

**RESCUE UNION SCHOOL DISTRICT
COUNTY OF EL DORADO
RESCUE, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2022

RESCUE UNION SCHOOL DISTRICT

JUNE 30, 2022

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RESCUE UNION SCHOOL DISTRICT

JUNE 30, 2022

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rescue Union School District
Rescue, California

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Rescue Union School District, as of June 30, 2022, and the respective changes in financial position 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 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 Rescue Union School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Rescue Union School 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 Rescue Union School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the proportionate share of the net pension liabilities, and schedules of contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022 on our consideration of the Rescue Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Rescue Union School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rescue Union School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 9, 2022

RESCUE UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(PREPARED BY DISTRICT MANAGEMENT)

This section of the Rescue Union School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 4 and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 15 and 16, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 17 through 20, provide information about how the District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

FINANCIAL HIGHLIGHTS

- The District's financial status improved during the course of the year as net position increased 127%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$6,433,988.
- Net capital assets decreased \$1,444,137 due to the current year addition of \$838,462 of new capital assets and improvements, and the current year recognition of \$2,282,599 of depreciation expense.
- Total long-term liabilities decreased \$20,614,501 due primarily to the decrease in the District's net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.
- The District's P-2 average daily attendance (ADA) was 3,316 in 2021-22.
- The District's General Fund produced an operating surplus of \$240,171 during 2021-22.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2021-22, General Fund total outgo was \$42,441,953. At June 30, 2022, the District had available reserves of \$3,912,536, which represents a reserve of 9.2%.

RESCUE UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and management's discussion and analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of the two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-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 comprise the remaining statements.
 - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.

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 provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

Reporting the District as a Whole

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All the District's assets and liabilities are included in the Statement of Net Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District financial health or position (net position) can be measured by taking the difference between the District's assets and liabilities.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

**RESCUE UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

In the Statement of Net Position and the Statement of Activities all amounts represent governmental activities, since the District does not provide any services that should be categorized as business-type activities.

The basic services provided by the District, such as regular and special education, administration, and transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition are also included here, but are financed by a combination of state and federal contract and grants, and local revenues.

Reporting the District Most Significant Funds

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

The major governmental funds of the Rescue Union School District are the General Fund, Community Facilities District Fund, and the Capital Facilities Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting 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 operations and services. Governmental fund information helps determine the level of financial resources available in the near future to finance the District's programs.

RESCUE UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The District's net position increased from \$5,077,845 at June 30, 2021 up to \$11,511,833 at June 30, 2022, or 127%.

<u>Comparative Statement of Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2022</u>
<u>Assets</u>		
Deposits and Investments	\$ 12,301,430	\$ 19,086,347
Receivables	7,363,266	2,350,220
Inventories	39,886	40,848
Prepaid Expenses	45,543	53,851
Capital Assets, net	59,824,165	58,380,028
Total Assets	<u>79,574,290</u>	<u>79,911,294</u>
<u>Deferred Outflows of Resources</u>		
Pension Deferrals	<u>9,456,866</u>	<u>7,739,841</u>
<u>Liabilities</u>		
Current	5,187,382	4,369,876
Long-Term	75,673,206	54,897,425
Total Liabilities	<u>80,860,588</u>	<u>59,267,301</u>
<u>Deferred Inflows of Resources</u>		
Pension Deferrals	<u>3,092,723</u>	<u>16,872,001</u>
<u>Net Position</u>		
Net Investment in Capital Assets	28,842,789	29,433,945
Restricted for Debt Service (Deficit)	(2,000,367)	(4,386,436)
Restricted for Other Purposes	5,582,447	10,431,081
Unrestricted (Deficit)	<u>(27,347,024)</u>	<u>(23,966,757)</u>
Total Net Position	<u>\$ 5,077,845</u>	<u>\$ 11,511,833</u>

Table includes financial data of the combined governmental funds

The deficit balance for restricted for debt service primarily reflects that the obligation for accumulated accreted interest on the District's outstanding capital appreciation bonds currently exceeds the amount available in the Bond Interest and Redemption Fund. The deficit will be eliminated by future property tax collections.

The unrestricted deficit balance is due primarily to the requirement for the District to record a liability in the financial statements to reflect the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

RESCUE UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

The District's total current year revenues exceeded total current year expenses by \$6,433,988.

<u>Comparative Statement of Changes in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2022</u>
<u>Program Revenues</u>		
Charges for Services	\$ 545,191	\$ 535,493
Operating Grants and Contributions	11,319,055	12,100,386
<u>General Revenues</u>		
Taxes Levied	15,753,937	17,949,041
Federal and State Aid	18,495,727	19,385,944
Interest and Investment Earnings	111,347	(438,246)
Other Revenues	513,016	530,377
Total Revenues	<u>46,738,273</u>	<u>50,062,995</u>
<u>Expenses</u>		
Instruction	26,748,438	25,816,875
Instruction-Related Services	4,892,839	4,223,180
Pupil Services	4,864,212	4,489,679
General Administration	2,419,091	2,309,405
Plant Services	4,344,235	4,055,392
Interest on Long-Term Debt	1,498,007	1,434,087
Other Expenses	630,181	1,300,389
Total Expenses	<u>45,397,003</u>	<u>43,629,007</u>
Changes in Net Position	<u>\$ 1,341,270</u>	<u>\$ 6,433,988</u>

Table includes financial data of the combined governmental funds

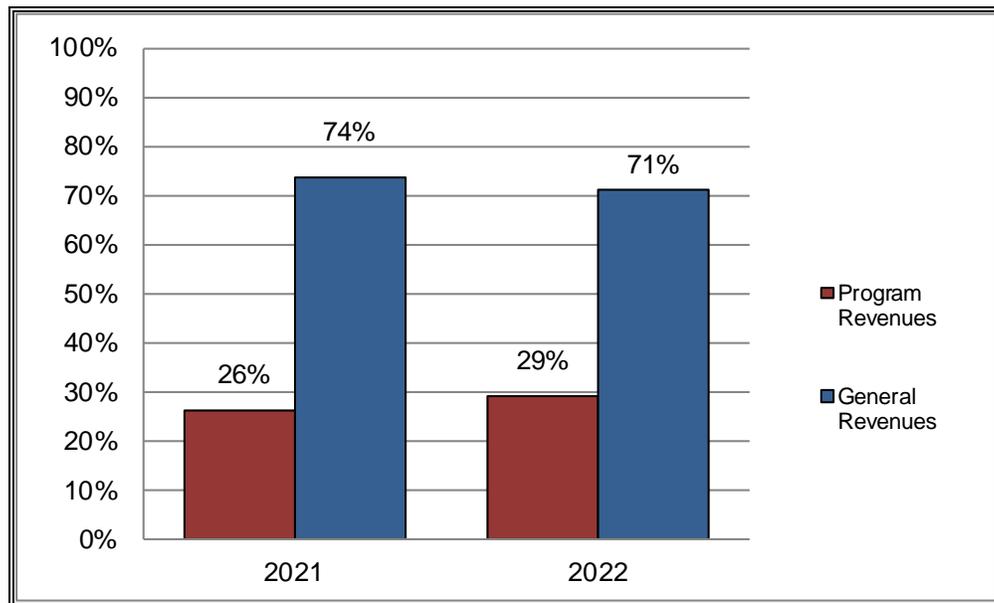
**RESCUE UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**
(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

	<u>Total Cost of Services</u>		<u>Net Cost (Revenue) of Services</u>	
	2021	2022	2021	2022
	Instruction	\$ 26,748,438	\$ 25,816,875	\$ 19,984,184
Instruction-Related Services	4,892,839	4,223,180	4,242,208	3,777,344
Pupil Services	4,864,212	4,489,679	1,827,293	1,522,092
General Administration	2,419,091	2,309,405	2,034,261	2,099,970
Plant Services	4,344,235	4,055,392	3,751,570	3,047,453
Interest on Long-Term Debt	1,498,007	1,434,087	1,498,007	1,434,087
Other Expenses	630,181	1,300,389	195,234	(180,946)
Totals	\$ 45,397,003	\$ 43,629,007	\$ 33,532,757	\$ 30,993,128

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$30,993,128 total net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



For fiscal year 2021-22, program revenues financed 29% of the total cost of providing the services listed above, while the remaining 71% was financed by the general revenues of the District.

**RESCUE UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

(PREPARED BY DISTRICT MANAGEMENT)

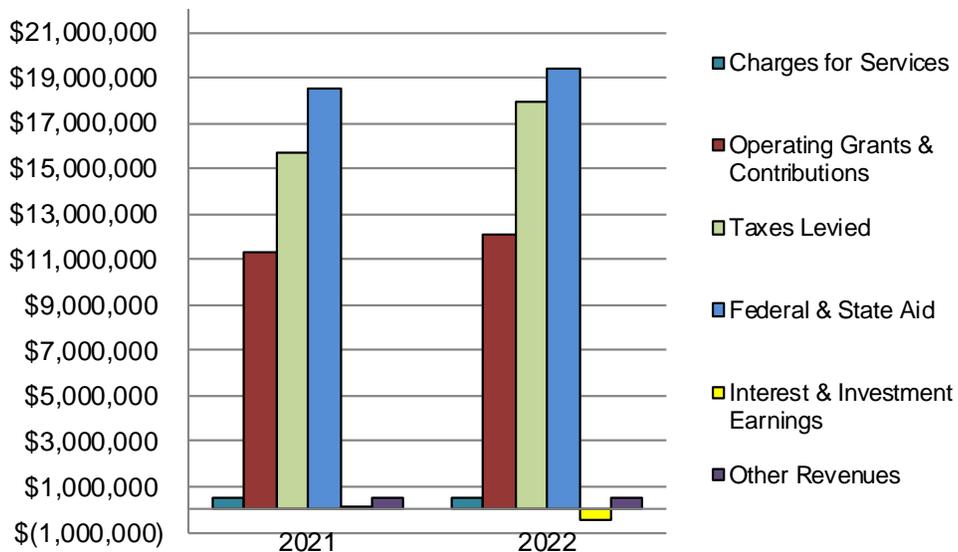
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Schedule of Revenues For Governmental Functions

	FYE 2021 Amount	Percent of Total	FYE 2022 Amount	Percent of Total
<u>Program Revenues</u>				
Charges for Services	\$ 545,191	1.17%	\$ 535,493	1.07%
Operating Grants & Contributions	11,319,055	24.22%	12,100,386	24.17%
<u>General Revenues</u>				
Taxes Levied	15,753,937	33.71%	17,949,041	35.85%
Federal & State Aid	18,495,727	39.57%	19,385,944	38.72%
Interest & Investment Earnings	111,347	0.24%	(438,246)	-0.88%
Other Revenues	513,016	1.10%	530,377	1.06%
Total Revenues	\$ 46,738,273	100.00%	\$ 50,062,995	100.00%

