operating expenditures and other financing uses.

In accordance with Government Accounting Standards Board 54*, Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.

- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Superintendent and Chief Business Official.

- Unassigned includes positive fund balance within the general fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

h) Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. 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, except for accreted interest on those borrowings. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. As of June 30, 2022, capital assets net of accumulated depreciation totaling $50.732.550 was reduced by related debt of $53,861,213 which excluded accreted interest of $3,531,042 and premiums attributed to cash reserves for debt service of $2,580,644. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Capital Projects restrictions will be used for the acquisition and construction of capital facilities.

Debt Service restrictions reflect the cash balances in the debt service funds of $4,783,786 that are restricted for debt service payments by debt covenants, reduced by outstanding bond premiums of $2,580,644.

Educational Program restrictions reflect the amounts to be expended for federal and state funded educational programs.

Other Postemployment Benefits restrictions reflect the District's one-time use money for other postemployment benefits, such as medical, dental and vision for retirees.

Unrestricted net position reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

i) Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on August 31 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

j) Risk management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District has joined together with other school districts in the County to form the San Mateo County Schools Insurance Group ("SMCSIG”) public entity risk pool. The District pays an annual premium for its property and casualty, workers' compensation, and liability insurance coverage. The Joint Powers Agreements provide that SMCSIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels.

There were no significant reductions in insurance coverage from coverage in the prior year and no insurance settlement exceeding insurance coverage.

k) Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated and reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

l) Accounting Estimates

The presentation of 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 reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

J. Implemented Accounting Pronouncements

GASB Statement No. 87, Leases

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As of June 30, 2022, the District did not have any material contracts that were required to be reported as leases under GASB 87.

K. Upcoming Accounting and Reporting Changes

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 91, *Conduit Debt Obligations*

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2020 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private Partnerships and Public-Public Partnerships and Availability Payment Arrangements*

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

GASB 96 provides guidance on accounting for Subscription-Based Information Technology Arrangements (SBITA) where the government contracts for the right to use another party's software. The standards for SBITAs are based on the standards established in GASB Statement No. 87, *Leases.* GASB 96 is effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 99, *Omnibus 2022*

Omnibus statements are issued by GASB to address practice issues identified after other standards have been approved for implementation. Omnibus statements "clear up the loose ends" for recent prior statements GASB has issued. This Omnibus addresses recent pronouncements, including GASB 87 – Leases, GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB 96 – *Subscription-Based Information Technology Arrangements*.

Effective Date: The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by topic.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

2. CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2022 is as follows:

Deposit or Investment	Carrying Amount	Fair Value	Investment Rating
Government-Wide Statements:			
Cash in county treasury investment pool	$ 29,603,870	$ 28,680,229	AA
Cash in revolving fund	2,500	2,500	n/a
Cash in banks	134,848	134,848	n/a
Total Cash and Investments	$ 29,741,218	$ 28,817,577	

Cash in Banks and in Revolving Funds

Cash balances in banks and revolving funds are insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2022, the District's bank balance of $139,672 was fully insured by FDIC.

Cash in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to maintain substantially all of its cash with the County Treasurer in accordance with Education Code

Section 41001. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The District has the following recurring fair value measurements as of June 30, 2022:

Investments in the San Mateo County Treasury Investment Pool 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.

Policies and Practices

The District is authorized under California Government Code Section 53635 to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

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 the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains cash with the San Mateo County Investment Pool. The pool has a fair value of approximately $1.915 billion and an amortized book value of $1.976 billion.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the San Mateo County Investment Pool is governed by the County's general investment policy. The investment with the San Mateo County Investment Pool is rated at least AA by Moody's Investor Service.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public 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.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2022:

Receivables	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Nonmajor Funds	Total
Federal government	$ 1,376,203	$ -	$ -	$ 196,868	$ 1,573,071
State Government	382,689	-	-	-	382,689
Other resources	70,217	45,969	11,915	2,526	130,627
Total Receivables	$ 1,829,109	$ 45,969	$ 11,915	$ 199,394	$ 2,086,387

4. CAPITAL ASSETS AND DEPRECIATION

Capital asset activities for the year ended June 30, 2022 were as follows:

Capital Assets	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Land - not depreciable	$ 358,270	$ -	$ -	$ 358,270
Work-in-progress - not depreciable	58,163	236,833		294,996
Buildings	72,823,626	-	-	72,823,626
Equipment	1,482,479	21,328	-	1,503,807
Total capital assets	74,722,538	258,161	-	74,980,699
Less accumulated depreciation for:				
Buildings	21,159,760	1,976,242	-	23,136,002
Equipment	1,009,820	102,327	-	1,112,147
Total accumulated depreciation	22,169,580	2,078,569	-	24,248,149
Total capital assets - net depreciation	$ 52,552,958	$ (1,820,408)	$ -	$ 50,732,550

Depreciation was allocated to the following activities for the year ended June 30, 2022:

Instruction	$ 1,485,758
Food services	188,020
All other general administration	265,759
Plant services	139,032
Total depreciation expense	$ 2,078,569

5. INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables (Due From/To), as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To)

Interfund receivables and payables consisted of the following as of June 30, 2022:

Fund	Due From Other Funds	Due to Other Funds
General Fund	$ 101,927	$ 340,650
Special Reserve Fund for Capital Projects	340,650	64,262
Nonmajor Funds	-	37,665
Totals	$ 442,577	$ 442,577

Interfund Transfers

Interfund transfers consisted of the following for the fiscal year ended June 30, 2022:

Fund	Transfers In	Transfers Out
General Fund	$ 81,538	$ -
Special Reserve Fund for Capital Projects	-	79,652
Bond Interest and Redemption Fund	288,162	288,162
Nonmajor funds	-	1,886
Totals	$ 369,700	$ 369,700

The Special Reserve Fund for Other Than Capital Projects and the Other Postemployment Benefits fund have been combined with the General Fund for reporting purposes as required by GASB 54.

