



Annual Financial Report
June 30, 2019

Pajaro Valley Unified
School District

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PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Pajaro Valley Unified School District
Watsonville, 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 Pajaro Valley Unified School District (District) as of and for the year ended June 30, 2019, 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; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General Fund – Budgetary Comparison Schedule, Schedule of Changes in District's Net OPEB Liability and Related Ratios, Schedule of District Contributions to OPEB, Schedule of Investment Returns, Schedule of the District's Proportionate Share of the Net Pension Liabilities, Schedule of District Pension Contributions, and Note to Required Supplementary Information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 including the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Eide Bailly LLP

Palo Alto, California
December 15, 2019

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PAJARO VALLEY UNIFIED SCHOOL DISTRICT

294 Green Valley Road, Watsonville, CA 95076
(831) 786-2100

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of the 2018-2019 Annual Financial Audit summarizes the District's financial performance during the 2018-2019 fiscal year ending June 30, 2019. The District's financial systems and reporting adhere to standards and requirements prescribed under the Governmental Accounting Standards Board (GASB), State Board of Education, federal law, and the California *Education Code*.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Pajaro Valley Unified School District (the District) using the integrated approach as prescribed by GASB Statement Number 34.

- The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present major governmental activities in accordance with accrual accounting. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activity, payables, and receivables.
- The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.
- The *Governmental Fund Financial Statements* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Proprietary Fund Financial Statements* are prepared using the economic resources measurement focus and the accrual basis of accounting.
- The *Fiduciary Fund Financial Statements* are prepared using the economic resources measurement focus and the accrual basis of accounting.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The Pajaro Valley Unified School District is the primary governmental agency represented in this audit. The District also includes five charter schools established and overseen pursuant to the *Education Code*. They include Linscott Charter School, Watsonville Charter School of the Arts, Pacific Coast Charter School, Alianza Charter School, and Diamond Technology Institute. Financial information for the charter schools is included in the special revenue, charter school fund of the District. Separately issued financial statements for the charter schools are not prepared.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the District as a whole and its activities. These statements include all assets and liabilities using the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

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

Overall, these factors are subject to significant influences from state and federal education funding policies. As a result of current economic conditions, they have undergone dramatic fluctuations over the past five fiscal years. These changes have largely been unforeseen and unprecedented. Projections indicate this condition will continue over the next two fiscal years.

The relationship between revenues and expenses is the District's operating results. Since the Board's responsibility is to provide services to all students, and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the instructional program, academic achievement among students, and the safety and condition of school facilities are important components in the evaluation of District effectiveness.

In the *Statement of Net Position* and the *Statement of Activities*, we include the District activities as follows:

Governmental Activities - All of the District's services are reported in this category. This includes the education of transitional kindergarten through grade twelve students, adult education students, the operation of child development activities, other student services, and the on-going effort to improve and maintain buildings and sites. Property taxes, state education funding, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by state law and by general obligation bond covenants. In addition, District leadership establishes many other funds to provide appropriate fiscal control and accountability to manage money for particular purposes. Specified funds will also provide legally required reporting demonstrating the District's compliance with state and federal education funding requirements and other legal/statutory guidelines.

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

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The Internal Service Fund is reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, such as funds for associated student body activities, scholarships, and employee retiree benefits. The District's fiduciary activities are reported in the Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its general operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

THE DISTRICT AS A WHOLE

Net Position

The District's net position was a deficit of \$182 million and a deficit of \$149.6 million for the fiscal years ended June 30, 2019 and 2018, respectively. Of this amount, a deficit net position of \$242.6 million and \$216 million were unrestricted for fiscal years ending June 30, 2019 and 2018, respectively. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

TABLE 1

	Governmental Activities	
	2019	2018
Current and other assets	\$ 146,402,495	\$ 168,073,698
Loan receivable	881,466	1,084,308
Capital assets	184,945,867	167,262,610
Total Assets	<u>332,229,828</u>	<u>336,420,616</u>
Deferred charge on refunding	1,125,601	1,407,002
Current year OPEB deferred outflows	1,768,649	3,479,150
Current year pension deferred outflows	74,458,192	73,231,847
Total Deferred Outflows of Resources	<u>77,352,442</u>	<u>78,117,999</u>
Current liabilities	29,047,530	29,963,815
Long-term debt, as restated	304,499,792	284,350,308
Aggregate net pension liability	240,688,770	228,537,536
Total Liabilities	<u>574,236,092</u>	<u>542,851,659</u>
Deferred Inflows related to OPEB	1,345,674	1,345,674
Deferred Inflows related to pension	19,183,005	19,889,724
Total Deferred Inflows of Resources	<u>20,528,679</u>	<u>21,235,398</u>
Net investment in capital assets	29,157,057	37,196,593
Restricted	31,563,441	29,205,735
Unrestricted	(245,700,157)	(215,950,770)
Total Net Position, as restated	<u>\$ (184,979,659)</u>	<u>\$ (149,548,442)</u>

The deficit unrestricted net position of \$245.7 million represents the accumulated results of all past years' operations.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Changes in Net Position

The results of 2018-2019 general operations for the District as a whole are reported in the Statement of Activities. Table 2 takes the information from the Statement and rearranges it slightly so you can see our total revenues and expenses for the year.