Table includes financial data of the combined governmental funds

Comparative Revenues



**RESCUE UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**
(PREPARED BY DISTRICT MANAGEMENT)

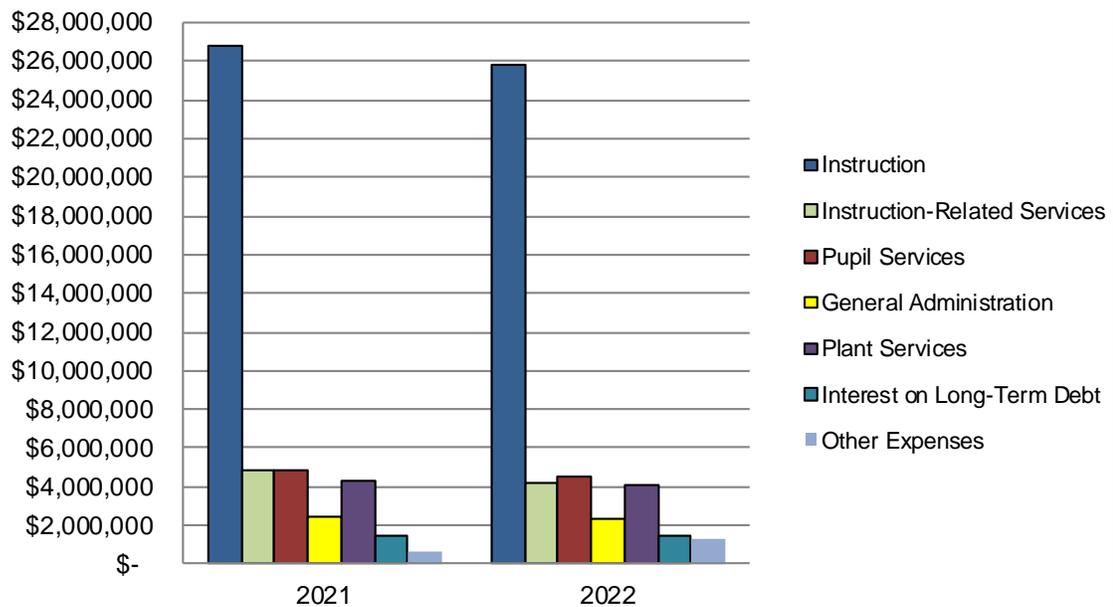
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Schedule of Expenses For Governmental Functions

<u>Expenses</u>	<u>FYE 2021 Amount</u>	<u>Percent of Total</u>	<u>FYE 2022 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 26,748,438	58.92%	\$ 25,816,875	59.17%
Instruction-Related Services	4,892,839	10.78%	4,223,180	9.68%
Pupil Services	4,864,212	10.71%	4,489,679	10.29%
General Administration	2,419,091	5.33%	2,309,405	5.29%
Plant Services	4,344,235	9.57%	4,055,392	9.30%
Interest on Long-Term Debt	1,498,007	3.30%	1,434,087	3.29%
Other Expenses	630,181	1.39%	1,300,389	2.98%
Total Expenses	\$ 45,397,003	100.00%	\$ 43,629,007	100.00%

Table includes financial data of the combined governmental funds

Comparative Expenses



**RESCUE UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(PREPARED BY DISTRICT MANAGEMENT)**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONCLUDED)

<u>Comparative Schedule of Capital Assets</u>		
	Governmental Activities	
	2021	2022
Land	\$ 4,640,099	\$ 4,640,099
Construction-in-Progress	503,397	497,748
Sites and Improvements, net	3,495,295	3,285,853
Buildings and Improvements, net	48,591,393	47,207,323
Furniture and Equipment, net	2,593,981	2,749,005
Capital Assets	\$ 59,824,165	\$ 58,380,028

Net capital assets decreased \$1,444,137 due to the current year addition of \$838,462 of new capital assets and improvements, and the current year recognition of \$2,282,599 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	Governmental Activities	
	2021	2022
Compensated Absences	\$ 78,937	\$ 45,418
General Obligation Bonds	25,749,935	24,565,657
Certificates of Participation	11,085,000	10,655,000
Net Pension Liabilities	41,025,141	22,058,437
Totals	\$ 77,939,013	\$ 57,324,512

The general obligation bonds are financed by the local taxpayers and represent 43% of the District's total long-term liabilities. The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on all of its debt issues.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

The fund balance of the General Fund increased \$240,171 and the combined fund balances of all other District governmental funds increased \$2,492,557.

**RESCUE UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(PREPARED BY DISTRICT MANAGEMENT)**

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget when material. In addition, the District revises its budget at First and Second Interim.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The District will continue to be impacted by the on-going health concerns associated with Covid-19. The District has already modified most of its operational procedures as most aspects of its operations were directly affected by Covid-19. However, due to the unknown nature of the virus and the everchanging guidance provided by the California Department of Education, California Public Health, and El Dorado County Public Health, further procedural modification may be necessary. In addition, State and Local economies have also been impacted by Covid-19, which may affect future school funding and student enrollment.

Since 2011, Rescue USD has been in a state of declining enrollment. Declining enrollment creates fiscal pressures for RUSD, as state funding is tied to the number of students they serve. Most district-level declines in student enrollment are large and long lasting. Enrollment does not generally rebound, so RUSD must adjust to lower enrollment levels and less state revenues for the foreseeable future. Beginning in 2022-23, state funding allows for a three-year average attendance to soften the impacts to districts in decline.

Beginning in the 2022-23 school year, all public schools will be required to provide two free meals per school day to all students.

Education Code section 48000(c) requires any school district operating a kindergarten program to also provide a transitional kindergarten (TK) program for all 4-year-old children by 2025-26. Beginning in 2022-23, children turning five between September 2 and February 2 are eligible for TK, and the age at which children are eligible for TK will be expanded and phased in over the next three years.

Although CalSTRS and CalPERS employer rates appear to be stabilizing, the rates have more than doubled since 2014. These employer rates are unpredictable.

Accordingly, based on the above factors, the District's budget should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

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 Lisa Donaldson, Assistant Superintendent of Business Services, Rescue Union School District, 2390 Bass Lake Road, Rescue CA 95672.

RESCUE UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
<u>Assets</u>	
Current Assets:	
Deposits and Investments (Note 2)	\$ 19,086,347
Receivables (Note 3)	2,350,220
Stores Inventory (Note 1H)	40,848
Prepaid Expenses (Note 1H)	53,851
Non-Current Assets:	
Capital Assets, Not Depreciated (Note 5)	5,137,847
Capital Assets, Net	53,242,181
Total Assets	79,911,294
<u>Deferred Outflows of Resources</u>	
Pension Deferrals (Note 8)	7,739,841
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable and Other Current Liabilities	1,245,725
Accrued Interest Payable	268,809
Unearned Revenue (Note 1H)	428,255
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 1H)	45,418
General Obligation Bonds (Note 6)	1,946,669
Certificates of Participation (Note 7)	435,000
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 6)	22,618,988
Certificates of Participation (Note 7)	10,220,000
Net Pension Liabilities (Note 8)	22,058,437
Total Liabilities	59,267,301
<u>Deferred Inflows of Resources</u>	
Pension Deferrals (Note 8)	16,872,001
<u>Net Position</u>	
Net Investment in Capital Assets	29,433,945
Restricted:	
For Capital Projects	6,116,701
For Debt Service (Deficit)	(4,386,436)
For Educational Programs	2,475,272
For Other Purposes	1,839,108
Unrestricted (Deficit)	(23,966,757)
Total Net Position	\$ 11,511,833

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**RESCUE UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<u>Governmental Activities</u>				
Instruction	\$ 25,816,875	\$ 79,075	\$ 6,444,672	\$ (19,293,128)
Instruction-Related Services:				
Supervision of Instruction	1,184,860	1,926	263,934	(919,000)
Instructional Library and Technology	538,173	3,042	4,552	(530,579)
School Site Administration	2,500,147	113	172,269	(2,327,765)
Pupil Services:				
Home-to-School Transportation	982,965	142	23,972	(958,851)
Food Services	1,566,802	15,481	2,286,044	734,723
Other Pupil Services	1,939,912	9,467	632,481	(1,297,964)
General Administration:				
Data Processing Services	161,061			(161,061)
Other General Administration	2,148,344	7,490	201,945	(1,938,909)
Plant Services	4,055,392	3,538	1,004,401	(3,047,453)
Ancillary Services	116,725	1,622	15,800	(99,303)
Interest on Long-Term Debt	1,434,087			(1,434,087)
Other Outgo	1,183,664	413,597	1,050,316	280,249
Total Governmental Activities	\$ 43,629,007	\$ 535,493	\$ 12,100,386	\$ 0
<u>General Revenues</u>				
Taxes Levied for General Purposes				13,312,436
Taxes Levied for Debt Service				2,373,660
Taxes Levied for Specific Purposes				2,262,945
Federal and State Aid - Unrestricted				19,385,944
Interest and Investment Earnings				(438,246)
Transfers from Other Agencies				38,608
Miscellaneous				491,769
Total General Revenues				37,427,116
Change in Net Position				6,433,988
Net Position - July 1, 2021				5,077,845
Net Position - June 30, 2022				\$ 11,511,833

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**RESCUE UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>General</u>	<u>Community Facilities District</u>	<u>Capital Facilities</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Deposits and Investments (Note 2)	\$ 9,008,155	\$ 4,325,689	\$ 2,603,102	\$ 3,149,401	\$ 19,086,347
Receivables (Note 3)	2,053,948			296,272	2,350,220
Due from Other Funds (Note 4)	134,275			885,801	1,020,076
Stores Inventory (Note 1H)				40,848	40,848
Prepaid Expenditures (Note 1H)	51,077			2,774	53,851
Total Assets	<u>\$ 11,247,455</u>	<u>\$ 4,325,689</u>	<u>\$ 2,603,102</u>	<u>\$ 4,375,096</u>	<u>\$ 22,551,342</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 1,226,412			\$ 19,313	\$ 1,245,725
Due to Other Funds (Note 4)	4,478	\$ 715,279	\$ 166,044	134,275	1,020,076
Unearned Revenue (Note 1H)	370,606			57,649	428,255
Total Liabilities	<u>1,601,496</u>	<u>715,279</u>	<u>166,044</u>	<u>211,237</u>	<u>2,694,056</u>
Fund Balances: (Note 11)					
Nonspendable	57,577			47,622	105,199
Restricted	2,475,272	3,610,410	2,437,058	3,960,089	12,482,829
Assigned	3,200,574			156,148	3,356,722
Unassigned	3,912,536				3,912,536
Total Fund Balances	<u>9,645,959</u>	<u>3,610,410</u>	<u>2,437,058</u>	<u>4,163,859</u>	<u>19,857,286</u>
Total Liabilities and Fund Balances	<u>\$ 11,247,455</u>	<u>\$ 4,325,689</u>	<u>\$ 2,603,102</u>	<u>\$ 4,375,096</u>	<u>\$ 22,551,342</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**RESCUE UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2022**