6. LONG-TERM LIABILITIES

Schedule of Changes in Long-term Liabilities

Long-Term Liabilities	Balance July 01, 2021	Additions	Deductions	Balance June 30, 2022	Due Within One Year
General obligation bonds:					
Bond principal	$ 49,459,527	$ -	$ 1,710,000	$ 47,749,527	$ 1,530,000
Bond premiums	2,734,574	-	153,930	2,580,644	-
Accreted Interest	3,066,950	464,092	-	3,531,042	-
Total general obligation bonds	55,261,051	464,092	1,863,930	53,861,213	1,530,000
Capital leases	49,175	-	29,122	20,053	20,053
Total OPEB liability	9,035,905	653,427	2,454,975	7,234,357	-
Net pension liabilities	31,103,823	9,162,988	25,687,912	14,578,899	-
Compensated absences	290,494	-	136,242	154,252	38,563
Total Long-Term Liabilities	$ 95,740,448	$ 10,280,507	$ 30,172,181	$ 75,848,774	$ 1,588,616

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund using local revenues. Compensated absences are paid by the fund for which the employee worked. The net pension liabilities, total OPEB liability and capital leases are paid from the General Fund and the Cafeteria fund.

General Obligation Bonds Payable

The following summarizes the bonds outstanding as of June 30, 2022:

Bond	Interest Rate	Original Issue	Bonds Outstanding July 01, 2021	Additions	Reductions	Bonds Outstanding June 30, 2022
2011 GOB	2-6.157%	$ 17,999,527	$ 6,869,527	$ -	$ 125,000	$ 6,744,527
2012 GOB	2-4%	20,000,000	6,645,000	-	370,000	6,275,000
2013 GOB	4-5.5%	10,000,000	2,210,000	-	365,000	1,845,000
2016 GORB	2-4%	8,720,000	8,080,000	-	500,000	7,580,000
2017 GORB	2-4%	7,170,000	6,865,000	-	50,000	6,815,000
2019 GORB	1.7-3.2%	12,035,000	11,760,000	-	90,000	11,670,000
2020 GORB	0.788-2.773%	7,030,000	7,030,000	-	210,000	6,820,000
		$ 82,954,527	$ 49,459,527	$ -	$ 1,710,000	$ 47,749,527

On April 19, 2011, the District issued the 2011 General Obligation Bonds, Series B in the amount of $17,999,527, maturing on July 1, 2041. Interest is payable on July 1 and January 1 and principal is payable on July 1 each year through maturity. The proceeds of the Bonds will be used for specific construction and modernization projects approved by the voters. The Bonds are a general obligation of the District payable solely from the proceeds of ad valorem taxes.

On April 19, 2012, the District issued the 2012 General Obligation Bonds in the amount of $20,000,000, maturing on July 1, 2042. Interest is payable on July 1 and January 1 and principal is payable on July 1 each year through maturity. The proceeds of the Bonds will be used for specific construction and modernization projects approved by the voters. The Bonds are a general obligation of the District payable solely from the proceeds of ad valorem taxes.

On December 11, 2013, the District issued the 2013 General Obligation Bonds in the amount of $10,000,000, maturing on July 1, 2042. Interest is payable on July 1 and January 1 and principal is payable on July 1 each year through maturity. The proceeds of the Bonds were used for specific construction and modernization projects approved by the voters. The Bonds are a general obligation of the District payable solely from the proceeds of ad valorem taxes.

On July 13, 2016, the District issued the 2016 General Obligation Refunding Bonds in the amount of $8,720,000, maturing on July 1, 2033, at a premium of $1,040,270. Interest is payable on July 1 and January 1 and principal is payable on July 1 each year through maturity. Bond proceeds totaling $9,568,373, after issuance costs of $191,897, was placed in escrow in order to defease the 2009 General Obligation Bonds. The Bonds are a general obligation of the District payable solely from the proceeds of ad valorem taxes.

On October 19, 2017, the District issued the 2017 General Obligation Refunding Bonds in the amount of $7,170,000, maturing on July 1, 2037, at a premium of $908,241. Interest is payable on July 1 and January 1 and principal is payable on July 1 each year through maturity. Bond proceeds totaling $8,078,241, after issuance costs of $171,349, was placed in escrow in order to defease the 2011 General Obligation Bonds. The Bonds are a general obligation of the District payable solely from the proceeds of ad valorem taxes.

On October 31, 2019, the District issued the 2019 General Obligation Refunding Bonds in the amount of $12,035,000, maturing on July 1, 2042. Interest is payable on July 1 and January 1 and principal is payable on July 1 each year through maturity. Bond proceeds totaling $11,795,150, after issuance costs of $179,675 and underwriter's discount of $60,175, was placed in escrow in order to defease the 2011, Series 2012 General Obligation Bonds. The Bonds are a general obligation of the District payable solely from the proceeds of ad valorem taxes.

On December 8, 2020, the District issued the 2020 General Obligation Refunding Bonds in the amount of $7,030,000, maturing on July 1, 2042. Interest is payable on July 1 and January 1 and principal is payable on July 1 each year through maturity. Bond proceeds totaling $6,816,954, after issuance costs of $167.351 and underwriter's discount of $45,695, was placed in escrow in order to defease the 2011, Series 2013 General Obligation Bonds. The Bonds are a general obligation of the District payable solely from the proceeds of ad valorem taxes.

