

**KENTFIELD SCHOOL DISTRICT
COUNTY OF MARIN
KENTFIELD, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2021

KENTFIELD SCHOOL DISTRICT

JUNE 30, 2021

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KENTFIELD SCHOOL DISTRICT

JUNE 30, 2021

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Kentfield School District
Kentfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kentfield School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the discretely presented component unit are not reported.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the District, as of June 30, 2021, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kentfield School District, as of June 30, 2021, 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.

Emphasis of Matter

As described in Note 1B to the financial statements, in fiscal year 2020-21, the District adopted new accounting guidance, Governmental Accounting Standard Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Matters (Concluded)

Other Information

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

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents is 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 basis 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 January 21, 2022 on our consideration of the Kentfield 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 Kentfield 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 Kentfield School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

January 21, 2022

KENTFIELD SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(PREPARED BY DISTRICT MANAGEMENT)

This section of Kentfield 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, 2021. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 14 and 15, 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 16 through 22, provide information about how 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 overall financial status increased slightly during the course of the year, as total net position increased \$145,969.
- Capital assets, net of depreciation, decreased \$185,768 due to \$1,386,293 of current year additions offset by \$1,572,061 of depreciation expense.
- Total long-term liabilities decreased \$513,393 due primarily to payments on the outstanding general obligation bond liability.
- 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 2020-21, General Fund expenditures and transfers out totaled \$18,410,947. At June 30, 2021, the District had available reserves of \$1,805,971 in the General Fund, which represents a reserve of 9.8%.

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 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.

KENTFIELD SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

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 of 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's financial health or position (net position) can be measured by 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.

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, and administration, are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as special education transportation are also included here, but are financed by a combination of state and local revenues.

Reporting the District's 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.

Governmental Funds:

The major governmental funds of the Kentfield School District are the General Fund, the Bond Interest and Redemption Fund, the Building Fund, and the Capital Projects - Special Reserve 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 to determine the level of financial resources available in the near future to finance the District's programs.

**KENTFIELD SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(PREPARED BY DISTRICT MANAGEMENT)**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The District's overall financial status increased slightly during the course of the year, as total net position increased \$145,969.

<u>Comparative Statement of Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2021</u>
<u>Assets</u>		
Deposits and Investments *	\$ 9,990,461	\$ 9,078,785
Receivables	469,513	818,890
Capital Assets, net	<u>40,625,377</u>	<u>40,439,609</u>
Total Assets *	<u>51,085,351</u>	<u>50,337,284</u>
<u>Deferred Outflows of Resources</u>		
OPEB Deferrals	114,145	315,829
Pension Deferrals	4,805,190	4,618,991
Deferred Amount on Refunding	<u>192,050</u>	<u>165,192</u>
Total Deferred Outflows of Resources	<u>5,111,385</u>	<u>5,100,012</u>
<u>Liabilities</u>		
Current	3,756,364	3,422,193
Long-term	<u>58,472,707</u>	<u>58,394,126</u>
Total Liabilities	<u>62,229,071</u>	<u>61,816,319</u>
<u>Deferred Inflows of Resources</u>		
OPEB Deferrals	81,800	301,366
Pension Deferrals	<u>1,461,336</u>	<u>749,113</u>
Total Deferred Inflows of Resources	<u>1,543,136</u>	<u>1,050,479</u>
<u>Net Position</u>		
Net Investment in Capital Assets	4,979,574	5,674,439
Restricted *	2,890,933	2,499,570
Unrestricted (Deficit)	<u>(15,445,978)</u>	<u>(15,603,511)</u>
Total Net Position (Deficit) *	<u>\$ (7,575,471)</u>	<u>\$ (7,429,502)</u>
<i>Table includes financial data of the combined governmental funds</i>		
<i>* The amounts presented for fiscal year 2019-20 have been adjusted to reflect the restatement discussed in Note 18 of these financial statements.</i>		

The unrestricted deficit balance, presented above, is a result of the District's requirement to record liabilities in the financial statements to reflect the District's total OPEB liability and its proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

**KENTFIELD SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(PREPARED BY DISTRICT MANAGEMENT)**

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

The District's total revenues exceeded total expenses by \$145,969 in fiscal year 2020-21.

<u>Comparative Statement of Changes in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2021</u>
<u>Program Revenues</u>		
Operating Grants & Contributions	\$ 2,124,603	\$ 2,853,809
<u>General Revenues</u>		
Taxes Levied	16,695,552	17,496,954
Federal & State Aid	1,162,526	1,045,908
Interest & Investment Earnings	205,742	43,876
Miscellaneous	1,599,677	1,249,320
Total Revenues	<u>21,788,100</u>	<u>22,689,867</u>
<u>Expenses</u>		
Instruction	15,481,568	15,333,721
Instruction-Related Services	2,239,576	2,094,759
Pupil Services	801,914	852,054
General Administration	1,566,424	1,348,216
Plant Services	1,331,860	1,273,431
Ancillary Services	19,850	7,843
Community Services	10,650	10,649
Interest on Long-Term Debt	1,433,632	1,344,115
Other Outgo	411,155	279,110
Total Expenses	<u>23,296,629</u>	<u>22,543,898</u>
Changes in Net Position	<u>\$ (1,508,529)</u>	<u>\$ 145,969</u>

Table includes financial data of the combined governmental funds

**KENTFIELD SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(PREPARED BY DISTRICT MANAGEMENT)**

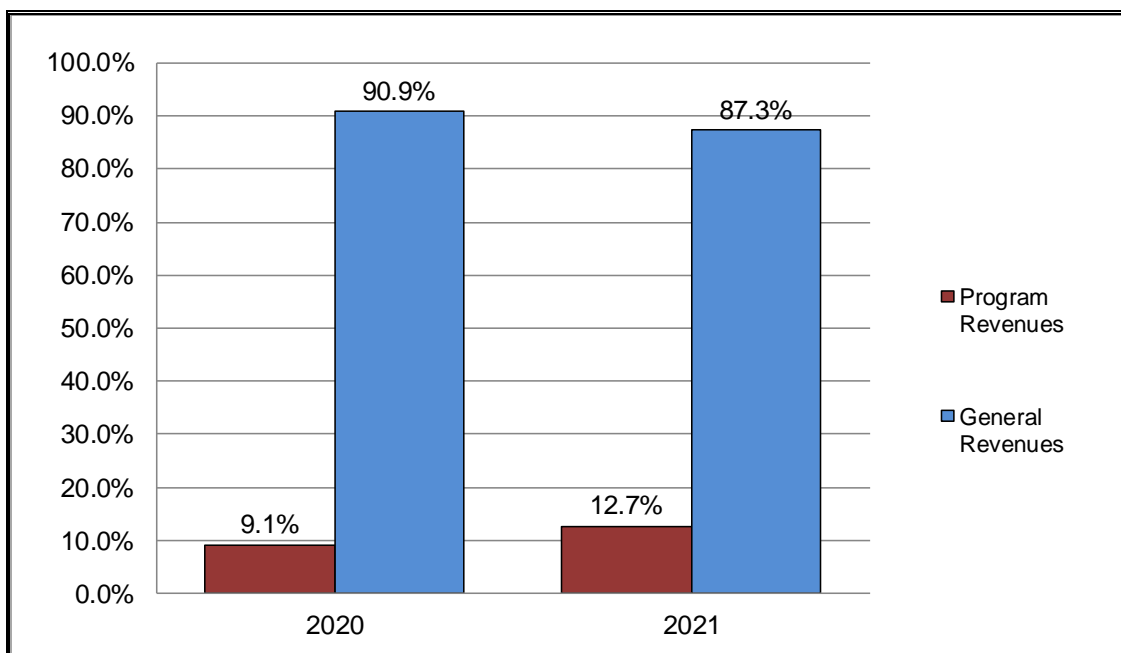
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

The table below 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 \$19,690,089 total net cost represents the financial burden that was placed on the District's general revenues for providing the services listed below.

	Total Cost of Services		Net Cost of Services	
	2020	2021	2020	2021
	Instruction	\$ 15,481,568	\$ 15,333,721	\$ 13,691,764
Instruction-Related Services	2,239,576	2,094,759	2,136,626	2,011,879
Pupil Services	801,914	852,054	707,363	764,355
General Administration	1,566,424	1,348,216	1,530,063	1,313,727
Plant Services	1,331,860	1,273,431	1,324,577	1,273,105
Interest on Long-Term Debt	1,433,632	1,344,115	1,433,632	1,344,115
Other Expenses	441,655	297,602	348,001	226,215
Totals	\$ 23,296,629	\$ 22,543,898	\$ 21,172,026	\$ 19,690,089

Table includes financial data of the combined governmental funds

In fiscal year 2020-21, program revenues financed 12.7% of the total cost of providing the services listed above, while the general revenues of the District financed the remaining 87.3%.