Total Fund Balances - Governmental Funds \$ 19,857,286

Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following:

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

Capital Assets	\$ 95,240,383	
Accumulated Depreciation	(36,860,355)	
Net		58,380,028

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

(9,132,160)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities reported at the end of the period are:

Compensated Absences	45,418	
General Obligation Bonds	24,565,657	
Certificates of Participation	10,655,000	
Net Pension Liabilities	22,058,437	
Total		(57,324,512)

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

(268,809)

Total Net Position - Governmental Activities \$ 11,511,833

**RESCUE UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>General</u>	<u>Community Facilities District</u>	<u>Capital Facilities</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
LCFF Sources:					
State Apportionment / Transfers	\$ 18,663,405				\$ 18,663,405
Local Taxes	13,225,614				13,225,614
Total LCFF Sources	31,889,019				31,889,019
Federal Revenue	3,012,658			\$ 2,163,741	5,176,399
State Revenue	4,578,144			130,761	4,708,905
Local Revenue	3,202,303	\$ 2,272,567	\$ 440,286	2,373,516	8,288,672
Total Revenues	42,682,124	2,272,567	440,286	4,668,018	50,062,995
<u>Expenditures</u>					
Current:					
Instruction	26,944,699				26,944,699
Supervision of Instruction	1,230,149				1,230,149
Instructional Library and Technology	538,559				538,559
School Site Administration	2,606,679				2,606,679
Home-To-School Transportation	1,036,867				1,036,867
Food Services	9,793			1,600,159	1,609,952
Other Pupil Services	2,022,267				2,022,267
Data Processing Services	161,480				161,480
Other General Administration	2,039,910		56,137	33,136	2,129,183
Plant Services	4,534,878	4,450		104,476	4,643,804
Facilities Acquisition and Construction			18,870		18,870
Ancillary Services	128,530				128,530
Other Outgo	1,183,664				1,183,664
Debt Service:					
Principal Retirement				2,097,500	2,097,500
Interest and Issuance Costs				978,064	978,064
Total Expenditures	42,437,475	4,450	75,007	4,813,335	47,330,267
Excess of Revenues Over (Under) Expenditures	244,649	2,268,117	365,279	(145,317)	2,732,728
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In				883,017	883,017
Operating Transfers Out	(4,478)	(715,279)	(163,260)		(883,017)
Total Other Financing Sources (Uses)	(4,478)	(715,279)	(163,260)	883,017	0
Net Change in Fund Balances	240,171	1,552,838	202,019	737,700	2,732,728
Fund Balances - July 1, 2021	9,405,788	2,057,572	2,235,039	3,426,159	17,124,558
Fund Balances - June 30, 2022	\$ 9,645,959	\$ 3,610,410	\$ 2,437,058	\$ 4,163,859	\$ 19,857,286

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**RESCUE UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balances - Governmental Funds \$ 2,732,728

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:

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

Capital Outlay Expenditures	\$ 838,462	
Depreciation Expense	<u>(2,282,599)</u>	
Net		(1,444,137)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned during the fiscal year. The difference between amounts paid and amounts earned was: 33,519

Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pensions costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was: 3,470,401

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt, including bond issue premium, were: 2,186,870

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, interest expense is recognized in the period that it is incurred. Unmatured interest owed at the end of the period, less matured interest paid during the period but owed from the prior period, was: (545,393)

Change in Net Position of Governmental Activities \$ 6,433,988

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Rescue Union School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Trustees elected by registered voters of the District, which comprises an area in El Dorado County. The District was established in 1950 and serves students in kindergarten through eighth grade.

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

The financial reporting entity consists of the following:

- The primary government
- Organizations for which the primary government is financially accountable
- Other organizations for which the primary government may determine, through exercise of management’s professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity’s financial statements from being misleading. In such instances, the organization should be included as a component unit.

Component Units are legally separate organizations for which elected officials of the primary government (District) are financially accountable. The District has financial and operational relationships with the El Dorado School Financing Community Facilities District No. 2007-1 (the “Agency”) and the Rescue District Facilities Corporation (the “Corporation”). The Agency meets the definition of a joint venture. The Corporation meets the reporting entity definition for inclusion as a component unit of the District. Accordingly, the financial activities of the Agency and Corporation have been included in the financial statements of the District.

El Dorado School Financing Community Facilities District: The El Dorado School Financing Community Facilities District No. 2007-1 (Agency) was formed by a Joint Powers Agreement among the Rescue Union School District, Buckeye Union School District and El Dorado Union High School District pursuant to the Mello-Roos Community Facilities Act of 1982. The Agency was formed for the purpose of administering and collecting special taxes for its member districts. The Agency has no employees or property and equipment, and its powers are limited to the implementation of the Mello-Roos financing plan contemplated in the Joint Powers Agreement.

The Agency is governed by an elected board consisting of one representative from each member district. Board members are elected by the participating districts’ governing boards and have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Oversight responsibility; the ability to conduct independent financial affairs, issue debt instruments, approve budgets, sign contracts, levy taxes, and otherwise influence operations and account for fiscal matters, is exercised by the Agency's Governing Board. Accordingly, the Agency is considered to be a separate legal entity from the District and is designated as a joint venture for financial reporting purposes. The District's financial statements must include the Mello-Roos activity on behalf of the District in this joint venture. This information is presented in these financial statements as the Community Facilities District Fund.

Rescue District Facilities Corporation: The Rescue District Facilities Corporation (Corporation) is a nonprofit, public benefits corporation, incorporated under the laws of the State of California and recorded by the Secretary of State in March, 2001. The Corporation was formed for the sole purpose of providing financial assistance to the District by financing the design, development, acquisition, construction, improvement and remodeling of facilities and equipment, together with site acquisition, development, landscaping, utilities, furnishings, improvements, parking and all appurtenant and related facilities. When the Corporation's certificates of participation have been paid with State reimbursements and the District's developer fees, title to all Corporation property will pass to the District for no additional consideration.

The following are those aspects of the relationship between the District and the Corporation that satisfy the financial reporting entity criteria:

- The Corporation is governed by the elected Board of Trustees of the Rescue Union School District ex officio. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.
- The Corporation has no employees. The District's Superintendent and the Assistant Superintendent of Business Services function as agents of the Corporation. Neither individual receives additional compensation for work performed in this capacity.
- The District exercises significant influence over operations of the Corporation as the District will always be the sole lessee of all facilities owned by the Corporation.
- All major financing arrangements, contracts, and financial transactions of the Corporation must have the consent of the District.
- Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.
- The District's lease payments will be the sole revenue source of the Corporation.
- The District has assumed a "moral obligation", and potentially a legal obligation, for any debt incurred by the Corporation.

The Corporation's financial activity is blended with the District's financial data and is presented in the Rescue District Facilities Corporation Fund. Certificates of participation issued by the Corporation are reported as a liability in the Statement of Net Position.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Concluded)

Governmental Accounting Standards Board Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, provides further guidance, stating that a legally separate organization should be reported as a component unit if specific criteria are met. The District has determined that there are no organizations, for which the District is not financially accountable, which should be reported within its financial reporting entity under GASB 39.

B. 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 and its component units. Eliminations have been made to remove the double-counting of internal activities. Governmental activities are normally supported by taxes and intergovernmental revenues.

The government-wide financial 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 a 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 which 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.

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.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements (Concluded):

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.

C. 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.

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. Under the 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 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined available 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.

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Certain grants received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Expenses/Expenditures:

On an 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.

D. 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, liabilities, 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 maintains the following governmental fund types:

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District's funds are organized into major and non-major funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

Major Governmental Funds (Concluded):

The *Community Facilities District Fund* is a debt service fund used for the purpose of administering and collecting special taxes for the District. The District's respective activity within the El Dorado School Financing Community Facilities District 2007-1 joint venture is reflected in this 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).

Non-major Governmental Funds:

The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's cafeteria program.

The *Bond Interest and Redemption Fund* is used to account for District taxes received and expended to pay bond interest and redeem bond principal.

The *Rescue District Facilities Corporation Debt Service Fund* is a debt service fund used to account for the accumulation of resources for, and the payment of, certificates of participation debt principal, interest, and related costs.

The *County School Facilities Fund* is used primarily to account separately for state apportionments provided for construction of school facilities (Education Code Sections 17009.5 and 17070.10-17076.10).

The *Rescue District Facilities Corporation Fund* is a capital projects fund used for the purpose of administering and collecting special taxes for the District. The District's respective activity within the El Dorado School Financing Community Facilities District 2007-1 joint venture is reflected in this fund.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the District's Governing Board must adopt a final budget no later than July 1. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America 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 and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 55. 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.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Use of Estimates

The preparation 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 at June 30.

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

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

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

2. Stores Inventory and Prepaid Expenses / Expenditures

Inventory is recorded using the consumption method in that inventory acquisitions are initially recorded in inventory asset accounts and are recorded as expenditures when the supplies are used. Inventory is valued at average cost and consists of expendable supplies held for consumption.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

2. Stores Inventory and Prepaid Expenses / Expenditures (Concluded)

Prepaid expenses/expenditures represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

Reported inventory and prepaid expense/expenditures are equally offset by a reserve, which indicates that these amounts are not available for appropriation.

3. Capital Assets

Furniture and equipment purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost, and capital improvement, acquisition, or construction with an original cost of \$50,000 or more are reported at historical cost or estimated historical cost.

Contributed assets are reported at fair market value as of the date received. 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:

<u>Asset Class</u>	<u>Years</u>
Site and Improvements	20
Buildings and Improvements	20-50
Furniture and Equipment	5-20

4. Deferred Outflows of Resources

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

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

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

5. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualifying expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualifying expenditures.

6. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements.

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.