The annual debt service requirements of the bonds are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2023	$ 1,530,000	$ 1,580,581	$ 3,110,581
2024	1,585,000	1,598,524	3,183,524
2025	1,645,000	1,544,272	3,189,272
2026	5,525,000	1,486,933	7,011,933
2027	2,450,000	1,427,642	3,877,642
2028-2032	12,653,545	6,005,107	18,658,652
2033-2037	10,883,733	7,969,059	18,852,792
2038-2042	9,847,249	9,705,540	19,552,789
2043-2047	1,630,000	1,963,265	3,593,265
Total	$ 47,749,527	$ 33,280,923	$ 81,030,450

The annual tax credit subsidies to be received from the U.S. Treasury for QSCB's are as follows:

Fiscal Year	Total
2023	$ 413,640
2024	206,820
2025	206,820
2026	206,820
2027	206,820
2028-2032	206,820
Total	$ 1,447,740

Capital Leases

The District had a capital lease agreement for office equipment with a cost of $138,454. The minimum lease payments for the capital leases consisted of the following as of June 30, 2022:

Fiscal Year	Principal	Interest to Maturity	Total
2024	$ 20,053	$ 294	$ 20,347
Total	$ 20,053	$ 294	$ 20,347

7. JOINT POWERS AGREEMENTS

The District participates in a joint powers agreement ("JPA") with the San Mateo County Schools Insurance Group ("SMCSIG"). A board consisting of a representative from each member district governs the JPA. The governing board controls the operation of the JPA independent of any influence by the District beyond the District's representation on the governing board. The JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the governing board. Member districts share surpluses and deficits proportionately to their participation. The relationship between the District and the JPA is such that the JPA not a component unit of the District for financial reporting purposes.

The following is a summary of the SMCSIG JPA's most recent financial statement information:

	SMCSIG June 30, 2021
Total Assets and Deferred Outflows	$ 43,845,133
Total Liabilities and Deferred Inflows	20,327,469
Total Net Position	23,517,664
Total Revenues	43,521,834
Total Expenditures	40,112,140

The District also participates in the School Project for Utility Rate Reduction (SPURR) JPA. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. There is no financial information available for SPURR.

8. COMMITMENTS AND CONTINGENCIES

Litigation

The District may be exposed various claims and litigation. Management believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

Federal and State Allowances, Award, and Grants

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

9. CALPERS PENSION PLAN

A. California Public Employees Retirement System (CalPERS) Pension Plan

General Information about the PERS Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	CalPERS	
	Classic	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age: minimum	50	52
Monthly benefits as a % of eligible compensation	(1)	(1)
Required employee contribution rates	7.000%	7.000%
Required employer contribution rates	22.910%	22.910%

(1) Monthly benefit is a product of benefit factor, years of service, and final compensation

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2022, the contributions were as follows:

	CalPERS
Contributions - employer	$ 791,634

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to PERS

As of June 30, 2022, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
CalPERS	$ 5,044,973

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. 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 employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan for the fiscal years ended June 30, 2021 and 2022 was as follows:

	CalPERS
Proportion - June 30, 2021	0.02557%
Proportion - June 30, 2022	0.02481%
Change - Increase/(Decrease)	-0.00076%

For the year ended June 30, 2022, the District recognized pension expense of $415,863 for the Plan.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Changes of Assumptions	$ -	$ -
Differences between Expected and Actual Experience	150,605	11,893
Differences between Projected and Actual Investment Earnings	-	1,936,110
Differences between Employer's Contributions and Proportionate Share of Contributions	2,266	143,409
Change in Employer's Proportion	65,450	161,937
Pension Contributions Made Subsequent to Measurement Date	791,634	-
Total	$ 1,009,955	$ 2,253,349

The District reported $791,634 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Total deferred outflows and inflows for all plans is summarized in the statement of net position. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	**Deferred Outflows/ (Inflows) of Resources**
2023	$ (438,389)
2024	(523,327)
2025	(534,843)
2026	(538,470)
2027	-
Thereafter	-
Total	$ (2,035,029)

Actuarial Assumptions - The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

(1) Varies by entry age and service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 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 rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the 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 rates of return are net of administrative expenses.

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(b) An expected inflation of 2.0% used for this period.
(c) An expected inflation of 2.92% used for this period.
(d) Figures are based on the previous ALM of 2017.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in Discount Rate - The following presents the District’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, 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 or 1-percentage point higher than the current rate:

		CalPERS
1% Decrease		6.15%
Net Pension Liability	$	8,506,532
Current		7.15%
Net Pension Liability	$	5,044,973
1% Increase		8.15%
Net Pension Liability	$	2,171,135

Pension Plan Fiduciary Net Position - Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

B. California State Teachers' Retirement System (STRS) Pension Plan

General Information about the STRS Pension Plan

Plan Description - The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

Benefits Provided - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law. The Plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

	CalSTRS	
	Tier 1	Tier 2
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age:	60	62
Monthly benefits as a % of eligible compensation	2%	2%
Required employee contribution rates	10.250%	10.205%
Required employer contribution rates	16.920%	16.920%
Required State contribution rates	10.828%	10.828%

Contributions - As part of the annual valuation process, the Normal Cost rate is determined as the basis for setting the base member contribution rate for the following fiscal year. Generally, the base member contribution rate is one-half of the Normal Cost rate within certain parameters. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2022, the District's contributions were as follows:

	CalSTRS
Employer Contributions	$ 2,128,247
State Contributions	1,347,508
Total	$ 3,475,755

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to STRS

As of June 30, 2022, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
District	$ 9,533,926
State	4,797,090
Total	$ 14,331,016

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. 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 employers, actuarially determined. The state contributed 9.124 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	CalSTRS
Proportion - June 30, 2021	0.02400%
Proportion - June 30, 2022	0.02095%
Change - Increase/(Decrease)	-0.00305%