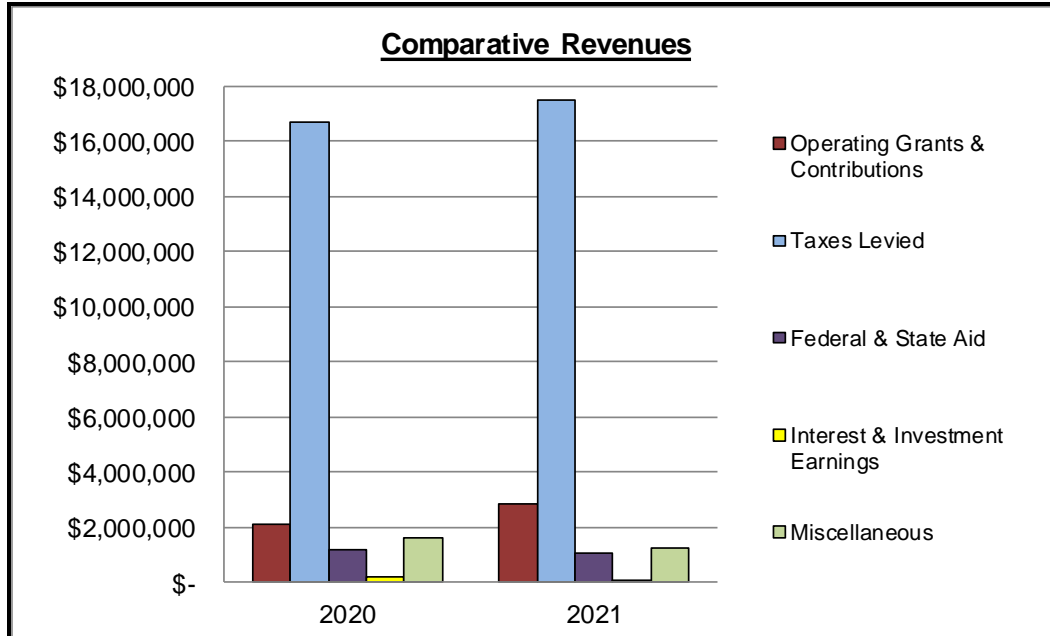


**KENTFIELD SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(PREPARED BY DISTRICT MANAGEMENT)**

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

<u>Schedule of Revenues For Governmental Functions</u>				
	<u>FYE 2020 Amount</u>	<u>Percent of Total</u>	<u>FYE 2021 Amount</u>	<u>Percent of Total</u>
<u>Program Revenues</u>				
Operating Grants & Contributions	\$ 2,124,603	9.75%	\$ 2,853,809	12.58%
<u>General Revenues</u>				
Taxes Levied	16,695,552	76.63%	17,496,954	77.11%
Federal & State Aid	1,162,526	5.34%	1,045,908	4.61%
Interest & Investment Earnings	205,742	0.94%	43,876	0.19%
Miscellaneous	1,599,677	7.34%	1,249,320	5.51%
Total Revenues	<u>\$ 21,788,100</u>	<u>100.00%</u>	<u>\$ 22,689,867</u>	<u>100.00%</u>

Table includes financial data of the combined governmental funds



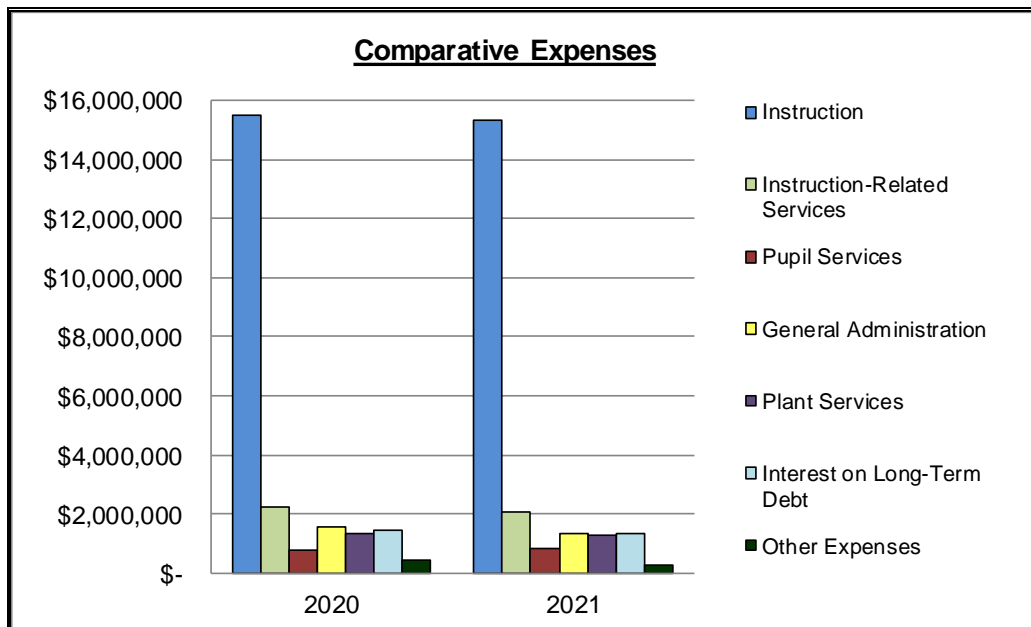
**KENTFIELD SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(PREPARED BY DISTRICT MANAGEMENT)**

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

Schedule of Expenses For Governmental Functions

<u>Expenses</u>	<u>FYE 2020 Amount</u>	<u>Percent of Total</u>	<u>FYE 2021 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 15,481,568	66.45%	\$ 15,333,721	68.02%
Instruction-Related Services	2,239,576	9.61%	2,094,759	9.29%
Pupil Services	801,914	3.44%	852,054	3.78%
General Administration	1,566,424	6.72%	1,348,216	5.98%
Plant Services	1,331,860	5.72%	1,273,431	5.65%
Interest on Long-Term Debt	1,433,632	6.15%	1,344,115	5.96%
Other Expenses	441,655	1.90%	297,602	1.32%
Total Expenses	\$ 23,296,629	100.00%	\$ 22,543,898	100.00%

Table includes financial data of the combined governmental funds



**KENTFIELD SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(PREPARED BY DISTRICT MANAGEMENT)**

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

<u>Comparative Schedule of Capital Assets</u>		
	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2021</u>
Land	\$ 1,514,919	\$ 1,514,919
Construction-In-Progress	86,970	321,088
Sites and Improvements	1,006,953	957,292
Buildings and Improvements	36,637,626	36,411,364
Furniture and Equipment	1,378,909	1,234,946
Capital Assets, net	<u>\$ 40,625,377</u>	<u>\$ 40,439,609</u>

Capital assets, net of depreciation, decreased \$185,768 due to \$1,386,293 of current year additions offset by \$1,572,061 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2021</u>
Compensated Absences	\$ 59,056	\$ 109,681
General Obligation Bonds	36,560,000	34,465,000
Bond Premiums	2,885,564	2,654,699
Capital Leases	893,317	856,611
Early Retirement Incentives	171,603	128,085
Total OPEB Liability	2,017,219	2,083,166
Net Pension Liabilities	18,467,084	20,243,208
Totals	<u>\$ 61,053,843</u>	<u>\$ 60,540,450</u>

Total long-term liabilities decreased \$513,393 due primarily to payments on the outstanding general obligation bond liability.

The general obligation bonds are financed by local taxpayers and represent approximately 57% of the District's total long-term liabilities. The remaining long-term liabilities will be financed by the General Fund.

The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on its current 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.

**KENTFIELD SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(PREPARED BY DISTRICT MANAGEMENT)**

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

<u>Comparative Schedule of Fund Balances</u>			
	Fund Balances June 30, 2020	Fund Balances June 30, 2021	Increase (Decrease)
General *	\$ 946,361	\$ 2,312,889	\$ 1,366,528
Bond Interest & Redemption	3,344,476	2,619,624	(724,852)
Building	4,487,852	3,129,364	(1,358,488)
Capital Projects - Special Reserve	1,019,228	1,031,088	11,860
Capital Facilities	44,148	49,630	5,482
Kent Middle School Gymnasium	102,546	102,131	(415)
Totals *	\$ 9,944,611	\$ 9,244,726	\$ (699,885)

* The amounts presented at June 30, 2020 have been adjusted to reflect the restatement discussed in Note 18 of these financial statements.

The fund balance of the General Fund increased \$1,366,528. The fund balance of the Building Fund decreased \$1,358,488 due to current year expenditures related to the various construction projects at Kent Middle School and Bacich Elementary School. The fund balances of the remaining funds decreased \$707,925.

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. In addition, the District revises its budget at First and Second Interim to reflect the most current financial information available at that point in time. The original budget presented on page 59 includes only new revenues for fiscal year 2020-21.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

COVID-19 continues to impact all aspects of operations with regard to changing health and safety protocols and availability of staff. Significant one-time State and Federal funding has been helpful in addressing the needs of students.

Given Kentfield's status as a basic aid or "Community Funded" district, there is concern that the percent increase in property taxes will not be as high as the cost of living adjustment (COLA) being applied to non-basic aid/community funded districts. With inflation increasing, which affects all costs, the District will need to remain vigilant in adjusting for these impacts.

**KENTFIELD SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(PREPARED BY DISTRICT MANAGEMENT)**

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 the District Office, Kentfield School District, 750 College Avenue, Kentfield, California 94904.