7. Pensions

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

8. Long-term Liabilities

In the government-wide financial statements, long-term obligations are reported as liabilities in the Statement of Net Position. Premiums and discounts as well as refunding costs are deferred and amortized over the life of the obligation, when applicable. Liabilities are reported net of applicable premiums, discounts or refunding costs.

In the fund financial statements, governmental funds recognize premiums and discounts as well as issuance and refunding costs, when the debt is issued. The face amount of the debt issued, premiums, discounts, issuance and refunding costs are reported as other financing sources or uses.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

9. Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The allowable classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g., inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the District's highest level of decision-making authority (Governing Board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision-making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance. The Governing Board delegated authority to the Assistant Superintendent of Business Services to identify intended uses of assigned funds.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All Funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. The District established a minimum fund balance policy of 10% of the District's general fund annual operating expenditures.

The District considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Concluded)

10. Local Control Funding Formula (LCFF) / Property Tax

The formula for determining the level of funding per student is the “Local Control Funding Formula” (LCFF). District funding under the LCFF is generally provided by a mix of state aid and local property taxes.

The County of El Dorado is responsible for assessing, collecting and apportioning property taxes to the District. 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 January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 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 (January 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 alternative 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 LCFF sources by the District. The California Department of Education reduces the District’s LCFF entitlement by the District’s local property tax revenue. Any balance remaining is paid from the State General Fund, and is known as LCFF State Aid.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Cash in Revolving Funds	\$	10,500
Cash with Fiscal Agent		4,325,689
County Pool Investments		<u>14,750,158</u>
Total	\$	<u><u>19,086,347</u></u>

Cash in Revolving Funds

Cash in revolving funds consist of all cash maintained in commercial bank accounts that are used as revolving funds as well as petty cash funds.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash with Fiscal Agent

The cash with fiscal agent represents debt proceeds that have been set aside for capital projects and the repayment of long-term liabilities, and is held by a third party custodian in the District's name.

County Pool Investments

County pool investments consist of District cash held by the El Dorado County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorization

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the following schedule:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment	N/A	None	None
Local Agency Investment Fund	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the El Dorado County Investment Pool.

Weighted Average Maturity

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
County Pool Investments	\$ 14,750,158	\$ 14,750,158	710

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in the County Treasury are not required to be rated.

Custodial Credit Risk - Deposits

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

California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2022, the District's bank balance was not exposed to custodial credit risk.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Fair Value Measurements

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specific term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

Uncategorized - Investments in the El Dorado 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.

The District's fair value measurements are as follows at June 30, 2022:

Investment Type	Fair Value	Uncategorized
County Pool Investments	\$ 14,750,158	\$ 14,750,158

All assets have been valued using a market approach, with quoted market prices.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 3 - RECEIVABLES

Receivables at June 30, 2022 consist of the following:

	General Fund	Non-Major Governmental Funds	Totals
Federal Government	\$ 1,278,910	\$ 233,270	\$ 1,512,180
State Government	345,852	219	346,071
Local Governments	371,619	19,539	391,158
Miscellaneous	57,567	43,244	100,811
Totals	\$ 2,053,948	\$ 296,272	\$ 2,350,220

NOTE 4 - INTERFUND ACTIVITIES

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, 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. 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.

A. Due From / Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2022 are as follows:

General Fund due to Cafeteria Fund to reimburse the bad debts balance and for summer school lunches	\$ 4,478
Cafeteria Fund due to General Fund for indirect costs and reimbursement for utilities	134,275
Capital Facilities Fund due to Corporation Debt Service Fund for COP payment	166,044
Community Facilities District Fund due to Corporation Debt Service Fund for COP payment	715,279
Total	\$ 1,020,076

All interfund receivables and payables are scheduled to be paid within one year.

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers during the 2021-22 fiscal year were as follows:

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 4 - INTERFUND ACTIVITIES (CONCLUDED)

B. Interfund Transfers (Concluded)

General Fund transfer to Cafeteria Fund to reimburse the bad debts balance and for summer school lunches	\$ 4,478
Community Facilities District Fund transfer to Corporation Debt Service Fund for COP payment	715,279
Capital Facilities Fund transfer to Corporation Debt Service Fund for COP payment	<u>163,260</u>
Total	<u><u>\$ 883,017</u></u>

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2022, is shown below:

	Balances July 1, 2021	Additions	Deletions	Balances June 30, 2022
Capital Assets Not Being Depreciated:				
Land	\$ 4,640,099			\$ 4,640,099
Construction-in-Progress	503,397	\$ 18,870	\$ 24,519	497,748
Total Capital Assets Not Being Depreciated	5,143,496	18,870	24,519	5,137,847
Capital Assets Being Depreciated:				
Sites and Improvements	7,843,438	64,336		7,907,774
Buildings and Improvements	74,477,463	61,206		74,538,669
Furniture and Equipment	6,937,524	718,569		7,656,093
Total Capital Assets Being Depreciated	89,258,425	844,111	0	90,102,536
Less Accumulated Depreciation:				
Sites and Improvements	4,348,143	273,778		4,621,921
Buildings and Improvements	25,886,070	1,445,276		27,331,346
Furniture and Equipment	4,343,543	563,545		4,907,088
Total Accumulated Depreciation	34,577,756	2,282,599	0	36,860,355
Total Capital Assets Being Depreciated, Net	54,680,669	(1,438,488)	0	53,242,181
Capital Assets, Net	<u>\$ 59,824,165</u>	<u>\$ (1,419,618)</u>	<u>\$ 24,519</u>	<u>\$ 58,380,028</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 1,441,012
Instruction-Related Services	235,724
Pupil Services	250,600
General Administration	128,904
Plant Services	226,359
Total	<u>\$ 2,282,599</u>

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 - GENERAL OBLIGATION BONDS

The general obligation bonds are secured by the full faith and credit of the District. El Dorado County is obligated to annually levy ad valorem taxes for the payment of interest on, and principal of, the bonds upon all property subject to taxation in the District.

The outstanding general obligation debt of the District as of June 30, 2022, excluding \$296,631 of unamortized bond premiums, is as follows:

A. Current Interest Bonds

Year of Issue	Interest Rate %	Year of Maturity	Amount of Original Issue	Outstanding July 1, 2021	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2022
2005	3.50-5.00	2023	\$ 5,510,000	\$ 4,725,000		\$ 1,400,000	\$ 3,325,000
2013	2.00-4.00	2030	7,610,000	7,160,000		50,000	7,110,000
2016	2.48	2024	2,719,500	2,238,800		72,500	2,166,300
			<u>\$ 15,839,500</u>	<u>\$ 14,123,800</u>	<u>\$ 0</u>	<u>\$ 1,522,500</u>	<u>\$ 12,601,300</u>

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2022, are as follows:

Year Ended June 30	Principal	Interest	Totals
2023	\$ 1,707,300	\$ 448,803	\$ 2,156,103
2024	1,882,100	362,087	2,244,187
2025	2,086,900	290,172	2,377,072
2026	65,000	262,500	327,500
2027	70,000	259,800	329,800
2028-2032	6,790,000	557,200	7,347,200
Totals	<u>\$ 12,601,300</u>	<u>\$ 2,180,562</u>	<u>\$ 14,781,862</u>

B. Capital Appreciation Bonds

Year of Issue	Accretion Rate %	Year of Maturity	Amount of Original Issue	Outstanding July 1, 2021	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2022
2005	4.68-5.59	2027	\$ 1,709,889	\$ 3,875,254	\$ 206,755	\$ 145,000	\$ 3,937,009
2007	4.47-5.96	2032	3,802,070	7,364,880	365,837		7,730,717
Totals			<u>\$ 5,511,959</u>	<u>\$ 11,240,134</u>	<u>\$ 572,592</u>	<u>\$ 145,000</u>	<u>\$ 11,667,726</u>

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds (Concluded)

The outstanding obligation for the capital appreciation bonds is as follows:

<u>Year Ended June 30</u>	<u>Amount of Original Issue (Principal)</u>	<u>Accreted Interest</u>	<u>Totals</u>
2023	\$ 67,268	\$ 82,148	\$ 149,416
2024	74,328	91,861	166,189
2025	70,341	87,973	158,314
2026	1,029,148	968,893	1,998,041
2027	765,588	1,135,398	1,900,986
2028-2032	2,581,421	2,805,051	5,386,472
2033-2037	805,058	1,103,250	1,908,308
Totals	<u>\$ 5,393,152</u>	<u>\$ 6,274,574</u>	<u>\$ 11,667,726</u>

The annual requirements to amortize the capital appreciation bonds at June 30, 2022, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 67,268	\$ 82,732	\$ 150,000
2024	74,328	100,672	175,000
2025	70,341	104,659	175,000
2026	1,029,148	1,270,852	2,300,000
2027	765,588	1,609,412	2,375,000
2028-2032	2,581,421	5,143,579	7,725,000
2033-2037	805,058	2,659,942	3,465,000
Totals	<u>\$ 5,393,152</u>	<u>\$ 10,971,848</u>	<u>\$ 16,365,000</u>

NOTE 7 - CERTIFICATES OF PARTICIPATION

On May 13, 2010, the District issued 2010 Certificate of Participation, in the aggregate amount of \$8,000,000 with interest rates ranging from 3.00% to 4.25%. The proceeds from the sale of 2010 Certificates of Participations were used to finance the acquisition of an additional school site and to refinance the construction of a middle school by refunding the District's outstanding 2008 Certificate of Participation in addition to paying the costs of issuance. The 2008 Certificates of Participation were paid in full as of October 1, 2010.

On August 22, 2017, the District issued 2017 Certificate of Participation, in the aggregate amount of \$5,355,000 with interest rates ranging from 2.00% to 3.25%. The proceeds from the sale of 2017 Certificates of Participations were used to finance the acquisition and improvement of real property to be used by the District for educational facilities.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 7 - CERTIFICATES OF PARTICIPATION (CONCLUDED)

At June 30, 2022, the outstanding principal balance for the certificates of participation was \$10,655,000. The certificates of participation mature as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 435,000	\$ 431,644	\$ 866,644
2024	450,000	418,509	868,509
2025	465,000	404,544	869,544
2026	480,000	389,919	869,919
2027	490,000	373,363	863,363
2028-2032	2,775,000	1,557,003	4,332,003
2033-2037	3,385,000	930,584	4,315,584
2038-2042	2,175,000	213,781	2,388,781
Totals	<u>\$ 10,655,000</u>	<u>\$ 4,719,347</u>	<u>\$ 15,374,347</u>

NOTE 8 - RETIREMENT PLANS

Qualified employees are covered under retirement plans maintained by agencies of the State of California. Certificated employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California State Teachers' Retirement System (CalSTRS) and classified employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California Public Employees' Retirement System (CalPERS).