For the year ended June 30, 2022, the District recognized pension expense of $20,204 for the Plan.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalSTRS	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Changes of Assumptions	$ 1,350,856	$ -
Differences between Expected and Actual Experience	23,883	1,014,609
Differences between Projected and Actual Investment Earnings	-	7,541,581
Differences between Employer's Contributions and Proportionate Share of Contributions	21,680	587,410
Change in Employer's Proportion	1,548,757	2,293,225
Pension Contributions Made Subsequent to Measurement Date	2,128,247	-
Total	$ 5,073,423	$ 11,436,825

The District reported $2,128,247 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	**Deferred Outflows/ (Inflows) of Resources**
2023	$ (1,643,334)
2024	(1,443,262)
2025	(2,102,288)
2026	(2,500,184)
2027	(306,902)
Thereafter	(495,680)
Total	$ (8,491,650)

Actuarial Assumptions - The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase	(1)
Investment Rate of Return	7.10% (2)
Mortality	(3)

(1) 2% simple for DB (annually), maintain 85% purchasing power level for DB. Not applicable for DBS/CBB
(2) Net of investment expense but gross of administrative expenses.
(3) Based on 110% of the MP-2019 Ultimate Projection

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.

The table below reflects the 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 rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return (a) (b)
Global Equity	42.00%	4.75%
Private Equity	13.00%	6.25%
Real Estate	15.00%	3.55%
Inflation Sensitive	6.00%	3.25%
Fixed Income	12.00%	1.25%
Risk Mitigation Strategies	10.00%	1.75%
Liquidity	2.00%	-0.35%
Total	100.00%	

(a) Real return is net of assumed 2.75% inflation.
(b) 20-year geometric average.

Sensitivity of the 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 for the Plan, calculated using the discount rate for the Plan, 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 or 1-percentage point higher than the current rate:

	CalSTRS
1% Decrease	6.10%
Net Pension Liability	$ 19,407,871
Current	7.10%
Net Pension Liability	$ 9,533,926
1% Increase	8.10%
Net Pension Liability	$ 1,339,124

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued STRS financial reports.

C. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The District's Postemployment Healthcare Plan (PHP) is a single employer defined benefit healthcare plan including medical, dental, and vision benefits for the following groups of employees.

Benefits

The following summarizes the benefits in the plan:

	Certificated	Classified
Benefits Provided:	Medical, dental and vision	Medical, dental and vision
Duration of Benefits:	Option 1: 5 years at current cap Option 2: 10 years at statutory minimum monthly benefit of $133	Option 1: 5 years at current cap Option 2: 10 years at statutory minimum monthly benefit of $133
Required Services:	10 years	10 years
Minimum Age:	55	50
Dependent Coverage:	Yes	Yes
Contribution Percentage:	100%* to cap	100%* to cap
Cap:	$347 per month**	$347 per month**

*Prorated for part-time
**In addition to the statutory minimum

Employees Covered by Benefit Terms

At June 30, 2022, the benefit terms covered the following employees:

Active employees	197
Inactive employees	107
Total employees	304

Contributions

The District makes contributions on a pay-as-you-go basis. Total benefits paid considered contributions the OPEB plan during the year were $348,677. The actuarially determined contribution for the measurement period was $400,748. The District's contributions were 2.45% of covered employee payroll during the measurement period June 30, 2021. Employees are not required to contribute to the plan.

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2022
Measurement Date:	June 30, 2022
Actuarial Cost Method:	Entry-Age Normal
Amortization Period:	30 years
Actuarial Assumptions:	
Discount Rate	3.54%
Inflation	2.50%
Salary Increases	2.75%
Healthcare Trend Rate	4.00%
Mortality	2020 CalSTRS Mortality 2017 CalPERS Active Mortality for Miscellaneous employees
Retirement	**Certificated Management:** Hired 2012 and earlier: 2020 CalSTRS 2.0%@60 Hired 2013 and later: 2020 CalSTRS 2.0%@62 Rates **Certificated:** Hired 2012 and earlier: 2020 CalSTRS 2.0%@60 Hired 2013 and later: 2020 CalSTRS 2.0%@62 Rates **Classified:** Hired 2012 and earlier: 2017 CalPERS 2.0%@55 Hired 2013 and later: 2017 CalPERS 2.0%@62 Rates **Classified Management:** Hired 2012 and earlier: 2017 CalPERS 2.0%@55 Hired 2013 and later: 2017 CalPERS 2.0%@62 Rates

Discount Rate

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

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2022 (measurement date) and was determined by an actuarial valuation as of June 30, 2022 (valuation date) for the fiscal year ended June 30, 2022 (reporting date).

Changes in the Total OPEB Liability

The following summarizes the changes in the total OPEB liability during the year ended June 30, 2022:

Fiscal Year Ended June 30, 2022 (Measurement Date June 30, 2022)	**Total OPEB Liability**	**Plan Fiduciary Net Position**	**Net OPEB Liability (Asset)**
Balance at June 30, 2021	$ 9,035,905	$ -	$ 9,035,905
Service cost	480,973	-	480,973
Interest in Total OPEB Liability	196,412	-	196,412
Balance of diff between actual and exp experience	(743,550)	-	(743,550)
Balance of changes in assumptions	(1,368,863)	-	(1,368,863)
Benefit payments	(366,520)	-	(366,520)
Net changes	(1,801,548)	-	(1,801,548)
Balance at June 30, 2022	$ 7,234,357	$ -	$ 7,234,357

Covered Employee Payroll	$ 15,026,895
Total OPEB Liability as a % of Covered Employee Payroll	48.14%
Service Cost as a % of Covered Employee Payroll	3.20%
Net OPEB Liability as a % of Covered Employee Payroll	48.14%

The District's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

Deferred Inflows and Outflows of Resources

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between actual and expected experience	$ -	$ 491,840
Change in assumptions	-	3,895
Totals	$ -	$ 495,735