KENTFIELD SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 9,078,785
Receivables (Note 3)	818,890
Capital Assets, Not Depreciated (Note 5)	1,836,007
Capital Assets, Net of Accumulated Depreciation	38,603,602
Total Assets	50,337,284
<u>Deferred Outflows of Resources</u>	
OPEB Deferrals (Note 9)	315,829
Pension Deferrals (Note 10)	4,618,991
Bond Refunding (Note 11)	165,192
Total Deferred Outflows of Resources	5,100,012
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	506,212
Accrued Interest Payable	622,920
Unearned Revenue (Note 11)	146,737
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 11)	109,681
General Obligation Bonds	1,610,000
Bond Premiums	230,866
Capital Leases	140,557
Early Retirement Incentives	55,220
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 6)	32,855,000
Bond Premiums (Note 6)	2,423,833
Capital Leases (Note 7)	716,054
Early Retirement Incentives (Note 8)	72,865
Total OPEB Liability (Note 9)	2,083,166
Net Pension Liabilities (Note 10)	20,243,208
Total Liabilities	61,816,319
<u>Deferred Inflows of Resources</u>	
OPEB Deferrals (Note 9)	301,366
Pension Deferrals (Note 10)	749,113
Total Deferred Inflows of Resources	1,050,479
<u>Net Position</u>	
Net Investment in Capital Assets	5,674,439
Restricted:	
For Capital Projects	49,630
For Debt Service	1,996,704
For Educational Programs	422,802
For Other Purposes	30,434
Unrestricted (Deficit)	(15,603,511)
Total Net Position (Deficit)	\$ (7,429,502)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**KENTFIELD SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities</u>				
Instruction	\$ 15,333,721		\$ 2,577,028	\$ (12,756,693)
Instruction-Related Services:				
Supervision of Instruction	23,681		22,173	(1,508)
Instructional Library and Technology	468,416		12,183	(456,233)
School Site Administration	1,602,662		48,524	(1,554,138)
Pupil Services:				
Food Services	45,401			(45,401)
Other Pupil Services	806,653		87,699	(718,954)
General Administration:				
Data Processing Services	18,967			(18,967)
Other General Administration	1,329,249		34,489	(1,294,760)
Plant Services	1,273,431		326	(1,273,105)
Ancillary Services	7,843			(7,843)
Community Services	10,649			(10,649)
Interest on Long-Term Debt	1,344,115			(1,344,115)
Other Outgo	279,110		71,387	(207,723)
Total Governmental Activities	<u>\$ 22,543,898</u>	<u>\$ 0</u>	<u>\$ 2,853,809</u>	<u>\$ 0</u>
<u>General Revenues</u>				
Taxes Levied for General Purposes				9,973,844
Taxes Levied for Debt Service				2,915,321
Taxes Levied for Specific Purposes				4,607,789
Federal and State Aid - Unrestricted				1,045,908
Interest and Investment Earnings				43,876
Miscellaneous				1,249,320
Total General Revenues				<u>19,836,058</u>
Change in Net Position				145,969
Net Position (Deficit) - July 1, 2020 (As Restated - Note 18)				<u>(7,575,471)</u>
Net Position (Deficit) - June 30, 2021				<u>\$ (7,429,502)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**KENTFIELD SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General</u>	<u>Bond Interest and Redemption</u>
<u>Assets</u>		
Deposits and Investments (Note 2)	\$ 2,096,626	\$ 2,619,624
Receivables (Note 3)	811,490	
Due from Other Funds (Note 4)	9,950	
	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,918,066</u>	<u>\$ 2,619,624</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable	\$ 458,440	
Due to Other Funds (Note 4)		
Unearned Revenue (Note 11)	146,737	
	<u> </u>	
Total Liabilities	<u>605,177</u>	
Fund Balances: (Note 13)		
Nonspendable	700	
Restricted	422,802	\$ 2,619,624
Assigned	83,416	
Unassigned	1,805,971	
	<u> </u>	<u> </u>
Total Fund Balances	<u>2,312,889</u>	<u>2,619,624</u>
Total Liabilities and Fund Balances	<u>\$ 2,918,066</u>	<u>\$ 2,619,624</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

Building	Capital Projects - Special Reserve	Non-Major Governmental Funds	Total Governmental Funds
\$ 3,175,218	\$ 1,023,688 7,400	\$ 163,629	\$ 9,078,785 818,890 9,950
<u>\$ 3,175,218</u>	<u>\$ 1,031,088</u>	<u>\$ 163,629</u>	<u>\$ 9,907,625</u>
\$ 35,904 9,950		\$ 11,868	\$ 506,212 9,950 146,737
<u>45,854</u>		<u>11,868</u>	<u>662,899</u>
3,129,364	\$ 1,031,088	49,630 102,131	700 6,221,420 1,216,635 1,805,971
<u>3,129,364</u>	<u>1,031,088</u>	<u>151,761</u>	<u>9,244,726</u>
<u>\$ 3,175,218</u>	<u>\$ 1,031,088</u>	<u>\$ 163,629</u>	<u>\$ 9,907,625</u>

KENTFIELD SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balances - Governmental Funds \$ 9,244,726

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	\$ 61,478,089	
Accumulated Depreciation	(21,038,480)	
Net		40,439,609

Deferred outflows and inflows of resources related to other post employment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported:

Deferred outflows of resources related to OPEB		315,829
Deferred inflows of resources related to OPEB		(301,366)

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

Deferred outflows of resources relating to pensions		4,618,991
Deferred inflows of resources relating to pensions		(749,113)

Unamortized costs: In governmental funds, the gain or loss from debt refunding activities is recognized in the period they are incurred. In the government-wide statements, the gain or loss is deferred and amortized as interest over the life of the new or refunded debt, whichever period is shorter. The deferred amount from refunding, reported as deferred outflows of resources, are:

165,192

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

Compensated Absences	\$ 109,681	
General Obligation Bonds	34,465,000	
Bond Premiums	2,654,699	
Capital Leases	856,611	
Early Retirement Incentives	128,085	
Total OPEB Liability	2,083,166	
Net Pension Liabilities	20,243,208	
Total		(60,540,450)

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

(622,920)

Total Net Position (Deficit) - Governmental Activities \$ (7,429,502)

**KENTFIELD SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>General</u>	<u>Bond Interest and Redemption</u>
<u>Revenues</u>		
LCFF Sources:		
State Apportionment / Transfers	\$ 907,588	
Local Taxes	9,878,046	
Total LCFF Sources	10,785,634	
Federal Revenue	691,175	
State Revenue	1,720,209	\$ 8,293
Local Revenue	6,497,041	2,915,991
Total Revenues	19,694,059	2,924,284
<u>Expenditures</u>		
Current:		
Instruction	13,081,373	
Supervision of Instruction	23,681	
Instructional Library and Technology	413,902	
School Site Administration	1,373,102	
Food Services	45,401	
Other Pupil Services	758,523	
Data Processing Services	18,967	
Other General Administration	1,224,451	
Plant Services	1,039,760	
Facilities Acquisition and Construction		
Ancillary Services	1,624	
Other Outgo	276,330	
Debt Service:		
Principal Retirement	120,122	2,095,000
Interest and Issuance Costs	33,711	1,554,136
Total Expenditures	18,410,947	3,649,136
Excess of Revenues Over (Under) Expenditures	1,283,112	(724,852)
<u>Other Financing Sources</u>		
Other Sources	83,416	
Net Change in Fund Balances	1,366,528	(724,852)
Fund Balances - July 1, 2020 (As Restated - Note 18)	946,361	3,344,476
Fund Balances - June 30, 2021	\$ 2,312,889	\$ 2,619,624

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

<u>Building</u>	<u>Capital Projects - Special Reserve</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
			\$ 907,588
			9,878,046
			<u>10,785,634</u>
			691,175
			1,728,502
\$ 27,169	\$ 7,010	\$ 29,945	9,477,156
<u>27,169</u>	<u>7,010</u>	<u>29,945</u>	<u>22,682,467</u>
			13,081,373
			23,681
			413,902
			1,373,102
			45,401
			758,523
			18,967
			1,224,451
			1,039,760
1,385,657	2,550	24,878	1,413,085
			1,624
			276,330
			2,215,122
			<u>1,587,847</u>
<u>1,385,657</u>	<u>2,550</u>	<u>24,878</u>	<u>23,473,168</u>
(1,358,488)	4,460	5,067	(790,701)
	7,400		90,816
(1,358,488)	11,860	5,067	(699,885)
<u>4,487,852</u>	<u>1,019,228</u>	<u>146,694</u>	<u>9,944,611</u>
<u>\$ 3,129,364</u>	<u>\$ 1,031,088</u>	<u>\$ 151,761</u>	<u>\$ 9,244,726</u>

KENTFIELD 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, 2021

Net Change in Fund Balances - Governmental Funds \$ (699,885)

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	\$ 1,386,293	
Depreciation Expense	(1,572,061)	
Net	(185,768)	(185,768)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 2,215,122

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premiums or discounts, were: (83,416)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 36,945

Compensated absences and early retirement incentives: In governmental funds, compensated absences and early retirement incentives are measured by the amounts paid during the period. In the statement of activities, compensated absences and early retirement incentives are measured by the amounts earned. The difference between amounts paid and amounts earned were: (7,107)

Other post employment benefits (OPEB): In governmental funds, OPEB costs are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (83,829)

Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was: (1,250,100)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as Other Financing Sources or Other Financing Uses in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premiums or discount, or deferred gain or loss from debt refunding, for the period is: 204,007

Change in Net Position of Governmental Activities \$ 145,969

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Kentfield 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 Education elected by registered voters of the District, which comprises an area in Marin County. The District serves students in kindergarten through grade eight.

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.

The nucleus of a financial reporting entity is usually a primary government. Governmental Accounting Standards Board Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*, defines a *primary government* as any state government, general-purpose local government, or special-purpose government that meets all of the following criteria:

- It has a separately elected governing body
- It is legally separate
- It is fiscally independent of other state and local governments

The primary government consists of all funds that make up the legal entity. The primary government also consists of funds for which it has a fiduciary responsibility, even though those funds may represent organizations that do not meet the definition for inclusion in the financial reporting entity.