The District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense in the accompanying government-wide financial statements as follows:

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 13,760,306	\$ 5,879,601	\$ 13,293,439	\$ 2,170,050
CalPERS	8,298,131	1,860,240	3,578,562	831,079
Totals	<u>\$ 22,058,437</u>	<u>\$ 7,739,841</u>	<u>\$ 16,872,001</u>	<u>\$ 3,001,129</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The California State Teachers Retirement System (CalSTRS) provides pension benefits, including disability and survivor benefits, to California full-time and part-time public school teachers and certain other employees of the public school system.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued) / Plan Description (Concluded)

The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature and the Governor, established the plan and CalSTRS as the administrator. The terms of the plan may be amended through legislation. CalSTRS issues publicly available reports that include a full description of the pension plan that can be found on the CalSTRS website.

Benefits Provided

The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan. The STRP holds assets for the exclusive purpose of providing benefits to members of these programs and their beneficiaries. CalSTRS also uses plan assets to defray reasonable expenses for administering the STRP. Although CalSTRS is the administrator of the STRP, the State of California is the sponsor and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

Membership is mandatory for all employees meeting certain statutory requirements and optional for all other employees performing creditable services activities. The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members.

The STRP Defined Benefit Program has two benefit structures:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

There are several differences between the two benefit structures and some of the differences are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to a factor of 2.0% of final compensation multiplied by the number of years of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to a maximum of 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, up to the 2.4% maximum.

CalSTRS calculates retirement benefits based on one-year final compensation for members with 25 or more years of credited service, or for classroom teachers with fewer than 25 years of credited service if the employer entered into, extended, renewed, or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Benefits Provided - CalSTRS 2% at 60 (Concluded)

One-year final compensation is a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For most members with fewer than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

Contributions

The parameters for member, employer and state contribution rates are set by the California Legislature and the Governor and are detailed in the Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046. California Senate Bill 90 (Chapter 33, Statutes of 2019) and California Assembly Bill 84 (Chapter 16, Statutes of 2021) (collectively, special legislation) signed into law in June 2019 and June 2021, respectively, provided supplemental contributions to the defined benefit program along with supplemental contribution rate relief to employers through fiscal year 2021-22.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members: The member contribution rate for 2% at 60 members is set in statute at 10.25%, while 2% at 62 members are required to pay at least one-half of the normal cost of their Defined Benefit Program benefit (rounded to the nearest quarter of 1%). The member contribution rate for 2% at 62 members was 10.205% for fiscal year 2021-22.

Employers: The employer contribution rate was 16.92% of applicable member earnings for fiscal year 2021-22. This rate reflects a 2.18% reduction of the employer contribution rate for fiscal year 2021-22 pursuant to special legislation, than is required by the CalSTRS Funding Plan. The District contributed \$3,087,804 to the plan for the fiscal year ended June 30, 2022.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Contributions (Concluded)

State: The state is required to contribute a base contribution rate set in statute at 2.017%. Pursuant to the CalSTRS Funding Plan, the state also has a supplemental contribution rate, which the board can increase by up to 0.5% each fiscal year to help eliminate the state's share of the CalSTRS unfunded actuarial obligation by 2046. In June 2022, the board approved an increase of 0.5% for fiscal year 2021-22, which increased the state supplemental contribution rate to 6.311% effective July 1, 2022. Including a 2.50% contribution for SBMA funding, the total state contribution to the defined benefit program was 10.828% for the fiscal year ended June 30, 2022.

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

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

District's proportionate share of the net pension liability	\$ 13,760,306
State's proportionate share of the net pension liability associated with the District	<u>6,923,652</u>
Total net pension liability attributed to District	<u><u>\$ 20,683,958</u></u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers and the State.

The District's proportionate share of the net pension liability as of June 30, 2021 and June 30, 2020 was as follows:

Proportion - June 30, 2021	0.0302%
Proportion - June 30, 2020	<u>0.0297%</u>
Change - Increase (Decrease)	<u><u>0.0005%</u></u>

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

For the fiscal year ended June 30, 2022, the District recognized pension expense of \$2,170,050 which includes \$1,944,615 of support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 3,087,804	
Differences between expected and actual experience	33,770	\$ 1,460,347
Changes of assumptions	1,909,835	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	848,192	930,029
Net differences between projected and actual earnings on plan investments		10,903,063
Totals	\$ 5,879,601	\$ 13,293,439

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2023	\$ (2,108,762)
2024	(2,189,866)
2025	(2,791,509)
2026	(3,165,455)
2027	(142,556)
Thereafter	(103,494)

Other than differences between projected and actual earnings on plan investments, deferred outflows and inflows of resources are amortized using a straight-line method over a closed period equal to the average of the expected remaining service lives of all plan members who are provided with pensions through CalSTRS (active and inactive), which is 7 years as of the beginning of the measurement period. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability include:

Valuation Date	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return ¹	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB (Annually) Maintain 85% purchasing power level for DB

¹ Net of investment expenses, but gross of administrative expenses.

The sections that follow provide additional discussion on key assumptions and methods for the valuation of the STRP.

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates as previously described. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments, and administrative expenses occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as an input to the process.

The actuarial investment rate of return assumption was adopted by the board in January 2021 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Discount Rate (Concluded)

Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash / Liquidity	2%	-0.40%
Total	<u>100%</u>	

* 20-year average

Mortality

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

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

The following table presents the District's proportionate share of the net pension liability as of the measurement date, calculated using the current discount rate of 7.10%, 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 one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	<u>Discount Rate 1% Decrease 6.10%</u>	<u>Discount Rate Current Rate 7.10%</u>	<u>Discount Rate 1% Increase 8.10%</u>
District's proportionate share of the net pension liability	\$ 28,011,058	\$ 13,760,306	\$ 1,932,454

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Concluded)

Pension Plan's Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021.

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by the CalPERS. All employees who work at least half time or are appointed to a job that will last at least six months and one day are eligible for CalPERS. Benefits vest after five years. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. Employees hired after January 1, 2013 with five years of credit service must be at least age 52 to retire.

The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. 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.

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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50.0% of the total normal cost rate for their defined benefit plan or 7.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2022 was 22.91% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2022 was \$1,439,111.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2022, the District reported a liability of \$8,298,131 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability 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 as of June 30, 2021 and June 30, 2020 was as follows:

Proportion - June 30, 2021	0.0408%
Proportion - June 30, 2020	0.0400%
Change - Increase (Decrease)	0.0008%

For the fiscal year ended June 30, 2022, the District recognized pension expense of \$831,079. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 1,439,111	
Differences between expected and actual experience	232,624	\$ 19,563
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	188,505	364,277
Net differences between projected and actual earnings on plan investments		3,194,722
Totals	\$ 1,860,240	\$ 3,578,562

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30</u>	
2023	\$ (789,895)
2024	(769,973)
2025	(711,873)
2026	(885,692)

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4.0 years as of June 30, 2021. The net difference between projected and actual earnings on pension plan investments is amortized over a 5-year period on a straight-line basis.

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuations were determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Wage Growth	Varies
Investment Rate of Return	7.15%
Post Retirement Benefit Increase (1)	

(1) 2.00% until Purchasing Power Protection Allowance Floor
on Purchasing Power applies, 2.50% thereafter

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions (Concluded)

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

All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study from 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 + years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate (Concluded)

The table below reflects expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

<u>Asset Class ¹</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 ^{2, 4}</u>	<u>Real Return Years 11+ ^{3, 4}</u>
Public Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100%</u>		

(1) In the CalPERS CAFR, liquidity is included in short-term investments, inflation assets are included in both public equity and fixed income.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

(4) Figures are based on the previous ALM of 2017.

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

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

	<u>Discount Rate 1% Decrease 6.15%</u>	<u>Discount Rate Current Rate 7.15%</u>	<u>Discount Rate 1% Increase 8.15%</u>
District's proportionate share of the net pension liability	\$ 13,991,815	\$ 8,298,131	\$ 3,571,153

Pension Plan Fiduciary Net Position

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

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - RETIREMENT PLANS (CONCLUDED)

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. Both the District and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

NOTE 9 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2022, is shown below.

	Balances July 1, 2021	Additions	Deductions	Balances June 30, 2022	Due within One Year
Long-Term Debt:					
General Obligation Bonds	\$ 25,749,935	\$ 572,592	\$ 1,756,870	\$ 24,565,657	\$ 1,946,669
Certificates of Participation	11,085,000		430,000	10,655,000	435,000
Other Long-Term Liabilities:					
Compensated Absences	78,937		33,519	45,418	45,418
Net Pension Liabilities	41,025,141		18,966,704	22,058,437	
Totals	<u>\$ 77,939,013</u>	<u>\$ 572,592</u>	<u>\$ 21,187,093</u>	<u>\$ 57,324,512</u>	<u>\$ 2,427,087</u>

The general obligation bonds are obligations of the Bond Interest and Redemption Fund, which is primarily funded by property tax collections. The certificates of participation are financed by special taxes levied by the El Dorado School Financing Community Facilities District and deposited in the Community Facilities District Fund, and developer fees. The compensated absences are obligations primarily of the General Fund and Cafeteria Fund, and net pension liabilities will be financed by contributions made to the pension plans from the General Fund and Cafeteria Fund.

NOTE 10 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) for K-12 Education. These payments consist of state general fund contributions of \$1,944,615 to CalSTRS. These contributions are recorded in the General Fund as revenues and expenditures. The District is not legally responsible for these contributions.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 11 - FUND BALANCES

The fund balances as of June 30, 2022 are as follows:

	General Fund	Community Facilities District Fund	Capital Facilities Fund	Non-Major Governmental Funds	Totals
Nonspendable:					
Revolving Cash	\$ 6,500			\$ 4,000	\$ 10,500
Stores Inventory				40,848	40,848
Prepaid Expenditures	<u>51,077</u>			<u>2,774</u>	<u>53,851</u>
Total Nonspendable	<u>57,577</u>			<u>47,622</u>	<u>105,199</u>
Restricted:					
Categorical Programs	2,475,272				2,475,272
Food Services Program				1,733,909	1,733,909
Capital Projects			\$ 2,437,058	69,233	2,506,291
Debt Service		<u>\$ 3,610,410</u>		<u>2,156,947</u>	<u>5,767,357</u>
Total Restricted	<u>2,475,272</u>	<u>3,610,410</u>	<u>2,437,058</u>	<u>3,960,089</u>	<u>12,482,829</u>
Assigned:					
Other Assignments	<u>3,200,574</u>			<u>156,148</u>	<u>3,356,722</u>
Unassigned:					
Economic Uncertainties	<u>3,912,536</u>				<u>3,912,536</u>
Totals	<u>\$ 9,645,959</u>	<u>\$ 3,610,410</u>	<u>\$ 2,437,058</u>	<u>\$ 4,163,859</u>	<u>\$ 19,857,286</u>

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021-22, the District participated in one joint powers authority (JPA) for purposes of pooling risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

NOTE 13 - JOINT VENTURES

The District participates in one joint venture under a joint powers agreement with Schools Insurance Authority (SIA) for workers' compensation, property and liability insurance. 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.