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

Year Ended June 30,		
2023	$	(23,957)
2024		(23,957)
2025		(23,957)
2026		(23,957)
2027		(35,722)
Thereafter		(364,186)
Total	$	(495,735)

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2022:

Service cost	$	480,973
Interest in TOL		196,412
Difference between actual and expected experience		(65,570)
Change in assumptions		41,613
OPEB Expense	**$**	**653,428**

The following summarizes changes in the total OPEB liability as reconciled to OPEB expense during the year ended June 30, 2022:

Total OPEB liability ending	$	7,234,357
Total OPEB liability beginning		(9,035,905)
Change in total OPEB liability		(1,801,548)
Changes in deferred outflows		1,592,720
Changes in deferred inflows		495,735
Employer contributions and implicit subsidy		366,521
OPEB Expense	**$**	**653,428**

Sensitivity to Changes in the Discount Rate (Municipal Bond Rate)

The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Municipal Bond Rate		
	(1% Decrease)	**3.54%**	**(1% Increase)**
Total OPEB Liability	$ 8,188,018	$ 7,234,357	$ 6,447,165

Sensitivity to Changes in the Healthcare Cost Trend Rates

The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease)	**4.00%**	**(1% Increase)**
Total OPEB Liability	$ 6,478,168	$ 7,234,357	$ 8,195,225

REQUIRED SUPPLEMENTARY INFORMATION

Millbrae School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (GAAP)
General Fund
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts			
	Original	Final	Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
Revenues:				
LCFF sources	22,206,463	22,319,261	$ 22,319,261	$ -
Federal	718,979	2,625,079	2,128,678	(496,401)
Other state	2,788,448	3,435,270	3,123,450	(311,820)
Other local	1,597,552	2,208,501	1,977,447	(231,054)
Total revenues	27,311,442	30,588,111	29,548,836	(1,039,275)
Expenditures:				
Certificated salaries	13,028,295	13,329,680	12,981,615	348,065
Classified salaries	3,794,054	3,777,897	3,500,635	277,262
Employee benefits	7,440,500	6,985,864	6,781,487	204,377
Books and supplies	420,959	854,543	600,791	253,752
Services and other operating expenditures	3,641,789	6,314,073	4,779,916	1,534,157
Capital outlay	-	7,807	7,807.00	-
Other outgo	405,310	391,395	369,310	22,085
Total expenditures	28,730,907	31,661,259	29,021,561	2,639,698
Excess (deficiency) of revenues over (under) expenditures	(1,419,465)	(1,073,148)	527,275	1,600,423
Other financing sources (uses):				
Transfers in	95,391	97,276	81,538	(15,738)
Transfers out	(20,000)	-	-	-
Total other financing sources (uses)	75,391	97,276	81,538	
Changes in fund balance	(1,344,074)	(975,872)	608,813	$ 1,600,423
Fund balance beginning			9,686,560	
Fund balance ending			$ 10,295,373	

The budgetary control level is by object on the modified accrual basis per U.S. GAAP. Expenditures can not legally exceed appropriations by major object.

Millbrae School District

Schedule of CalPERS Pension Plan Contributions
For the Fiscal Year Ended June 30, 2022

CalPERS	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	$ 317,419	$ 383,975	$ 460,239	$ 502,992	$ 653,015	$ 736,756	$ 701,404	$ 791,634
Contributions in Relation to Contractually Required Contributions	317,419	383,975	460,239	502,992	653,015	736,756	701,404	791,634
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	**$ 2,696,619**	**$ 3,241,116**	**$ 3,313,933**	**$ 3,238,632**	**$ 3,615,408**	**$ 3,735,896**	**$ 3,306,950**	**$ 3,455,408**
Contributions as a % of Covered Payroll	**11.77%**	**11.85%**	**13.89%**	**15.53%**	**18.06%**	**19.72%**	**21.21%**	**22.91%**

Notes to Schedule:

Valuation Date: June 30, 2020

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
3.8 Years Remaining Amortization Period
Inflation Assumed at 2.50%
Investment Rate of Returns set at 7.00%
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.
The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.
In 2019, the amortization period for actuarial gains and losses was shortened from 30 years to 20 years.
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

Millbrae School District

Schedule of CalPERS Proportionate Share of Net Pension Liability For the Fiscal Year Ended June 30, 2022

CalPERS	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
District's Proportion of Net Pension Liability	0.02230%	0.02169%	0.02314%	0.02567%	0.02455%	0.02550%	0.02557%	0.02481%
Proportionate Share of Net Pension Liability	$ 2,531,593	$ 3,197,286	$ 4,570,015	$ 6,128,107	$ 6,545,803	$ 7,431,784	$ 7,845,663	$ 5,044,973
Covered Payroll	$ 2,339,809	$ 2,696,619	$ 3,241,116	$ 3,313,933	$ 3,238,632	$ 3,615,408	$ 3,735,896	$ 3,306,950
Proportionate Share of NPL as a % of Covered Payroll	**108.20%**	**118.57%**	**141.00%**	**184.92%**	**202.12%**	**205.56%**	**210.01%**	**152.56%**
Plan's Fiduciary Net Position as a % of the TPL	**83.38%**	**79.43%**	**73.90%**	**71.87%**	**70.85%**	**70.05%**	**70.00%**	**80.97%**

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016 and then decreased from 7.65% to 7.15% in the District's fiscal year 2018.
The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.
The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.
In 2019, the amortization period for actuarial gains and losses was shortened from 30 years to 20 years.
This schedule presents information on the District's portion of the net pension liability of CalPERS in compliance with GASB 68.