Component units include legally separate organizations (whether governmental, not-for-profit, or for-profit organizations) for which elected officials of the primary government are financially accountable. A primary government is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board. The primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Concluded)

An organization can provide a financial benefit to, or impose a financial burden on, a primary government in a variety of ways. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists:

- The primary government is legally entitled to or can otherwise access the organization's resources.
- The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- The primary government is obligated in some manner for the debt of the organization.

In addition, GASB 61 also requires certain organizations to be included as component units if the nature and significance of their relationship with the primary government are such that excluding them would cause the financial reporting entity's financial statements to be misleading. Based on the GASB 61 criteria and definitions, the District is the primary government and there are no material potential component units, which should be included in the Financial Reporting Entity in these financial statements.

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 all of the following criteria are met:

- The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government or its component units.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization.
- The economic resources received or held by the organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The District has determined that the Kentfield Schools Foundation (the Foundation), a non-profit, public benefit corporation, meets the criteria set forth in GASB 39. However, since the Foundation does not issue audited financial statements, the financial statements of the District include only the financial data of the primary government, which consists of all funds that comprise the District's legal entity, and all funds for which it has a fiduciary responsibility. The financial statements do not include financial data of the Foundation, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result, these financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the financial reporting entity, or its respective changes in its financial position.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Implementation of New Accounting Pronouncements

In January 2017, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 84 (GASB 84), *Fiduciary Activities*, with required implementation for the District during the fiscal year ended June 30, 2021. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. The effect on the beginning net position and fund balance that resulted from implementing GASB 84 is presented in Note 18.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units. The effect of interfund activity within the governmental activities column has been removed from these statements.

Governmental activities are supported by taxes and intergovernmental revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. 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 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.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

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. 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.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

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 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.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Certain grant funds 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.

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.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, 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.

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.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

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. For financial reporting purposes, the financial activities and balances of the Deferred Maintenance Fund have been combined with the General Fund.

The *Bond Interest and Redemption Fund* is used to account for the accumulation of resources for the repayment of District bonds, interest, and related costs.

The *Building Fund* is used to account for resources including bonds proceeds from the Election of 2014 (Measure D) authorization to finance school improvement and expansion.

The *Capital Projects - Special Reserve Fund* was established to account for revenues and expenditures associated with the acquisition of the new District Office. The proceeds from the sale of District property in fiscal year 2016-17 will be used for future capital improvement projects.

Non-Major Governmental Funds:

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).

The *Kent Middle School Gymnasium Fund* was established to account for donations from the community and expenditures for the construction of a new gymnasium. The fund is currently used to account for facilities use fees generated by the gymnasium, which are used to maintain the facility.

F. 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. 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 59.

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.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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.

H. 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.

I. 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. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 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.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Capital Assets (Concluded)

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>
Sites and Improvements	5-36
Buildings and Improvements	7-50
Furniture and Equipment	5-20

3. Deferred Outflows/Inflows of Resources

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

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

4. 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.

5. 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.

6. Other Post Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, when applicable.

8. Long-term Liabilities

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

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

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 five fund balance classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance includes amounts that are not expected to be converted to cash, such as resources that are not in spendable form (e.g., inventories and prepaids) or that are legally or contractually required to be maintained intact.

Restricted Fund Balance includes amounts constrained to a specific purpose by their providers (e.g., creditors, grantors, and contributors), or by law.

Committed Fund Balance includes amounts that are constrained to specific purposes by the Board. For this purpose, all commitments of funds shall be approved by majority vote of the Board. The constraints shall be imposed no later than the end of the reporting period (June 30), although the actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Fund Balances (Concluded)

Assigned Fund Balance includes amounts which are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. The Board delegates authority to assign funds to the Superintendent and authorizes the assignment of such funds to be made any time prior to the issuance of the financial statements. The Superintendent may further delegate the authority to assign funds at his/her discretion.

Unassigned Fund Balance includes amounts that are available for any purpose.

The Board intends to maintain a minimum assigned and unassigned fund balance in an amount the Board deems sufficient to maintain fiscal solvency and stability to protect the District against unforeseen circumstances. If the assigned and unassigned fund balance falls below the level set by the Board due to an emergency situation, unexpected expenditures, or revenue shortfalls, the Board shall develop a plan to recover the fund balance, which may include dedicating new unrestricted revenues, reducing expenditures, and/or increasing revenues or pursuing other funding sources.

When multiple types of funds are available for an expenditure, the District shall first utilize funds from the restricted fund balance, as appropriate, then from the committed fund balance, then from the assigned fund balance, and lastly from the unassigned fund balance.

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 Marin 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.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. The District records property taxes as local LCFF sources. The California Department of Education reduces the District's LCFF transition 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.

Since the amount of property taxes received by the District exceeds the amount of the LCFF entitlement, the District is considered to be a "basic aid" school district, and is permitted to keep all of its property tax revenue. In addition, as guaranteed by the California Constitution, the State must apportion \$120 per pupil to the District. However, the categorical aid that the District receives counts toward this requirement.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, consist of the following:

	Governmental Activities
Cash in Revolving Fund	\$ 700
Cash with Fiscal Agent	83,416
County Pool Investments	8,994,669
Totals	\$ 9,078,785

Cash in Revolving Fund

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

Cash with Fiscal Agent

Cash with fiscal agent consists of \$83,416 held by the Providence Capital Network, LLC, as trustee for the future purchase of computer equipment.

County Pool Investments

County pool investments consist of District cash held by the Marin 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.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

General Authorization

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Marin 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	\$ 8,994,669	\$ 8,995,292	218

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 Marin 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 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, 2021, the District's bank balance was not exposed to custodial credit risk.

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.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Fair Value Measurements (Concluded)

Uncategorized - Investments in the Marin 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, 2021:

Investment Type	Fair Value	Uncategorized
County Pool Investments	\$ 8,995,292	\$ 8,995,292

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

NOTE 3 - RECEIVABLES

Receivables at June 30, 2021 consist of the following:

	General Fund	Capital Projects - Special Reserve Fund	Totals
Federal Government	\$ 223,303		\$ 223,303
State Government	263,654		263,654
Local Governments	299,550	\$ 7,400	306,950
Miscellaneous	24,983		24,983
Total	\$ 811,490	\$ 7,400	\$ 818,890

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.

Balances Due From/Due To Other Funds

All interfund receivables and payables are scheduled to be paid within one year. Balances due from/due to other funds at June 30, 2021 consisted of the following:

Building Fund due to General Fund to reimburse fund for expenditures transferred out and to correct County posting	\$ 9,950
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KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balances July 1, 2020	Additions	Deletions	Balances June 30, 2021
Capital Assets Not Being Depreciated:				
Land	\$ 1,514,919			\$ 1,514,919
Construction-in-Progress	86,970	\$ 1,431,585	\$ 1,197,467	321,088
Total Capital Assets Not Being Depreciated	1,601,889	1,431,585	1,197,467	1,836,007
Capital Assets Being Depreciated:				
Sites and Improvements	3,812,041	53,825		3,865,866
Buildings and Improvements	52,916,779	1,098,350		54,015,129
Furniture and Equipment	1,761,087			1,761,087
Total Capital Assets Being Depreciated	58,489,907	1,152,175	0	59,642,082
Less Accumulated Depreciation:				
Sites and Improvements	2,805,088	103,486		2,908,574
Buildings and Improvements	16,279,153	1,324,612		17,603,765
Furniture and Equipment	382,178	143,963		526,141
Total Accumulated Depreciation	19,466,419	1,572,061	0	21,038,480
Total Capital Assets Being Depreciated, Net	39,023,488	(419,886)	0	38,603,602
Capital Assets, Net	\$ 40,625,377	\$ 1,011,699	\$ 1,197,467	\$ 40,439,609

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 1,417,273
Instruction-Related Services	86,489
General Administration	27,469
Plant Services	24,026
Ancillary Services	6,155
Community Services	10,649
Total	\$ 1,572,061

NOTE 6 - GENERAL OBLIGATION BONDS

The District's outstanding general obligation debt, excluding \$2,654,699 of unamortized bond premiums, as of June 30, 2021 is as follows:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2020	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2021
1/18/12	2.00-3.50	8/1/29	\$ 9,585,000	\$ 6,100,000		\$ 530,000	\$ 5,570,000
5/13/15	3.00-5.00	8/1/44	12,000,000	10,295,000			10,295,000
5/13/15	2.00-5.00	8/1/23	5,535,000	2,985,000		690,000	2,295,000
5/17/18	3.00-5.00	8/1/43	18,000,000	17,180,000		875,000	16,305,000
Totals			\$ 45,120,000	\$ 36,560,000	\$ 0	\$ 2,095,000	\$ 34,465,000

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)

The annual requirements to amortize the general obligation bonds, as of June 30, 2021, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 1,610,000	\$ 1,475,556	\$ 3,085,556
2023	1,500,000	1,413,181	2,913,181
2024	1,615,000	1,351,956	2,966,956
2025	880,000	1,302,406	2,182,406
2026	970,000	1,265,407	2,235,407
2027-2031	5,580,000	5,688,425	11,268,425
2032-2036	5,310,000	4,638,909	9,948,909
2037-2041	8,645,000	3,120,138	11,765,138
2042-2046	8,355,000	751,625	9,106,625
Totals	<u>\$ 34,465,000</u>	<u>\$ 21,007,603</u>	<u>\$ 55,472,603</u>

The general obligation bonds are secured by the full faith and credit of the District. In order to provide sufficient funds for the repayment of principal and interest on the bonds when due, the Board of Supervisors of Marin County is empowered and obligated to annually levy ad valorem taxes upon all property subject to taxation in the District.