The JPA arranges for and/or provides coverage for its members. The JPA is governed by a board consisting of representatives from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

The JPA is audited on an annual basis. Financial information can be obtained by contacting the JPA's Management.

RESCUE UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received state and federal 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 reimbursements will not be material.

B. Litigation

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

NOTE 15 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 9, 2022, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

RESCUE UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 19,500,982	\$ 18,663,405	\$ 18,663,405	
Local Sources	12,319,232	13,225,614	13,225,614	
Total LCFF Sources	31,820,214	31,889,019	31,889,019	
Federal Revenue	2,765,781	3,012,658	3,012,658	
Other State Revenue	3,299,099	4,578,144	4,578,144	
Other Local Revenue	2,414,203	3,499,824	3,202,303	\$ (297,521)
Total Revenues	40,299,297	42,979,645	42,682,124	(297,521)
<u>Expenditures</u>				
Current:				
Certificated Salaries	17,657,047	18,560,752	18,560,752	
Classified Salaries	7,152,612	6,985,755	6,985,755	
Employee Benefits	10,278,962	10,088,021	10,088,021	
Books and Supplies	1,198,413	1,794,912	1,794,912	
Services and Other				
Operating Expenditures	2,848,805	3,111,454	3,111,454	
Capital Outlay	921,008	746,053	746,053	
Other Expenditures	643,092	1,150,528	1,150,528	
Total Expenditures	40,699,939	42,437,475	42,437,475	0
Excess of Revenues Over (Under) Expenditures	(400,642)	542,170	244,649	(297,521)
<u>Other Financing (Uses)</u>				
Operating Transfers Out		(4,478)	(4,478)	
Net Change in Fund Balances	(400,642)	537,692	240,171	\$ (297,521)
Fund Balances - July 1, 2021	9,405,788	9,405,788	9,405,788	
Fund Balances - June 30, 2022	\$ 9,005,146	\$ 9,943,480	\$ 9,645,959	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RESCUE UNION SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS *

JUNE 30, 2022

<u>Year Ended June 30</u>	<u>District's Proportion of the NPL</u>	<u>District's Proportionate Share of the NPL</u>	<u>State's Proportionate Share of the NPL Associated to District</u>	<u>Total NPL Attributed to District</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the NPL as a % of Covered Payroll</u>	<u>Plan Fiduciary Net Position As a % of Total Pension Liability</u>
2022	0.0302%	\$ 13,760,306	\$ 6,923,652	\$ 20,683,958	\$ 16,486,173	83.47%	87.21%
2021	0.0297%	28,760,570	14,826,077	43,586,647	16,083,602	178.82%	71.82%
2020	0.0298%	26,951,152	14,703,653	41,654,805	16,048,661	167.93%	72.56%
2019	0.0290%	26,979,000	15,447,000	42,426,000	15,884,248	169.85%	70.99%
2018	0.0300%	27,395,000	16,207,000	43,602,000	15,700,000	174.49%	69.46%
2017	0.0320%	25,564,000	14,555,000	40,119,000	15,752,060	162.29%	70.04%
2016	0.0290%	19,550,490	10,340,000	29,890,490	14,730,169	132.72%	74.02%
2015	0.0330%	19,284,210	11,486,000	30,770,210	15,167,952	127.14%	76.52%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

RESCUE UNION SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS *

JUNE 30, 2022

<u>Year Ended June 30</u>	<u>District's Proportion of the NPL</u>	<u>District's Proportionate Share of the NPL</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the NPL as a % of Covered Payroll</u>	<u>Plan Fiduciary Net Position As a % of Total Pension Liability</u>
2022	0.0408%	\$ 8,298,131	\$ 5,920,836	140.15%	80.97%
2021	0.0400%	12,264,571	5,770,123	212.55%	70.00%
2020	0.0407%	11,850,766	5,673,740	208.87%	70.05%
2019	0.0420%	11,313,000	5,611,332	201.61%	70.85%
2018	0.0400%	9,645,000	5,151,743	187.22%	71.87%
2017	0.0410%	8,010,000	4,865,569	164.63%	73.90%
2016	0.0390%	5,766,792	4,332,000	133.12%	79.43%
2015	0.0400%	4,529,622	4,205,000	107.72%	83.38%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

RESCUE UNION SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - CALSTRS *
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions As a % of Covered Payroll</u>
2022	\$ 3,087,804	\$ 3,087,804	\$ 0	\$ 18,249,433	16.92%
2021	2,662,517	2,662,517	0	16,486,173	16.15%
2020	2,750,296	2,750,296	0	16,083,602	17.10%
2019	2,612,722	2,612,722	0	16,048,661	16.28%
2018	2,292,097	2,292,097	0	15,884,248	14.43%
2017	1,975,060	1,975,060	0	15,700,000	12.58%
2016	1,690,196	1,690,196	0	15,752,060	10.73%
2015	1,251,356	1,251,356	0	14,730,169	8.25%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

RESCUE UNION SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - CALPERS *
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2022	\$ 1,439,111	\$ 1,439,111	\$ 0	\$ 6,281,584	22.910%
2021	1,225,613	1,225,613	0	5,920,836	20.700%
2020	1,137,926	1,137,926	0	5,770,123	19.721%
2019	1,024,791	1,024,791	0	5,673,740	18.062%
2018	871,496	871,496	0	5,611,332	15.531%
2017	715,474	715,474	0	5,151,743	13.888%
2016	576,424	576,424	0	4,865,569	11.847%
2015	481,183	481,183	0	4,332,000	11.110%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

RESCUE UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object. The basis of budgeting is the same as Generally Accepted Accounting Principles (GAAP). There was no excess of expenditures over appropriations in the General Fund as of June 30, 2022.

B. Schedule of the Proportionate Share of the Net Pension Liability

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the District's proportion and proportionate share of the collective net pension liability, the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability associated with the District, if applicable, the District's covered payroll, the District's proportionate share of the collective net pension liability as a percentage of the District's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

C. Schedule of Contributions

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the statutorily or contracted required District contribution, the amount of contributions recognized by the pension plan in relation to the required District contribution, the difference between the required District contribution and the amount recognized by the pension plan, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation of the District as a percentage of the District's covered payroll.

NOTE 2 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS

Benefit Changes

There were no changes to benefit terms since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

Changes of Assumptions

There were no changes in assumptions since the previous valuation for CalSTRS or CalPERS.

SUPPLEMENTARY INFORMATION SECTION

**RESCUE UNION SCHOOL DISTRICT
ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

ORGANIZATION

The District is located in Rescue, California. There was no change in District boundaries during the year. The District was established in 1950, and operates five elementary schools and two middle schools.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Michael Gordon	President	December 2024
Nancy Brownell	Vice President	December 2022
Suzanna George	Clerk	December 2022
Tagg Neal	Member	December 2024
Kim White	Member	December 2022

ADMINISTRATION

Jim Shoemake
Superintendent

Lisa Donaldson
Assistant Superintendent of Business Services

Dustin Haley
Director of Curriculum and Instruction

**RESCUE UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022**

	Cafeteria	Bond Interest and Redemption
<u>Assets</u>		
Deposits and Investments	\$ 1,648,396	\$ 2,128,750
Receivables	296,272	
Due from Other Funds	4,478	
Stores Inventory	40,848	
Prepaid Expenditures	2,774	
	<u>1,992,768</u>	<u>2,128,750</u>
Total Assets	\$ 1,992,768	\$ 2,128,750
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable	\$ 19,313	
Due to Other Funds	134,275	
Unearned Revenue	57,649	
	<u>211,237</u>	
Fund Balances:		
Nonspendable	47,622	
Restricted	1,733,909	\$ 2,128,750
Assigned		
	<u>1,781,531</u>	<u>2,128,750</u>
Total Fund Balances	1,781,531	2,128,750
Total Liabilities and Fund Balances	\$ 1,992,768	\$ 2,128,750

SEE NOTES TO SUPPLEMENTARY INFORMATION

**Rescue District
Facilities
Corporation
Debt
Service**

\$ (853,126)

881,323

\$ 28,197

**County
School
Facilities**

\$ 156,148

\$ 156,148

**Rescue
District
Facilities
Corporation**

\$ 69,233

\$ 69,233

**Total
Non-Major
Governmental
Funds**

\$ 3,149,401

296,272

885,801

40,848

2,774

\$ 4,375,096

\$ 19,313

134,275

57,649

211,237

47,622

3,960,089

156,148

4,163,859

\$ 28,197

28,197

\$ 28,197

\$ 156,148

156,148

\$ 156,148

\$ 69,233

69,233

\$ 69,233

\$ 4,375,096

**RESCUE UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Cafeteria	Bond Interest and Redemption
<u>Revenues</u>		
Federal Revenue	\$ 2,163,741	
State Revenue	130,761	
Local Revenue	42,358	\$ 2,309,435
	2,336,860	2,309,435
Total Revenues		
<u>Expenditures</u>		
Current:		
Food Services	1,600,159	
Other General Administration	33,136	
Plant Services	100,401	
Debt Service:		
Principal Retirement		1,667,500
Interest and Issuance Costs		529,525
	1,733,696	2,197,025
Total Expenditures		
Excess of Revenues Over (Under) Expenditures	603,164	112,410
<u>Other Financing Sources</u>		
Operating Transfers In	4,478	
	607,642	112,410
Net Change in Fund Balances		
Fund Balances - July 1, 2021	1,173,889	2,016,340
Fund Balances - June 30, 2022	\$ 1,781,531	\$ 2,128,750