Millbrae School District
Schedule of CalSTRS Pension Plan Contributions
For the Fiscal Year Ended June 30, 2022

CalSTRS	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	$ 892,206	$ 1,154,704	$ 1,428,547	$ 1,715,443	$ 2,007,505	$ 2,133,618	$ 1,901,935	$ 2,128,247
Contributions in Relation to Contractually Required Contributions	892,206	1,154,704	1,428,547	1,715,443	2,007,505	2,133,618	1,901,935	2,128,247
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	**$ 10,047,365**	**$ 10,761,454**	**$ 11,355,700**	**$ 11,888,032**	**$ 12,331,112**	**$ 12,477,298**	**$ 11,820,603**	**$ 12,578,292**
Contributions as a % of Covered Payroll	**8.88%**	**10.73%**	**12.58%**	**14.43%**	**16.28%**	**17.10%**	**16.09%**	**16.92%**

Notes to Schedule:

Valuation Date: June 30, 2020

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll Basis
7 Years Remaining Amortization Period
Inflation Assumed at 2.75%
Investment Rate of Returns set at 7.10%
Mortality tables are based on 110% of the MP-2019 Ultimate Projection Scale table issued by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.
The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.
This schedule provides information about the District’s required and actual contributions to CalSTRS during the year.

Millbrae School District

Schedule of CalSTRS Proportionate Share of Net Pension Liability For the Fiscal Year Ended June 30, 2022

CalSTRS	2015	2016	2017	2018	2019	2020	2021	2022
District's Proportion of Net Pension Liability	0.02100%	0.01956%	0.01980%	0.02100%	0.02200%	0.02200%	0.02400%	0.02095%
District's Proportionate Share of Net Pension Liability	$ 12,271,770	$ 13,165,268	$ 16,012,238	$ 19,420,590	$ 20,219,540	$ 19,869,520	$ 23,258,160	$ 9,533,926
State's Proportionate Share of Net Pension Liability Associated with the District	7,410,186	6,962,979	9,115,447	11,489,027	11,576,698	10,840,214	11,989,581	4,797,090
	$ 19,681,956	$ 20,128,247	$ 25,127,685	$ 30,909,617	$ 31,796,238	$ 30,709,734	$ 35,247,741	$ 14,331,016
Covered Payroll	$ 9,195,103	$ 10,047,365	$ 10,761,454	$ 11,355,700	$ 11,888,032	$ 12,331,112	$ 12,477,298	$ 11,820,603
Proportionate Share of NPL as a % of Covered Payroll	**133.46%**	**131.03%**	**148.79%**	**171.02%**	**170.08%**	**161.13%**	**186.40%**	**80.66%**
Plan's Fiduciary Net Position as a % of the TPL	**76.52%**	**74.02%**	**70.04%**	**69.46%**	**70.99%**	**72.56%**	**71.82%**	**87.21%**

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.
The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

This schedule presents information on the District’s portion of the net pension liability of CalSTRS in compliance with GASB 68.

Millbrae School District

Schedule of Changes in Total OPEB Liability
For the Fiscal Year Ended June 30,2022

Fiscal Year Ended	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	$ 303,271	$ 311,611	$ 344,961	$ 463,665	$ 480,973
Interest	223,436	214,823	232,950	194,710	196,412
Differences between expected and actual experience	-	-	240,886	-	(743,550)
Changes of assumptions	-	252,953	1,653,833	(40,722)	(1,368,863)
Benefit payments	(271,709)	(282,577)	(273,723)	(400,748)	(366,520)
Net change in Total OPEB Liability	254,998	496,810	2,198,907	216,905	(1,801,548)
Total OPEB Liability - beginning	5,868,285	6,123,283	6,620,093	8,819,000	9,035,905
Total OPEB Liability - ending	$ 6,123,283	$ 6,620,093	$ 8,819,000	$ 9,035,905	$ 7,234,357
Plan fiduciary net position					
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending	$ -	$ -	$ -	$ -	$ -
Net OPEB liability (asset)	$ 6,123,283	6,620,093	8,819,000	9,035,905	7,234,357
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	$ 13,120,793	$ 13,481,615	$ 13,852,359	$ 14,233,299	$ 15,026,895
Net OPEB liability as a percentage of covered employee payroll	46.67%	49.10%	63.66%	63.48%	48.14%
Total OPEB liability as a percentage of covered employee payroll	46.67%	49.10%	63.66%	63.48%	48.14%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

There were no changes in benefit terms.

There were no changes trend rates.

Discount rates decreased from 3.5% to 2.2% in 2020, from 2.2% to 2.16% in 2021 and increase from 2.2% to 3.54% in 2022

SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds
Combining Schedules

Millbrae School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Funds		Capital Projects Funds	
	Cafeteria Fund	Foundation Fund	Capital Facilities Fund	Totals
Assets				
Cash and investments	$ 407,560	$ 50,359	$ 910,316	$ 1,368,235
Accounts receivable	196,868	136	2,390	199,394
Prepaid and other current assets	50,849	-	-	50,849
Total Assets	$ 655,277	$ 50,495	$ 912,706	$ 1,618,478
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 9,213	$ -	2,110	$ 11,323
Due to other funds	37,665	-	-	37,665
Unearned Revenue	142,554	-	-	142,554
Total Liabilities	189,432	-	2,110	191,542
Fund balances:				
Nonspendable:				
Inventories	50,849	-	-	50,849
Restricted for:				
Educational programs	-	50,495	-	50,495
Cafeteria programs	414,996	-	-	414,996
Assigned for:				
Capital projects	-	-	910,596	910,596
Total Fund Balances	465,845	50,495	910,596	1,426,936
Total Liabilities and Fund Balances	$ 655,277	$ 50,495	$ 912,706	$ 1,618,478

Millbrae School District
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2022