NOTE 7 - CAPITAL LEASES

On October 7, 2011, the District refinanced the lease purchase agreement for the District Office building on the outstanding principal amount of \$1,647,947. The agreement requires monthly lease payments of \$11,652.94 and continues through September 7, 2027, at which time title will pass to the District. The lease is secured by two buildings located at Bacich Elementary School. There is no acceleration clause in the agreement.

On June 15, 2021, the District entered into a capital lease agreement to finance the purchase of \$83,416 of computer equipment. The agreement requires three annual payments of \$29,303 beginning in fiscal year 2021-22. Title will pass to the District at the end of the lease term. Future minimum payments under these agreements are as follows:

<u>Year Ended June 30</u>	<u>Lease Payments</u>
2022	\$ 169,138
2023	169,138
2024	169,138
2025	139,836
2026	139,836
2027-2031	<u>174,772</u>
Total payments	961,858
Less amounts representing interest	<u>(105,247)</u>
Present value of net minimum lease payments	<u>\$ 856,611</u>

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 7 - CAPITAL LEASES (CONCLUDED)

The District will receive no sublease revenues or pay any contingent rentals for these leased assets.

NOTE 8 - EARLY RETIREMENT INCENTIVES

In accordance with Governmental Accounting Standards Board Statement No. 47, *Accounting for Termination Benefits*, termination benefits including benefits provided by employers to employees as an inducement to hasten the termination of services, such as early retirement incentives, should be recognized when the employees accept the offer and the amounts can be estimated.

The District offers an early retirement incentive program through the Public Agency Retirement Services (PARS), where eligible employees receive a lump sum benefit based on their years of service at retirement. In general, this benefit is available to employees who are at least 50% FTE with 10 or more years of service with the District and who retire under the California State Teachers' Retirement System (CalSTRS).

The liability reported is the present value of future expected cash flows, using a 5% discount rate. The cost for this benefit in fiscal year 2020-21 was \$76,092. At June 30, 2021, the liability is \$128,085 for thirteen retirees.

Future payments as of June 30, 2021 are as follows:

<u>Year Ended June 30</u>	<u>Annual Payments</u>
2022	\$ 60,000
2023	40,000
2024	30,000
2025	<u>8,750</u>
Total payments	138,750
Less amounts representing interest	<u>(10,665)</u>
Present value of annual payments	<u><u>\$ 128,085</u></u>

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

The District's defined benefit plan, Kentfield School District's Other Post Employment Benefits Plan (Plan), is a single-employer defined benefit health care plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75. The Plan does not issue a stand-alone financial report.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Plan Descriptions/Benefits Provided

The Plan provides medical, dental and vision benefits. Active employees and retirees are offered a choice of five medical/prescription drug options from Kaiser Permanente and Blue Shield of California, with prescription drug carved out and provided through Navitus for the two Blue Shield options. These coverages are self-insured on a pooled basis by the Self-Insured Schools of California (SISC III), effective October 1, 2020. In addition, all groups are offered dental and vision benefits through Delta Dental and VSP Vision, respectively.

Certificated and Classified employees (including management) who attain age 55 and have completed at least 5 years of continuous service prior to retirement are eligible to retire with District-paid medical, dental and vision coverages, to a maximum of the Kaiser Traditional single rate for active employees (currently \$736.00/month), plus retiree-only dental and vision premiums (currently \$73.48/month and \$18.85/month, respectively) for a total of \$828.33/month, pro-rated for part-time service, if applicable. Retirees may cover dependents at their own expense. District-paid benefits end at age 65.

Plan benefits and contribution requirements for both the employee and the District are established by labor agreements. All contracts with District employees may be renegotiated at various times in the future and, thus, benefits and costs are subject to change.

Employees covered by benefit terms

The number of employees covered by the benefit terms of the plan as of June 30, 2021 are as follows:

Inactive employees currently receiving benefit payments	7
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees *	110
Total number of participants	117

* May become eligible to retire and receive benefits

Actuarial Assumptions

The total OPEB liability was determined using an actuarial valuation as of June 30, 2021, using the following actuarial assumptions:

Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age
Inflation	2.50%
Discount Rate	2.16%, net of expenses
Salary Increases	2.75%
Healthcare cost trend rate	4.00% based on the conclusion that while medical trends will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial Assumptions (Concluded)

Because the Plan is unfunded, the yield for the 20-year, tax-exempt general obligation municipal bond was used to determine the liability. The discount rate was based on the Bond Buyer 20 Index.

Mortality assumptions were based on the 2017 CalPERS Mortality for Miscellaneous and Schools Employees table and the 2020 CalSTRS Mortality table. Retirement assumptions were based on the 2017 CalPERS 2.0% @ 55 Rates for Schools Employees, 2017 CalPERS 2.0% @ 62 Rates for Schools Employees, 2020 CalSTRS 2.0% @ 60 Rates and 2020 CalSTRS 2.0% @ 62 Rates tables. Turnover assumptions were based on the 2017 CalPERS Termination Rates for School Employees and 2020 CalSTRS Termination Rates tables. For other assumptions, actual plan provisions and plan data were used.

Total OPEB Liability

The District's total OPEB liability of \$2,083,166 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2021.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2020	\$ 2,017,219
Changes for the year:	
Service cost	172,684
Interest on total OPEB liability	44,779
Differences between expected and actual experience	241,863
Changes of assumptions or other inputs	(257,105)
Benefit payments, including implicit subsidy	(136,274)
Net change in OPEB liability	65,947
Balance at June 30, 2021	\$ 2,083,166

There were no changes in benefit terms since the previous valuation.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate

The following table presents the District's total OPEB liability as of the measurement date, calculated using the current discount rate of 2.16%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

	Discount Rate 1% Decrease	Discount Rate Current Rate	Discount Rate 1% Increase
District's total OPEB liability	\$ 2,202,238	\$ 2,083,166	\$ 1,967,167

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the District's total OPEB liability as of the measurement date, calculated using the current healthcare cost trend rate of 4.00% as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate:

	Healthcare Cost Trend Rate 1% Decrease	Healthcare Cost Trend Rate Current Rate	Healthcare Cost Trend Rate 1% Increase
District's total OPEB liability	\$ 1,870,940	\$ 2,083,166	\$ 2,329,665

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$220,102. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 219,468	\$ 41,463
Changes of assumptions or other inputs	96,361	259,903
Totals	\$ 315,829	\$ 301,366

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

Year Ended June 30		
2022	\$	2,639
2023		2,639
2024		2,639
2025		3,323
2026		6,506
Thereafter		(3,283)

Differences between expected and actual experience and changes of assumptions or other inputs are amortized over the average of expected remaining service life of members at the various measurement dates. The average expected remaining service life was 10.8 years as of the June 30, 2021 measurement date.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - 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	\$ 15,929,713	\$ 3,831,464	\$ 698,800	\$ 3,055,431
CalPERS	4,313,495	787,527	50,313	868,610
Totals	<u>\$ 20,243,208</u>	<u>\$ 4,618,991</u>	<u>\$ 749,113</u>	<u>\$ 3,924,041</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. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature and 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 and beneficiaries of these programs. 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 retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Concluded)

The STRP Defined Benefit Program has two benefit structures:

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

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Contributions

Required 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 the CalSTRS Funding Plan, which was enacted with AB 1469 in June 2014. Current contribution rates have also been adjusted pursuant to SB 90 (June 2019) and AB 84 (June 2020). A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members: The CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2020-21. Under CalSTRS 2% at 62, the member contribution rate was 10.205% of applicable member earnings for fiscal year 2020-21.

Employers: The employer contribution rate was 16.15% of applicable member earnings for fiscal year 2020-21. This rate reflects a 2.95% reduction of the employer contribution rate for fiscal year 2020-21 pursuant to SB 90 and AB 84, than is required by the CalSTRS Funding Plan. The District contributed \$1,385,570 to the plan for the fiscal year ended June 30, 2021.

State: The contribution is calculated based on creditable compensation from two fiscal years prior. The base rate is 2.017%. As a result of the CalSTRS Funding Plan, the state is required to make additional contributions to pay down the unfunded liabilities associated with the benefit structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions. The appropriation for these additional contributions is specified in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-46. Pursuant to AB 84, the state contribution rate will remain at 5.811% for fiscal year 2020-21. Including a 2.50% contribution for SBMA funding, the total state contribution to the defined benefit program was 10.328% for the fiscal year ended June 30, 2021. This rate does not include the impacts of supplemental state contributions pursuant to SB 90.

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, 2021, 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	\$ 15,929,713
State's proportionate share of the net pension liability associated with the District	<u>8,211,769</u>
Total net pension liability attributed to District	<u><u>\$ 24,141,482</u></u>

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - 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 (Continued)

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020 and June 30, 2019 was as follows:

Proportion - June 30, 2020	0.0164%
Proportion - June 30, 2019	0.0162%
Change - Increase (Decrease)	0.0002%

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$3,055,431, which includes \$929,310 of support provided by the State. At June 30, 2021, 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	\$ 1,385,570	
Differences between expected and actual experience	26,907	\$ 444,399
Changes of assumptions	1,492,881	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	520,557	254,401
Net differences between projected and actual earnings on plan investments	405,549	
Totals	\$ 3,831,464	\$ 698,800

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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - 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)

Year Ended June 30	
2022	\$ 162,807
2023	514,953
2024	731,927
2025	263,704
2026	54,698
2027	19,005

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.

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, 2019, and rolling forward the total pension liability to June 30, 2020. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability include:

Valuation Date	June 30, 2019
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.