Rescue District Facilities Corporation Debt Service	County School Facilities	Rescue District Facilities Corporation	Total Non-Major Governmental Funds
			\$ 2,163,741
			130,761
\$ 28,197	\$ (4,494)	\$ (1,980)	2,373,516
<u>28,197</u>	<u>(4,494)</u>	<u>(1,980)</u>	<u>4,668,018</u>
			1,600,159
			33,136
		4,075	104,476
430,000			2,097,500
448,539			978,064
<u>878,539</u>	<u>0</u>	<u>4,075</u>	<u>4,813,335</u>
(850,342)	(4,494)	(6,055)	(145,317)
<u>878,539</u>			<u>883,017</u>
28,197	(4,494)	(6,055)	737,700
0	160,642	75,288	3,426,159
<u>\$ 28,197</u>	<u>\$ 156,148</u>	<u>\$ 69,233</u>	<u>\$ 4,163,859</u>

RESCUE UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	District Prepared - P-2 Report			
	TK / K - 3	4 - 6	7 - 8	Totals
Regular ADA	1,451.93	1,092.02	796.09	3,340.04
Special Education - NPS / LCI	1.10	2.08	0.53	3.71
Totals	1,453.03	1,094.10	796.62	3,343.75

	Audited - P-2 Report			
	TK / K - 3	4 - 6	7 - 8	Totals
Regular ADA	1,438.21	1,083.90	790.01	3,312.12
Special Education - NPS / LCI	1.10	2.08	0.53	3.71
Totals	1,439.31	1,085.98	790.54	3,315.83

	District Prepared - Annual Report			
	TK / K - 3	4 - 6	7 - 8	Totals
Regular ADA	1,458.59	1,090.46	796.12	3,345.17
Extended Year Special Education	8.30	9.40	7.45	25.15
Special Education - NPS / LCI	1.44	2.69	0.43	4.56
Extended Year - Special Education - NPS / LCI	0.80	2.60	0.70	4.10
Totals	1,469.13	1,105.15	804.70	3,378.98

	Audited - Annual Report			
	TK / K - 3	4 - 6	7 - 8	Totals
Regular ADA	1,458.59	1,090.46	796.12	3,345.17
Extended Year Special Education	0.95	1.07	0.85	2.87
Special Education - NPS / LCI	1.44	2.69	0.43	4.56
Extended Year - Special Education - NPS / LCI	0.09	0.29	0.09	0.47
Totals	1,461.07	1,094.51	797.49	3,353.07

RESCUE UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

<u>Grade Level</u>	<u>Minutes Required</u>	<u>2021-22 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>J-13A Credited</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	36,000	180	0	N/A	In Compliance
Grade 1	50,400	50,680	180	0	N/A	In Compliance
Grade 2	50,400	50,680	180	0	N/A	In Compliance
Grade 3	50,400	50,680	180	0	N/A	In Compliance
Grade 4	54,000	54,060	180	0	N/A	In Compliance
Grade 5	54,000	54,060	180	0	N/A	In Compliance
Grade 6	54,000	54,588	180	0	N/A	In Compliance
Grade 7	54,000	54,588	180	0	N/A	In Compliance
Grade 8	54,000	54,588	180	0	N/A	In Compliance

RESCUE UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identification Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed Through El Dorado County Office of Education:			
Forest Reserve	10.665	10044	\$ 80,768
Passed Through California Department of Education (CDE):			
<i>Child Nutrition Cluster:</i>			
National School Lunch	10.555	13524	1,163,466
Basic Breakfast	10.553	13525	334,551
School Needy Breakfast	10.553	13526	93,573
USDA Food Commodities	10.555	*	142,106
Subtotal Child Nutrition Cluster			<u>1,733,696</u>
Total U.S. Department of Agriculture			<u>1,814,464</u>
U.S. Department of Education:			
Passed Through CDE:			
Title I Part A Basic Grant Low-Income & Neglected	84.010	14329	247,768
Title II, Part A, Supporting Effective Instruction	84.367	14341	72,930
Title III English Learner Student Program	84.365	14346	15,880
Title IV, Part A Student Support & Academic Enrichment	84.424	15391	20,248
Title X McKinney-Vento Homeless Assistance	84.196A	14332	1,727
Education Stabilization Fund Programs:			
COVID-19 Elementary and Secondary School Emergency Relief	84.425	15536	21
COVID-19 Elementary and Secondary School Emergency Relief II	84.425D	15547	442,451
COVID-19 Elementary and Secondary School Emergency Relief III	84.425U	15559	381,068
COVID-19 Elementary and Secondary School Emergency Relief III	84.425U	10155	384,760
COVID-19 Expanded Learning Opportunities (ELO) Grant ESSER II	84.425	15618	309,871
COVID-19 Expanded Learning Opportunities (ELO) Grant: ESSER III	84.425	15620	198,995
COVID-19 Expanded Learning Opportunities (ELO) Grant: ESSER III	84.425	15621	348,213
Subtotal Education Stabilization Fund Programs			<u>2,065,379</u>
Passed Through El Dorado County SELPA:			
<i>Special Education Cluster:</i>			
IDEA Part B Basic Local Assistance	84.027	13379	267,808
IDEA Part B Local Assistance Entitlement	84.027A	15638	34,774
Subtotal Special Education Cluster			<u>302,582</u>
Total U.S. Department of Education			<u>2,726,514</u>
Federal Communications Commission (FCC):			
Emergency Connectivity Fund Program	32.009	*	205,376
Total			<u>\$ 4,746,354</u>

* Pass-Through Entity's Identification number is not available or not applicable.

The District provided no federal awards to subrecipients.

**RESCUE UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	General Fund	Capital Facilities Fund	Rescue District Facilities Corporation Fund	Cafeteria Fund	Bond Interest and Redemption Fund	Corporation Debt Fund	County School Fund
June 30, 2022 Annual Financial and Budget Report Fund Balances	\$ 9,943,479	\$ 2,523,095	\$ 71,521	\$ 1,835,881	\$ 2,199,109	\$ 0	\$ 161,309
Adjustments and Reclassifications Increasing (Decreasing) Fund Balances:							
Overstatement in the Fair Value of Investments	<u>(297,520)</u>	<u>(86,037)</u>	<u>(2,288)</u>	<u>(54,350)</u>	<u>(70,359)</u>	<u>28,197</u>	<u>(5,161)</u>
June 30, 2022 Audited Financial Statements Fund Balances	<u>\$ 9,645,959</u>	<u>\$ 2,437,058</u>	<u>\$ 69,233</u>	<u>\$ 1,781,531</u>	<u>\$ 2,128,750</u>	<u>\$ 28,197</u>	<u>\$ 156,148</u>

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2022.

RESCUE UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	GENERAL FUND			
	(Budget) 2022-23	2021-22	2020-21	2019-20
Revenues and Other Financial Sources	\$ 45,660,704	\$ 42,682,124	\$ 40,583,962	\$ 38,769,760
Expenditures	44,546,882	42,437,475	38,342,067	37,820,042
Other Uses and Transfers Out	0	4,478	80	2,762
Total Outgo	44,546,882	42,441,953	38,342,147	37,822,804
Change in Fund Balance	1,113,822	240,171	2,241,815	946,956
Ending Fund Balance	\$ 10,759,781	\$ 9,645,959	\$ 9,405,788	\$ 7,163,973
Available Reserves	\$ 4,903,627	\$ 3,912,536	\$ 3,837,911	\$ 3,589,628
Reserve for Economic Uncertainties *	\$ 4,903,627	\$ 3,912,536	\$ 3,837,911	\$ 3,589,628
Available Reserves as a Percentage of Total Outgo	11.0%	9.2%	10.0%	9.5%
Average Daily Attendance at P-2	3,401	3,316	N/A	3,490
Total Long-Term Liabilities	\$ 54,897,425	\$ 57,324,512	\$ 77,939,013	\$ 77,176,064

* Reported balances are a component of available reserves.

The fund balance of the General Fund increased \$2,481,986 (35%) over the past two years. The fiscal year 2022-23 budget projects an increase of \$1,113,822. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District produced operating surpluses in each of the past three fiscal years.

Average daily attendance (ADA) decreased 174 ADA over the past two years. The fiscal year 2022-23 budget projects 3,401 ADA.

Total long-term liabilities decreased \$19,851,552 over the past two years.

RESCUE UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Combining Statements

Combining statements are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements present more detailed information about the financial position and financial activities of the District's individual funds.

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

D. Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position of the District.

Summary of Significant Accounting Policies

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 allowable or are limited as to reimbursement.

Indirect Cost Rates

The District has not elected to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

RESCUE UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

E. 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 as reported in the Annual Financial and Budget Report to the audited financial statements.

F. 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.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

**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
Rescue Union School District
Rescue, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rescue Union School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2022.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2022-001** to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2022-002** and **2022-003** to be significant deficiencies.

Report on Compliance and Other Matters

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

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Rescue Union School District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Rescue Union School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 9, 2022

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Rescue Union School District
Rescue, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rescue Union School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Rescue Union School 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, Rescue Union School 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 Program

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

We are required to be independent of Rescue Union 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 program. Our audit does not provide a legal determination of Rescue Union School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Rescue Union 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 generally accepted auditing standards, *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 Rescue Union School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Rescue Union 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 Rescue Union 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 Rescue Union 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

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.

Report on Internal Control over Compliance (Concluded)

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.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 9, 2022

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Rescue Union School District
Rescue, California

Report on State Compliance

Opinion on State Compliance

We have audited Rescue Union School District's (District) compliance with the requirements specified in the *2021-22 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* applicable to the District's state programs identified below for the year ended June 30, 2022.