	Special Revenue Funds		Capital Projects Funds	
	Cafeteria Fund	Foundation Fund	Capital Facilities Fund	Totals
Revenues:				
Federal	$ 1,387,909	$ -	$ -	$ 1,387,909
Other state	89,259	-	-	89,259
Other local	2,555	488	76,514	79,557
Total revenues	1,479,723	488	76,514	1,556,725
Expenditures:				
Pupil services:				
Food services	1,298,733	-	-	1,298,733
General administration:				
All other general administration	37,665	-	3,860	41,525
Plant services	-	-	4,892	4,892
Total expenditures	1,336,398	-	8,752	1,345,150
Excess (deficiency) of revenues over (under) expenditures	143,325	488	67,762	211,575
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(1,886)	-	(1,886)
Total other financing sources (uses)	-	(1,886)	-	(1,886)
Changes in fund balances	143,325	(1,398)	67,762	209,689
Fund balances beginning	322,520	51,893	842,834	1,217,247
Fund balances ending	$ 465,845	$ 50,495	$ 910,596	$ 1,426,936

STATE AND FEDERAL AWARD COMPLIANCE SECTION

Millbrae School District
Organization (Unaudited)
June 30, 2022

The Millbrae School District was established in 1870 in San Mateo County. There were no changes in boundaries during the current year. The District is comprised of four elementary and one middle school.

The Board of Education and District Administrators for the fiscal year ended June 30, 2022, included the following members:

Governing Board

Member	Office	Term Expires
Frank Barbaro	President	2024
Denis Fama	Vice-President	2022
Lynne Ferrario	Clerk	2022
Karen Chin	Trustee	2022
Maggie Musa	Trustee	2024

District Administration

Name	Position
Debra French	Superintendent
Ralph Crame	Chief Business Official
Claire Beltrami	Assistant Superintendent, Educational Services

Millbrae School District
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2022

	Total ADA		Classroom Based	
Elementary:	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA:				
Grades TK/K through three	886.58	884.72	874.32	872.57
Grades four through six	690.43	688.16	686.73	684.98
Grades seven and eight	458.03	458.82	458.03	458.33
Regular ADA Totals	2,035.04	2,031.70	2,019.08	2,015.88
Special education - nonpublic, nonsect schools:				
Grades TK/K through three	3.67	3.70	3.67	3.70
Grades four through six	0.91	0.79		0.79
Grades seven and eight	3.79	3.87	3.79	3.87
Extended year special education - nonpublic, nonsect schools:				
Grades four through six	0.03	0.03	-	0.03
Grades seven and eight	0.53	0.53	0.53	0.53
ADA Totals	2,043.97	2,040.62	2,027.07	2,024.80

Millbrae School District
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2022

Grade Level	Minutes Requirements	2022 Actual Minutes	Actual Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	49,005	180	0	In compliance
Grade 1	50,400	51,110	180	0	In compliance
Grade 2	50,400	51,110	180	0	In compliance
Grade 3	50,400	51,110	180	0	In compliance
Grade 4	54,000	54,150	180	0	In compliance
Grade 5	54,000	54,150	180	0	In compliance
Grade 6	54,000	59,622	180	0	In compliance
Grade 7	54,000	59,622	180	0	In compliance
Grade 8	54,000	59,622	180	0	In compliance

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts and charter schools, including basic aid districts.

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit. There were no charter schools in the Millbrae School District.

Millbrae School District

Schedule of Financial Trends and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2022

General Fund	(Budget) [1] 2023	2022	2021	2020
Revenues and other financial sources	$ 30,131,979	$ 29,630,374	$ 28,286,205	$ 27,738,834
Expenditures	30,746,033	29,021,561	27,178,335	26,908,192
Other uses and transfers (out)	-	-	-	20,000
Total outgo	30,746,033	29,021,561	27,178,335	26,928,192
Change in fund balance	$ (614,054)	$ 608,813	$ 1,107,870	$ 810,642
Prior period adjustments - GASB 84	$ -	$ -	$ 100,334	$ -
Ending fund balance	$ 9,681,319	$ 10,295,373	$ 9,686,560	$ 8,478,356
Available reserves [2]	$ 1,005,344	$ 1,990,134	$ 1,969,224	$ 880,782
Designated for economic uncertainty	$ 922,381	$ 877,815	$ 814,962	$ 816,846
Unassigned fund balance	$ 82,963	$ 1,112,319	$ 1,154,262	$ 63,936
Available reserves as a percentage of total outgo	3.27%	6.86%	7.25%	3.27%
Total long-term debt	$ 74,260,158	$ 75,848,774	$ 95,740,448	$ 95,766,951
Average daily attendance at P-2	2,194	2,044	2,264	2,264

Average daily attendance has decreased by 220 over the past three years. The district anticipates a increase of 150 ADA for 2023.

The general fund balance has increased by $1,817,017 over the past three years, and had no operating deficit in the last three years. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has decreased by $19,918,177 over the past three years.

[1] Budget numbers are based on the first adopted budget of the fiscal year 2022/23

[2] Available reserves consist of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