On January 31, 2020, the board adopted new actuarial assumptions for use in the funding actuarial valuation of the defined benefit plan. The new assumptions were reflected in the 2019 actuarial valuation. For full details on changes to the assumptions, see the CalSTRS 2020 Experience Analysis report available on the CalSTRS website.

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

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. 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 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2020, 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.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

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:

	Discount Rate 1% Decrease 6.10%	Discount Rate Current Rate 7.10%	Discount Rate 1% Increase 8.10%
District's proportionate share of the net pension liability	\$ 24,067,578	\$ 15,929,713	\$ 9,210,760

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, 2020.

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.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

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% 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, 2021 was 20.70% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2021 was \$381,081.

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, 2021, the District reported a liability of \$4,313,495 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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, 2020 and June 30, 2019 was as follows:

Proportion - June 30, 2020	0.0141%
Proportion - June 30, 2019	<u>0.0131%</u>
Change - Increase (Decrease)	<u><u>0.0010%</u></u>

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$868,610. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - 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)

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 381,081	
Differences between expected and actual experience	199,778	
Changes of assumptions	14,716	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	101,577	\$ 50,313
Net differences between projected and actual earnings on plan investments	90,375	
Totals	\$ 787,527	\$ 50,313

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, 2022. 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	
2022	\$ 88,565
2023	127,408
2024	98,833
2025	41,327

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 4.1 years as of June 30, 2020. The net difference between projected and actual earnings on pension plan investments is amortized over a 5-year period on a straight-line basis.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuations were determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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

The 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, 2019 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.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate (Concluded)

The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The 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.

Asset Class ⁽¹⁾	Assumed Asset Allocation	Real Return Years 1 - 10 ⁽²⁾	Real Return Years 11+ ⁽³⁾
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>		

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

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

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

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 one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

	Discount Rate 1% Decrease 6.15%	Discount Rate Current Rate 7.15%	Discount Rate 1% Increase 8.15%
District's proportionate share of the net pension liability	\$ 6,201,435	\$ 4,313,495	\$ 2,746,599

Pension Plan Fiduciary Net Position

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

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - 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 11 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2021, is shown below.

	Balances July 1, 2020	Additions	Deductions	Balances June 30, 2021	Due within One Year
Long-Term Debt:					
General Obligation Bonds	\$ 36,560,000		\$ 2,095,000	\$ 34,465,000	\$ 1,610,000
Bond Premiums	2,885,564		230,865	2,654,699	230,866
Capital Leases	893,317	\$ 83,416	120,122	856,611	140,557
Early Retirement Incentives	171,603	32,574	76,092	128,085	55,220
Other Long-Term Liabilities:					
Compensated Absences	59,056	82,513	31,888	109,681	109,681
Total OPEB Liability	2,017,219	202,221	136,274	2,083,166	
Net Pension Liabilities	18,467,084	1,776,124		20,243,208	
Totals	<u>\$ 61,053,843</u>	<u>\$ 2,176,848</u>	<u>\$ 2,690,241</u>	<u>\$ 60,540,450</u>	<u>\$ 2,146,324</u>

The general obligation bonds are an obligation of the Bond Interest and Redemption Fund, which is primarily funded by property tax collections. The remaining long-term liabilities are obligations of the General Fund.

NOTE 12 - 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 \$929,310 to CalSTRS. These contributions are recorded in the General Fund as revenues and expenditures. The District is not legally responsible for these contributions.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 13 - FUND BALANCES

The District's fund balances at June 30, 2021 consisted of the following:

	General Fund	Bond Interest & Redemption Fund	Building Fund	Capital Projects- Special Reserve Fund	Non-Major Governmental Funds	Totals
Nonspendable:						
Revolving Cash	\$ 700					\$ 700
Total Nonspendable	<u>700</u>					<u>700</u>
Restricted:						
Categorical Programs	393,068					393,068
Capital Projects			\$ 3,129,364		\$ 49,630	3,178,994
Debt Service		\$ 2,619,624				2,619,624
Other	29,734					29,734
Total Restricted	<u>422,802</u>	<u>2,619,624</u>	<u>3,129,364</u>		<u>49,630</u>	<u>6,221,420</u>
Assigned:						
Technology Purchases	83,416					83,416
Other Assignments				\$ 1,031,088	102,131	1,133,219
Total Assigned	<u>83,416</u>			<u>1,031,088</u>	<u>102,131</u>	<u>1,216,635</u>
Unassigned:						
Reserve for Economic Uncertainties	553,126					553,126
Remaining Unassigned Balances	1,252,845					1,252,845
Total Unassigned	<u>1,805,971</u>					<u>1,805,971</u>
Total Fund Balances	<u>\$ 2,312,889</u>	<u>\$ 2,619,624</u>	<u>\$ 3,129,364</u>	<u>\$ 1,031,088</u>	<u>\$ 151,761</u>	<u>\$ 9,244,726</u>

NOTE 14 - 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 2020-21, the District participated in one joint power authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

NOTE 15 - JOINT VENTURES

A. Marin Schools Insurance Authority (MSIA)

The District participates in a joint venture under a joint powers agreement with MSIA for workers' compensation and property and liability insurance. The relationship between the District and MSIA is such that MSIA is not a component unit of the District for financial reporting purposes.

MSIA arranges for and/or provides coverage for its members. MSIA is governed by a board consisting of a representative from each member district. MSIA's governing board controls the operations of MSIA, 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 MSIA. MSIA is audited on an annual basis. Audit financial statements can be obtained by contacting MSIA's management.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 15 - JOINT VENTURES (CONCLUDED)

B. Marin Pupil Transportation Agency (MPTA)

The District participates in a joint venture under a joint powers agreement with MPTA for pupil transportation services for special education children. The relationship between the District and MPTA is such that MPTA is not a component unit of the District for financial reporting purposes.

MPTA arranges for and/or provides special education transportation services for its members. MPTA is governed by a board consisting of a representative from each member district. MPTA's board controls the operations of MPTA, 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 fee commensurate with the level of service requested, and shares surpluses and deficits proportionately to their participation in MPTA. MPTA is audited on an annual basis. Audited financial statements can be obtained by contacting MPTA's management.

NOTE 16 - ECONOMIC DEPENDENCY

During the year, the District received \$4,607,789 of parcel tax revenue that is subject to voter approval. The District also received \$1,030,306 from the Kentfield Schools Foundation, a non-profit, public benefit corporation that is subject to voluntary public contributions to the organization.

NOTE 17 - 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. Construction Commitments

As of June 30, 2021, the District has the following commitments with respect to unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Kent Middle School HVAC Phase I	\$ 653,652	August 2021

C. 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.

KENTFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 18 - RESTATEMENT OF NET POSITION / FUND BALANCE

During fiscal year 2020-21, the District implemented Governmental Accounting Standards Board Statement No. 84 (GASB 84), as discussed in Note 1B. As a result, the District's student body activities, reported as fiduciary activities in the prior year's audit report, have been reclassified as governmental activities. The beginning net position and fund balance of the District have been restated to reflect this reclassification.

The effect of the restatement on the current year financial statements are as follows:

	Statement of Activities
Net Position (Deficit) - July 1, 2020 (as originally stated)	\$ (7,599,977)
Understatement of Cash in County Treasury	24,506
Net Position (Deficit) - July 1, 2020 (as restated)	\$ (7,575,471)
	General Fund
Fund Balance - July 1, 2020 (as originally stated)	\$ 921,855
Understatement of Cash in County Treasury	24,506
Fund Balance - July 1, 2020 (as restated)	\$ 946,361

NOTE 19 - 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 January 21, 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, except as noted below.

SCHOOL FACILITY PROGRAM APPORTIONMENT

On October 27, 2021, the State Allocation Board awarded funding to 248 school construction projects statewide. On the list of projects awarded was \$1,335,145 of modernization funding for Kent Middle School to reimburse projects previously completed with Measure D bond funds. The District received the state funding in December 2021.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

KENTFIELD SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<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	\$ 839,719	\$ 907,658	\$ 907,588	\$ (70)
Local Sources	9,894,592	9,877,977	9,878,046	69
Total LCFF Sources	10,734,311	10,785,635	10,785,634	(1)
Federal Revenue	299,882	808,018	691,175	(116,843)
Other State Revenue	1,201,020	2,083,885	1,720,209	(363,676)
Other Local Revenue	6,570,667	6,591,011	6,497,041	(93,970)
Total Revenues	18,805,880	20,268,549	19,694,059	(574,490)
<u>Expenditures</u>				
Current:				
Certificated Salaries	8,790,871	8,895,385	8,799,717	95,668
Classified Salaries	2,249,183	2,215,326	2,149,888	65,438
Employee Benefits	4,940,982	4,973,345	4,809,690	163,655
Books and Supplies	730,904	1,813,305	868,431	944,874
Services and Other				
Operating Expenditures	1,342,082	1,438,244	1,353,058	85,186
Capital Outlay	96,500	96,500		96,500
Debt Service:				
Principal Retirement	139,836	106,125	120,122	(13,997)
Interest and Fiscal Charges		33,711	33,711	
Other Expenditures	495,823	426,999	276,330	150,669
Total Expenditures	18,786,181	19,998,940	18,410,947	1,587,993
Excess of Revenues				
Over Expenditures	19,699	269,609	1,283,112	1,013,503
<u>Other Financing Sources</u>				
Other Sources			83,416	83,416
Net Change in Fund Balances	19,699	269,609	1,366,528	\$ 1,096,919
Fund Balances - July 1, 2020 (As restated - Note 18)	921,855	921,855	946,361	
Fund Balances - June 30, 2021	\$ 941,554	\$ 1,191,464	\$ 2,312,889	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