In our opinion, Rescue Union School District complied, in all material respects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Basis for Opinion on State Compliance

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; and the *2021-22 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (2021-22 Audit Guide)*. Our responsibilities under those standards and the *Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-22 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-22 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-22 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we express no such opinion; and;
- Select and test transactions and records to determine the District's compliance with state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not Applicable
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
In Person Instruction Grant	Yes
Charter Schools:	
Independent Study-Course Based	Not Applicable
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Charter School Facility Grant Program	Not Applicable

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Findings 2022-004** and **2022-005**.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state 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 *2021-22 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 9, 2022

FINDINGS AND QUESTIONED COSTS SECTION

RESCUE UNION SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

 Material weaknesses identified? X Yes No

 Significant deficiencies identified not considered
 to be material weaknesses? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

 Material weaknesses identified? Yes X No

 Significant deficiencies identified not considered
 to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for
 major programs: Unmodified

Any audit findings disclosed that are required to be
 reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major programs:

CFDA Numbers	Federal Program
84.425	Education Stabilization Fund Programs
84.010	Title I Part A Basic Grant Low-Income & Neglected

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

Type of auditor's report issued on compliance for
 state programs: Unmodified

Any audit findings required to be reported in accordance
 with the *2021-22 Guide for Annual Audits of K-12 Local
 Educational Agencies and State Compliance Reporting?* X Yes No

Any audit findings required to be reported in accordance
 with other state laws and regulations? Yes X No

Internal control over state programs:

 Material weaknesses identified? Yes X No

 Significant deficiencies identified not considered
 to be material weaknesses? Yes X None reported

RESCUE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

2022 - 001 / 30000

MATERIAL WEAKNESS

FINANCIAL REPORTING - CALIFORNIA SCHOOL ACCOUNTING MANUAL (CSAM)

Criteria: Education Code Section 41010 requires local educational agencies (LEAs) to follow the definitions, instructions, and procedures in the California School Accounting Manual, including Procedure 425, which describes the procedures to be followed by LEAs to implement Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and External Investment Pools, which requires LEAs to report their cash in the county treasury at fair value. However, like all other GASB statements, GASB 31 states that it does not apply to nonmaterial items. As a result, LEAs are only required to record their cash maintained in the county treasury at fair value, if the difference between the reported cash balance and the fair value are material to the LEAs financial statements. Accordingly, LEAs should have a system in place to monitor the fair value of the pooled investments in the county treasury, to ensure that fair value adjustments are recorded, if necessary, for the fair presentation of the financial statements.

Condition: The District did not adjust its cash balances to reflect fair value, even though the difference between the reported cash balances and the fair value of the cash balances were material to the financial statements.

Questioned Costs: None.

Context: This is the first year since the issuance of GASB 31 that the difference between the District's reported cash in county treasury balances and the fair value of those balances were significant enough to warrant the adjustment of the cash in county treasury balances to fair value to ensure the fair presentation of the financial statements.

Effect: The District did not comply with the requirements of GASB 31. The adjustments that were made to ensure that the financial statements are fairly stated are presented on page 69.

Cause: The District does not currently have a system in place to monitor the fair value of the pooled investments in the county treasury, to ensure that fair value adjustments are recorded, if necessary, for the fair presentation of the financial statements.

RESCUE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

FINANCIAL REPORTING - CALIFORNIA SCHOOL ACCOUNTING MANUAL (CONCLUDED)

Recommendation: The District should establish appropriate procedures to monitor the fair value of the pooled investments in the county treasury. If fair value adjustments are required to ensure the financial statements are fairly presented, the District should follow the guidance in Procedure 425 of the California School Accounting Manual. Further, the District should also consider recording the adjustment on an annual basis even if the amounts are not material, since the required calculations and postings are relatively easy to perform.

District Response: The District will establish annual procedures to follow the guidance in Procedure 425 of the California School Accounting Manual to ensure the fair market value of our county treasury pooled investments are recognized in our financial statements.

RESCUE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2022 - 002 / 30000

SIGNIFICANT DEFICIENCY

STORES INVENTORY

Criteria: An annual physical inventory should be performed in a manner that produces accurate and complete inventory counts.

Condition: Actual counts tested did not agree to the inventory count sheets.

Questioned Costs: None.

Context: The condition is based on observations and inquiries made by the auditors during the review of the annual physical inventory.

Effect: In the absence of appropriate physical inventory counting procedures, inventory counts may not be accurate or complete. During our observation, we noted several counts that were not accurate and had to be updated as a result of our audit.

Cause: The District has not established procedures for performing the annual physical stores inventory to ensure accuracy and completeness.

Recommendation: Inventory count sheets should be prepared for each inventory section, and sections that have been counted should be tagged to prevent duplicate counting. In addition, test counts should be performed on a sample basis, by someone other than the individual who performed the first counts, to ensure that the initial counts appear to be accurate.

District Response: While the District has improved our inventory practices, we will continue to improve and refine our practices with a second review of the inventory counts to avoid mistakes. Furthermore, inventory will begin after Summer School is completed and all products are returned from other sites. Current process it to inventory on the same day. This caused some confusion. We will no longer inventory on the same day.

RESCUE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

2022 - 003 / 30000

SIGNIFICANT DEFICIENCY

CLEARING AND CAFETERIA BANK ACCOUNTS

Criteria: Cash receipts should be deposited into an interest-bearing account in a timely manner to maximize interest earnings and to safeguard District assets.

Condition: Deposits made into the clearing and cafeteria bank accounts were not transferred to the County Treasury during the 2021-22 fiscal year. The clearing and cafeteria bank accounts had balances of \$26,741 and \$42,322.86, respectively, as of June 30, 2022.

Questioned Costs: None.

Context: The condition was noted throughout fiscal year 2021-22.

Effect: The District was not earning interest on deposits held in the non-interest-bearing bank accounts.

Cause: Clearing deposits from the bank accounts to the County Treasury was not a priority.

Recommendation: The District should develop policies and procedures that require bank account deposits to be transferred to the County Treasury account on at least a monthly basis.

District Response: Due to the change in Superintendent and Assistant Superintendent, we did not have signers that were able to write checks to transfer funds from the bank accounts to the county treasury. Since the Fair Market Value of the cash in the county treasury had a negative impact, the non-interest bearing accounts did not have a financial impact to the District. We have since resolved the issue with signers and can now transfer the funds.

RESCUE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2022.

RESCUE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2022 - 004 / 10000

INDEPENDENT STUDY

<u>Criteria:</u>	In accordance with Education Code 51747(g)(9)(F), for the 2021-22 school year only, a local educational agency shall obtain a signed written agreement for an independent study program of any length of time from the pupil, or the pupil's parent or legal guardian if the pupil is less than 18 years of age, the certificated employee who has been designated as having responsibility for the general supervision of independent study, and all persons who have direct responsibility for providing assistance to the pupil no later than 30 days after the first day of instruction in an independent study program or October 15, whichever date comes later.
<u>Condition:</u>	Independent study attendance was claimed prior to obtaining all required signatures on the independent study master agreements. As a result, the average daily attendance (ADA) reported on the P-2 attendance report was overstated by 23.5 ADA.
<u>Questioned Costs:</u>	\$208,716. Questioned costs were determined by multiplying the disallowed kindergarten ADA by the derived value of ADA amount provided by the CDE (9.30 ADA for grades TK-3 x \$9,267.56, 8.12 ADA for grades 4-6 x \$8,520.76, 6.08 ADA for grades 7-8 x \$8,772.81).
<u>Context:</u>	Long-term independent study agreements for the 2021-22 school year.
<u>Effect:</u>	The District did not qualify to receive apportionment funding for attendance that was generated by students prior to obtaining all of required signatures on the independent study master agreements.
<u>Cause:</u>	Established District procedures for the independent study program were not followed.
<u>Recommendation:</u>	The District should implement procedures to ensure that no ADA is claimed for independent study pupils prior to obtaining all of the required signatures on the completed independent study master agreements. In addition, the P-2 attendance report should be amended to reflect the audited ADA presented on page 66.
<u>District Response:</u>	The District provided a rigorous, independent study program that provided a learning environment for students that were not able to attend school in-person. We met all criteria and plan to appeal this finding to disallow over \$200,000 of funding due to a clerical error of having the teacher sign the contract. The supervisor of the program signed every agreement and although the teacher did not sign these agreements, the teacher provided and met everything required to support this academic program.

RESCUE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONCLUDED)

Reported in the 2020-21 audit as Finding 2021 - 004

2022 - 005 / 10000

KINDERGARTEN CONTINUANCE

Criteria: Education Code Section 46300(g) allows a district to include in its average daily attendance kindergarten pupils who have already completed one school year in kindergarten only if the school district has on file for each of those pupils an agreement made pursuant to Education Code Section 48011, approved in form and content by the California Department of Education (CDE), and signed by the pupil's parent or guardian near the anniversary date of the pupil's kindergarten admittance.

Condition: During fiscal year 2021-22, five students continued in kindergarten for a second year without obtaining an agreement made pursuant to Education Code Section 48011 that was approved in form and content by the CDE. As a result, the average daily attendance (ADA) reported on the P-2 attendance report was overstated by 4.42 ADA.

Questioned Costs: \$40,963. Questioned costs were determined by multiplying the disallowed kindergarten ADA by the derived value of ADA amount provided by the CDE (4.42 ADA x \$9,267.56).

Context: All kindergarten students were tested for compliance with kindergarten continuation requirements at Lake Forest Elementary.

Effect: The District did not comply with the requirements of Education Code Section 48011.

Cause: The state compliant kindergarten continuance form provided by the California Department of Education was not used by the school.

Recommendation: The District should establish procedures to ensure that a signed state compliant kindergarten continuance form is used to support all future retentions of kindergarten students. In addition, the P-2 attendance report should be amended to reflect the audited ADA amounts presented on page 66.

District Response: The District has changed the process for reviewing the kindergarten continuance agreements. We will run reports in May, compare with continuation forms received and review with student lists that are continuing in kindergarten. If this review is completed in May, we can ensure that any missing forms are completed prior to the end of the school year.

RESCUE UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>FINANCIAL STATEMENTS</u>		
2021 - 001 / 30000		
<u>STORES INVENTORY</u>		
Inventory count sheets should be prepared for each inventory section, and sections that have been counted should be tagged to prevent duplicate counting. In addition, test counts should be performed on a sample basis, by someone other than the individual who performed the first counts, to ensure that the initial counts appear to be accurate.	Not Implemented	Comment Repeated (See 2022-002)
<u>FEDERAL AWARDS</u>		
2021 - 002 / 50000		
<u>TITLE I, PART A SCHOOL ALLOCATIONS</u>		
The District should review the guidance on proper school allocations of Title I, Part A funds and ensure that it adheres to the federal guidelines.	Implemented	

RESCUE UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>STATE AWARDS</u>		
2021 - 003 / 10000		
<u>ATTENDANCE</u>		
The District should enforce policies and procedures that require school secretaries to track whether teachers are logging into the attendance system and recording attendance on a daily basis, perform follow-up procedures on delinquent teachers, and report those delinquent teachers to the appropriate supervisor(s).	Implemented	
2021 - 004 / 10000		
<u>KINDERGARTEN CONTINUANCE</u>		
The District should establish procedures to ensure that a signed state compliant kindergarten continuance form is used to support all future retentions of kindergarten students.	Not Implemented	Comment Repeated (See 2022-005)
2021 - 005 / 40000		
<u>INSTRUCTIONAL TIME</u>		
The District should establish review procedures over bell schedules for in-person instructional days to ensure compliance with applicable laws and regulations.	Implemented	