Millbrae School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Non-cash Expenditures	Program Expenditures
U.S. DEPARTMENT OF EDUCATION				
Passed Through California Department of Education				
Special Education Cluster				
Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	$ -	$ 449,253
Special Education: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	-	5,658
Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	-	80,986
Special Ed: IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5) (17-18)	84.027	13682	-	7,945
Special Ed: IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	-	10,310
Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	84.173	13431	-	114
Total Special Education Cluster			-	554,266
ESEA (ESSA): Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	-	198,108
ESEA (ESSA): Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	-	49,024
ESEA (ESSA) : Title III, English Learner Student Program	84.365	14346	-	71,736
ESEA (ESSA) Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	-	19,953
ESF Subprograms:				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D (1)	15536	-	120,628
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D (1)	15547	-	493,409
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425D (1)	15559	-	476,365
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D (1)	15618	-	99,362
Expanded Learning Opportunities (ELO) Grant: GEER II	84.425C (1)	15619	-	44,127
Total ESF Subprograms			-	1,233,891
TOTAL U.S. DEPARTMENT OF EDUCATION			-	2,126,978
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through California Department of Education				
Nutrition Program Cluster				
Child Nutrition: School Programs (NSL Sec 11) - Noncash Commodities	10.555	N/A	55,935	55,935
Child Nutrition: School Programs (NSL Sec 11)	10.555	13524	-	938,601
School Breakfast Basic Program	10.553	13390		341,485
Child Nutrition: SNP COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.555	15637		15
Total Nutrition Program Cluster			55,935	1,336,036
Child Nutrition: CACFP Claims - Centers and Family Day Care Homes	10.558	13529	-	28,163
Child Nutrition: CACFP COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.558	15577	-	941
Pandemic EBT Local Administrative Grant	10.649	15644	-	614
TOTAL U.S. DEPARTMENT OF AGRICULTURE			55,935	1,365,754
TOTAL FEDERAL PROGRAMS			$ 55,935	$ 3,492,732

(1 Audited as major program

There were no grants passed through to subrecipients

Millbrae School District
Reconciliation of Annual Financial and Budget Report (SACS)
to the Audited Financial Statements
For the Fiscal Year Ended June 30, 2022

	General Fund	Special Reserve for Capital Projects Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds
June 30, 2022 Annual Financial and Budget Report Fund Balances	$ 7,158,782	$ 13,637,917	$ 4,783,786	$ 4,563,527
Adjustments and Reclassifications:				
Special Reserve Fund for Other Than Capital Outlay:				
Cash with County Treasury	581,756	-	-	(581,756)
Accounts Receivable	1,571	-	-	(1,571)
Due from Other Funds	313,359	-	-	(313,359)
Due to Other Funds	-	-	-	-
Special Reserve Fund for Postemployment Benefits:				
Cash with County Treasury	2,112,260	-	-	(2,112,260)
Accounts Receivable	5,704	-	-	(5,704.00)
Student Activity Special Revenue:				
Cash in Bank	121,941			(121,941)
June 30, 2022 Audited Financial Statements Fund Balances	$10,295,373	$ 13,637,917	$ 4,783,786	$ 1,426,936

1. PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time/days offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

D. 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.

E. Schedule of Expenditures of Federal Awards

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance requirements.

F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds reported on the SACS report to the audited financial statements.

2. RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEM

There were no material unreconciled differences between the District's records and the Schedule of Federal Grant Activity as shown on the Schedule of Expenditures of Federal Awards.

3. BASIS OF PRESENTATION – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTNG POLICIES – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10 percent de-minimis indirect cost rate as allowed under Uniform Guidance.

OTHER INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Millbrae School District
Millbrae, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Millbrae School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Millbrae School District's basic financial statements, and have issued our report thereon dated January 26, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Millbrae School District's internal control over financial reporting (internal control) to determine the 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 Millbrae School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Millbrae 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 District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Millbrae School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of

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laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

C & A LLP

January 26, 2023
Morgan Hill, California

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Chavan and Associates, llp
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Trustees
Millbrae School District
Millbrae, California

Report on Compliance for Each Major Federal Program

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

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

Basis for Opinion on Each Major federal programs

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

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

C & A LLP

January 26, 2023
Morgan Hill, California

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS

The Honorable Board of Trustees
Millbrae School District
Millbrae, California

Report of State Compliance

We have audited the Millbrae School District (the District)'s compliance with the types of compliance requirements described in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District's state programs identified below for the year ended June 30, 2022.

In our opinion, Millbrae School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2022.

Basis for Opinion on State Compliance Requirements

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (Audit Guide)*, published by the Education Audit Appeals Panel. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Millbrae School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *Audit Guide* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is

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higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Millbrae School District's compliance with the requirements of applicable state compliance requirements listed in the *Audit Guide*.

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

Description	Procedures Performed
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	N/A
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship, Related and Supplemental Instructions	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities	Yes
Career Technical Education Incentive Grant	N/A
In Person Instructional Grant	N/A

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Certified Public Accountants

Description	Procedures Performed
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Charter Schools	N/A
Determination of Funding for Nonclassroom - Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Millbrae School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Millbrae School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of Millbrae School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

C & A LLP

January 26, 2023
Morgan Hill, California

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FINDINGS AND RECOMMENDATIONS

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	**Unmodified**
Internal control over financial reporting:	
Material weaknesses?	___ Yes _x_ No
Significant deficiencies identified not	___ Yes _x_ None Reported
Non-compliance material to financial statements noted?	___ Yes _x_ No

Federal Awards

Internal control over major programs:	
Material weaknesses?	___ Yes _x_ No
Significant deficiencies identified not	___ Yes _x_ None Reported
Type of auditor's report issued on compliance over major programs	**Unmodified**
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	___ Yes _x_ No

Identification of Major Programs:

CFDA Numbe	Name of Federal Program
84.425D	Elementary and Secondary School Emergency Relief (ESSER) Fund
84.425D	Elementary and Secondary School Emergency Relief II (ESSER II) Fund
84.425D	Elementary and Secondary School Emergency Relief III (ESSER III) Fund
84.425D	Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve
84.425C	Expanded Learning Opportunities (ELO) Grant: GEER II

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low risk auditee?	_x_ Yes ___ No

State Awards

Internal control over state programs:	
Material weaknesses?	___ Yes _x_ No
Significant deficiencies identified not	___ Yes _x_ None Reported
Type of auditor's report issued on compliance over state programs:	**Unmodified**

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

None

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

None

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The audit staff wishes to express their thanks and appreciation for the help and cooperation of the District office staff during the course of our audit.