KENTFIELD SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS *

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost	\$ 172,684	\$ 167,654	\$ 156,226	\$ 160,085
Interest on total OPEB liability	44,779	44,560	59,855	50,158
Differences between expected and actual experience	241,863	(55,285)		
Changes of assumptions or other inputs	(257,105)	83,175	56,141	(53,892)
Benefit payments, including implicit subsidy	<u>(136,274)</u>	<u>(86,230)</u>	<u>(123,587)</u>	<u>(87,626)</u>
Net Change in Total OPEB Liability	65,947	153,874	148,635	68,725
Total OPEB Liability - Beginning	<u>2,017,219</u>	<u>1,863,345</u>	<u>1,714,710</u>	<u>1,645,985</u>
Total OPEB Liability - Ending	<u><u>\$ 2,083,166</u></u>	<u><u>\$ 2,017,219</u></u>	<u><u>\$ 1,863,345</u></u>	<u><u>\$ 1,714,710</u></u>
Covered-employee Payroll	\$ 9,402,143	\$11,569,439	\$ 9,285,799	\$ 7,549,317
District's Total OPEB Liability as				
Percentage of Covered-employee Payroll	22.16%	17.44%	20.07%	22.71%

* 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.

KENTFIELD SCHOOL DISTRICT

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

JUNE 30, 2021

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated to District	Total NPL Attributed to District	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2021	0.0164%	\$15,929,713	\$ 8,211,769	\$ 24,141,482	\$9,076,099	175.51%	71.82%
2020	0.0162%	14,654,743	7,995,141	22,649,884	8,902,457	164.61%	72.56%
2019	0.0156%	14,331,502	8,205,455	22,536,957	8,492,245	168.76%	70.99%
2018	0.0157%	14,551,637	8,608,625	23,160,262	8,409,650	173.03%	69.46%
2017	0.0160%	12,911,214	9,109,184	22,020,398	7,981,463	161.76%	70.04%
2016	0.0166%	11,180,790	7,398,590	18,579,380	7,665,529	145.86%	74.02%
2015	0.0164%	9,583,668	6,536,727	16,120,395	7,294,958	131.37%	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.

KENTFIELD SCHOOL DISTRICT

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

JUNE 30, 2021

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2021	0.0141%	\$ 4,313,495	\$ 2,026,053	212.90%	70.00%
2020	0.0131%	3,812,341	1,884,764	202.27%	70.05%
2019	0.0131%	3,487,203	1,695,718	205.65%	70.85%
2018	0.0141%	3,369,559	1,802,405	186.95%	71.87%
2017	0.0147%	2,906,491	1,763,037	164.86%	73.90%
2016	0.0152%	2,246,517	1,687,299	133.14%	79.43%
2015	0.0146%	1,657,455	1,531,035	108.26%	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.

KENTFIELD SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - CALSTRS *
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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
2021	\$ 1,385,570	\$ 1,385,570	\$ -	\$ 8,579,381	16.15%
2020	1,552,013	1,552,013	-	9,076,099	17.10%
2019	1,449,320	1,449,320	-	8,902,457	16.28%
2018	1,225,431	1,225,431	-	8,492,245	14.43%
2017	1,057,934	1,057,934	-	8,409,650	12.58%
2016	856,411	856,411	-	7,981,463	10.73%
2015	680,699	680,699	-	7,665,529	8.88%

* 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.

KENTFIELD SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - CALPERS *
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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
2021	\$ 381,081	\$ 381,081	\$ -	\$ 1,840,971	20.700%
2020	399,558	399,558	-	2,026,053	19.721%
2019	340,426	340,426	-	1,884,764	18.062%
2018	263,362	263,362	-	1,695,718	15.531%
2017	250,318	250,318	-	1,802,405	13.888%
2016	208,867	208,867	-	1,763,037	11.847%
2015	198,612	198,612	-	1,687,299	11.771%

* 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.

KENTFIELD SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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).

Excess of expenditures over appropriations at June 30, 2021 are as follows:

General Fund	Excess Expenditures
Debt Service: Principal Retirement	\$ 13,997

The District incurred unanticipated expenditures in excess of appropriations in the above expenditure classification for which the budget was not revised.

B. Schedule of Changes in Total OPEB Liability and Related Ratios

In accordance with Governmental Accounting Standards Board Statement No. 75, the District is required to present a 10-year schedule including certain information for each OPEB plan. The information required to be presented includes certain components that make up the changes in the total OPEB liability, the total OPEB liability, the covered-employee payroll, and the total OPEB liability as a percentage of the District's covered-employee payroll.

C. 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.

KENTFIELD SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

D. 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 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Trust Assets

The District has no assets accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

Benefit Terms

There were no changes in benefit terms since the previous valuation.

Changes in Assumptions or Other Inputs

The discount rate changed from 2.20% at June 30, 2020 to 2.16% at June 30, 2021. Assumed rates of retirement, termination, and mortality were updated to align with those currently being used by the statewide pension systems. The medical trend in future years has been updated to 4.0% for all years from 6.0% tiered down by 0.5% per year to 4.5%. The participation rate was increased to 80% from 50%.

NOTE 3 - 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

On January 31, 2020, the CalSTRS board adopted new actuarial assumptions for use in the funding actuarial valuations of the defined benefit program. The new assumptions were reflected in the 2019 actuarial valuation. For full details on changes to the assumptions, see the CalSTRS 2020 Experience Analysis report available on the CalSTRS website.

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

SUPPLEMENTARY INFORMATION SECTION

**KENTFIELD SCHOOL DISTRICT
ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

ORGANIZATION

The Kentfield School District is situated in Marin County, approximately 10 miles north of San Francisco. The District currently operates one elementary school and one middle school. There were no changes in the boundaries of the District during the year.

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Heather McPhail Sridharan	President	December 2022
David Riedel	Vice President	December 2024
Sarah Killingsworth	Clerk	December 2022
Davina Goldwasser	Member	December 2022
Annie Su	Member	December 2024

ADMINISTRATION

Raquel Rose
Superintendent

Midge Hoffman
Interim Chief Business Officer

**KENTFIELD SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>Capital Facilities</u>	<u>Kent Middle School Gymnasium</u>	<u>Total Non-Major Governmental Funds</u>
<u>Assets</u>			
Deposits and Investments	\$ 61,498	\$ 102,131	\$ 163,629
Total Assets	<u>\$ 61,498</u>	<u>\$ 102,131</u>	<u>\$ 163,629</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	\$ 11,868		\$ 11,868
Total Liabilities	<u>11,868</u>		<u>11,868</u>
Fund Balances:			
Restricted	49,630		49,630
Assigned		\$ 102,131	102,131
Total Fund Balances	<u>49,630</u>	<u>102,131</u>	<u>151,761</u>
Total Liabilities and Fund Balances	<u>\$ 61,498</u>	<u>\$ 102,131</u>	<u>\$ 163,629</u>

**KENTFIELD SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Capital Facilities</u>	<u>Kent Middle School Gymnasium</u>	<u>Total Non-Major Governmental Funds</u>
<u>Revenues</u>			
Local Revenue	\$ 29,240	\$ 705	\$ 29,945
<u>Expenditures</u>			
Current:			
Facilities Acquisition and Construction	23,758	1,120	24,878
Net Change in Fund Balances	5,482	(415)	5,067
Fund Balances - July 1, 2020	44,148	102,546	146,694
Fund Balances - June 30, 2021	<u>\$ 49,630</u>	<u>\$ 102,131</u>	<u>\$ 151,761</u>

KENTFIELD SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Grade Level	Minimum School Day	Instructional Days			Number of Instructional Days Required	Status
		Actual Days	J-13A Credited Days	Total Days		
Kindergarten	180 minutes	180	0	180	180	In Compliance
Grade 1	230 minutes	180	0	180	180	In Compliance
Grade 2	230 minutes	180	0	180	180	In Compliance
Grade 3	230 minutes	180	0	180	180	In Compliance
Grade 4	240 minutes	180	0	180	180	In Compliance
Grade 5	240 minutes	180	0	180	180	In Compliance
Grade 6	240 minutes	180	0	180	180	In Compliance
Grade 7	240 minutes	180	0	180	180	In Compliance
Grade 8	240 minutes	180	0	180	180	In Compliance

**KENTFIELD SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	General Fund	Deferred Maintenance Fund	Capital Facilities Fund
June 30, 2021 Annual Financial and Budget Report Fund Balances	<u>\$ 2,198,750</u>	<u>\$ 30,723</u>	<u>\$ 61,498</u>
Adjustments Increasing (Decreasing) Fund Balances:			
Understatement of Cash with Fiscal Agent	83,416		
Understatement of Accounts Payable			(11,868)
Reclassifications Increasing (Decreasing) Fund Balances:			
Reclassification of Fund Balances	<u>30,723</u>	<u>(30,723)</u>	
Total Adjustments and Reclassifications	<u>114,139</u>	<u>(30,723)</u>	<u>(11,868)</u>
June 30, 2021 Audited Financial Statements Fund Balances	<u><u>\$ 2,312,889</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 49,630</u></u>

Auditor's Comments

The fund balances of the General Fund and Deferred Maintenance Fund have been combined for financial reporting purposes in accordance with GASB 54.

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, 2021.

KENTFIELD SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	GENERAL FUND			
	(Budget) 2021-22 ⁽¹⁾	2020-21	2019-20	2018-19
Revenues and Other Financial Sources	\$ 18,907,812	\$ 19,777,475	\$ 18,842,981	\$ 19,489,011
Expenditures	18,556,756	18,410,947	19,945,080	19,672,298
Other Uses and Transfers Out	0	0	0	32,423
Total Outgo	18,556,756	18,410,947	19,945,080	19,704,721
Change in Fund Balance	351,056	1,366,528	(1,102,099)	(215,710)
Ending Fund Balance ⁽²⁾	\$ 2,663,945	\$ 2,312,889	\$ 946,361	\$ 2,023,954
Available Reserves	\$ 1,566,842	\$ 1,805,971	\$ 784,187	\$ 1,335,646
Reserve for Economic Uncertainties ⁽³⁾	\$ 561,263	\$ 553,126	\$ 784,187	\$ 985,074
Available Reserves as a Percentage of Total Outgo	8.4%	9.8%	3.9%	6.8%
Average Daily Attendance at P-2	1,034	N/A	1,142	1,175
Total Long-Term Liabilities	\$ 58,394,126	\$ 60,540,450	\$ 61,053,843	\$ 62,691,935

⁽¹⁾ Amounts have been adjusted to ensure comparability with the current year GASB 54 financial statement presentation.

⁽²⁾ The balance for fiscal year 2019-20 has been adjusted to reflect the restatement described in Note 18.

⁽³⁾ Reported balances are a component of available reserves.

The fund balance of the General Fund increased \$288,935 (14.3%) over the past two years. The fiscal year 2021-22 budget projects an increase of \$351,056 (15.2%). 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 an operating surplus of \$1,366,528 during fiscal year 2020-21 and incurred operating deficits of \$1,102,099 and \$215,710 during fiscal years 2019-20 and 2018-19, respectively.

The District was not required to report average daily attendance (ADA) in fiscal year 2020-21. The District projects 1,034 ADA during fiscal year 2021-22.

Total long-term liabilities decreased \$2,151,485 over the past two years, due primarily to payments on the outstanding general obligation bond liability.

KENTFIELD SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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 Instructional Time

This schedule presents information on the total number of instructional days offered that meet the minimum school day length requirements in accordance with Education Code Sections 43501 and 43502(c) and whether the District complied with the instructional days per school year standards set forth in Education Code Section 46208.

C. 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.

D. Schedule of Financial Trends and Analysis

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

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 Education
Kentfield School District
Kentfield, 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 Kentfield School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 21, 2022 that included an unmodified opinion on the governmental activities, each major fund and the aggregate remaining fund information and an adverse opinion on the discretely presented component unit. The report on the financial statements included an adverse opinion on the discretely presented component unit because the financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be material weaknesses, as noted in **Finding 2021-001**.

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 Finding

The District's response to the finding identified in our audit is 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 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

January 21, 2022

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Kentfield School District
Kentfield, California

Report on State Compliance

We have audited Kentfield School District's compliance with the types of compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state programs identified on the following page for the fiscal year ended June 30, 2021.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-21 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (Audit Guide)*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Kentfield School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. Our audit does not provide a legal determination of Kentfield School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies:	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	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	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	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

Opinion on State Compliance

In our opinion, Kentfield School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2020-21 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Finding 2021-002**. Our opinion on state compliance on the programs previously identified is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is 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.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2020-21 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

January 21, 2022

FINDINGS AND QUESTIONED COSTS SECTION

KENTFIELD SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified with Adverse Opinion on
Discretely Presented Component Unit

Internal control over financial reporting:

Material weaknesses identified? X Yes No

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

Noncompliance material to financial statements noted? Yes X No

State Awards

Any audit findings required to be reported in accordance
with the *2020-21 Guide for Annual Audits of K-12 Local
Educational Agencies and State Compliance Reporting?* X Yes No

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

KENTFIELD SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

2021 - 001 / 30000

MATERIAL WEAKNESS

FINANCIAL REPORTING - UNAUDITED ACTUALS

<u>Criteria:</u>	Each year, school districts are responsible for preparing complete and accurate financial information, which is reported to the California Department of Education in the form of the "Unaudited Actuals" Financial Report. In addition, each year the governing board certifies that the report was prepared in accordance with Education Code Section 41010, and approves the report as the official submission of financial information that will be used as the basis for the District's annual financial statements. Accordingly, districts should have an effective system of internal control over financial reporting that will ensure that the information contained in the report is free of material misstatement.
<u>Condition:</u>	The District's "Unaudited Actuals" included misstatements that we consider to be material to the District's annual financial statements. Accordingly, it appears that internal control over financial reporting was inadequate in the areas where the audit adjustments were required.
<u>Questioned Costs:</u>	None.
<u>Context:</u>	The adjustments that were made as a result of the annual audit, to ensure that the financial statements were fairly stated, is presented on page 71 of this report.
<u>Effect:</u>	When an effective system of internal control over financial reporting is not in place, there is more than a remote likelihood that a material misstatement of the financial statements may occur and not be prevented or detected.
<u>Cause:</u>	The audit adjustment in the General Fund was a result of a capital lease transaction where financing was obtained in fiscal year 2020-21 but the equipment purchase was not completed until fiscal year 2021-22. The audit adjustment in the Capital Facilities Fund related to Tamalpais Union High School District's share of developer fees that were collected by the District during fiscal year 2020-21 but not setup as a payable at year-end.
<u>Recommendation:</u>	The District should establish appropriate internal controls, such as a year-end checklist to ensure that amounts are appropriately recorded on the District's general ledger.

KENTFIELD SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

FINANCIAL REPORTING - UNAUDITED ACTUALS (CONCLUDED)

District Response:

Due to staff turnover, the required entries were missed. The District has hired a permanent Chief Business Official to ensure appropriate internal controls are established.

KENTFIELD SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

2021 - 002 / 40000

UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS

Criteria: Education Code Section 42238.02(b)(2) requires a school district or charter school to annually submit its enrolled free and reduced-price meal eligibility, foster youth, and English learner pupil-level records for enrolled pupils to the Superintendent using the California Longitudinal Pupil Achievement Data System (CALPADS). Education Code Section 42238.02(b)(3)(B) states that the Controller shall include instructions necessary to enforce paragraph (2) in the audit required by Education Code Section 14502.1 and that the instructions shall include, but are not necessarily limited to, procedures for determining if the English learner, foster youth, and free or reduced-price meal eligible pupil counts are consistent with the school district's or charter school's English learner, foster youth, and free or reduced-price meal eligible pupil records.

Condition: The documents maintained by the District did not support the free or reduced priced meal (FRPM) eligibility status assigned to five (5) students on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report, from the students that were only FRPM eligible. We prorated the error rates at each respective school to the remaining students classified as only FRPM eligible on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report which resulted in an additional eight (8) students incorrectly reported as FRPM eligible.

Questioned Costs: A summary of certified enrollment, unduplicated pupil counts, pupil count adjustments, and audited unduplicated pupil counts is presented for the District's schools, as follows:

	Total Enrollment	Total Unduplicated Eligible Free/Reduced Meal Counts	EL Funding Eligible	Unduplicated FRPM/EL Eligible Count
Adaline E. Kent Middle	530	60	26	64
Anthony G. Bacich Elementary	566	81	50	95
NPS School Group	1	0	0	0
Certified Pupil Counts	1,097	141	76	159
Audit Adjustments	0	(13)	0	(13)
Audited Pupil Counts	1,097	128	76	146

KENTFIELD SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (CONCLUDED)

Questioned Costs
(Concluded):

Based on the California Department of Education's penalty calculator, we determined questioned costs of \$6,932 based on the audit adjustments. Since the District received funding under the Basic Aid provision in fiscal year 2020-21 there should be no fiscal impact to the District due to this finding.

Context:

We prorated the error rates at each school, based on our testing, to the remaining populations of students classified as only FRPM eligible on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report at each school.

Effect:

The District overstated the certified unduplicated local control funding formula pupil counts to the California Department of Education (CDE) by thirteen (13) pupils.

Cause:

The District had difficulty obtaining appropriate 2020-21 FRPM eligibility documentation from families due to distance learning only instruction until mid-November 2020. The District also experienced employee turnover in key positions in the District Office during the year. As a result of these conditions, the District did not properly update FRPM eligibility designations in their student information system during 2020-21.

Recommendation:

The District should establish procedures to ensure that pupil counts reported on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report are supported by appropriate documentation. In addition, the District should submit the audit adjustments to the 2020-21 unduplicated pupil counts on the principal apportionment software.

District Response:

Due to staff turnover, the processing of applications and review and verification of the student enrollment data was insufficient. The District will implement training of staff processing of applications for free and reduced, and review and approval of data prior to submission and reporting of CALPADS data.

KENTFIELD SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>FINANCIAL STATEMENTS</u>		
2020 - 001 / 30000 / 40000		
SIGNIFICANT DEFICIENCY		
<u>CASH DISBURSEMENTS</u>		
The District should consider other options for providing lunches to students, who qualify for free or reduced priced lunches, during extended school closures in the future. If the District decides to continue the use of distributing gift cards to eligible families, they should implement additional accounting controls to ensure that the distributed funds are used for their intended educational purpose and to ensure all supporting documentation is retained.	Implemented	
2020 - 002 / 30000		
SIGNIFICANT DEFICIENCY		
<u>BOARD MINUTES</u>		
The District should establish procedures to ensure that board minutes are reviewed and approved by the Governing Board in a timely manner.	Implemented	