TABLE 2

	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues:		
Charges for services	\$ 970,000	\$ 1,229,915
Operating grants and contributions	89,422,174	79,219,981
General revenues:		
Federal and state sources	132,235,802	123,789,468
Property taxes	88,118,792	82,872,318
Other general revenues	7,821,083	7,251,721
Total Revenues	<u>318,567,851</u>	<u>294,363,403</u>
Expenses		
Instruction related	252,694,289	231,730,255
Student support services	47,440,236	42,457,551
Administration	13,849,674	9,685,157
Maintenance and operations	27,238,983	25,695,245
Other	12,775,886	14,290,868
Total Expenses	<u>353,999,068</u>	<u>323,859,076</u>
Change in Net Position	<u>\$ (35,431,217)</u>	<u>\$ (29,495,673)</u>

Governmental Activities

As reported in the Statement of Activities, the cost of all governmental activities in 2018-2019 was \$353 million. However, the amount that District taxpayers ultimately financed for related activities through local taxes was only \$88.1 million. This is because \$90.4 million was paid by those benefiting from District programs or by other governments and organizations who subsidized certain programs with grants and contributions. The District paid for the remaining "public benefit" portion of its governmental activities with \$263.6 million in State and federal funds and with other revenues, such as interest and general entitlements.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

In Table 3, we have presented the net cost of each of the District's largest functions (total cost less revenues generated by the activities). As noted above, net cost includes the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows members of the public to consider the cost of each function in comparison to the benefits they believe are provided by that function.

TABLE 3

	Net Cost of Services	
	2019	2018
Instruction and instruction related	\$ 185,981,249	\$ 173,959,583
Pupil services	29,708,692	26,747,383
General administration	11,310,235	7,182,379
Maintenance and operations	25,788,156	24,321,300
Other	10,818,562	11,198,535
Totals	<u>\$ 263,606,894</u>	<u>\$ 243,409,180</u>

GENERAL FUND HIGHLIGHTS

A district of this size and complexity will often see a three to five percent swing in its final ending balance between estimated and unaudited actuals. In addition, District revenues and expenditures are now influenced by changes in the state's Local Control Funding Formula (LCFF). In 2017-2018, the District's ending balance decreased by 2.9 percent from the June estimates. For 2018-2019, the ending balance decreased by 2.6 percent. This was primarily due to increases in LCFF revenue adopted by the state and an increase in expenditures. District staff provided the Board of Trustees and public information highlighting projected and actual variances to the District's expenditures and revenues over the course of the fiscal year. This is a standard practice. This information can be found on the District's website (www.pvUSD.net) in the Business Services section.

2018-2019 fiscal year was the sixth year of working with the newly implemented Local Control Funding Formula (LCFF) and Local Control Accountability Plan (LCAP). The District engaged the various stakeholder groups to provide specific input and implementation requirements for the LCAP. The District continued to align the budget and its LCAP as required by law. The District's current year LCAP was adopted as part of its 2019-2020 Budget.

As part of the LCAP the District planned the transfer of Career Tech Ed from the County Office of Education, added additional technology innovative programs, increased support of middle school sports, and increase access to visual and performing arts curriculum.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019 and 2018, the District had \$184.9 million and \$167.2 million, net of depreciation in a broad range of capital assets including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$17.7 million or 10.6%, from last year.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

TABLE 4

	Governmental Activities	
	2019	2018
Land	\$ 18,655,144	\$ 17,055,144
Construction in progress	62,794,177	43,991,349
Buildings and improvements	302,222,581	293,632,919
Equipment	9,213,908	8,980,107
Accumulated depreciation	(207,939,943)	(196,396,909)
Totals	<u>\$ 184,945,867</u>	<u>\$ 167,262,610</u>

This year's additions to capital assets of \$29.2 million (excluding depreciation) are primarily from the acquisition of the district office and site improvement and Measure L projects at various sites. Projects were started using the District's Measure L general obligation bond funds and approximately \$18.8 million of the additions to capital assets were Measure L projects. Measure L was enacted by District voters in November 2012.

Long-Term Debt

At the end of this year, the District had \$189.2 million in bonds outstanding. The District's long-term debt is summarized below.

TABLE 5

	Governmental Activities	
	2019	2018
Certificates of participation	\$ 16,160,000	\$ -
General obligation bonds	189,192,252	193,217,383
Bond premiums	11,906,059	12,173,076
Accumulated vacation - net	1,641,899	1,588,549
Supplemental employees retirement plan	27,702	55,404
Capital leases	-	445,523
Other post employment benefits, as restated	85,571,880	76,944,271
Net pension liability	240,688,770	228,537,536
Totals	<u>\$ 545,188,562</u>	<u>\$ 512,961,742</u>

The State limits the amount of general obligation debt school districts can issue to 2.5 percent of the assessed value of all taxable property within a district's legal boundaries.

Other financial obligations include compensated absences payable, capital leases, and other long-term debt. We present more detailed information regarding the District's long-term obligations in Note 10 of the financial statements.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Net Pension Liability (NPL)

The District adopted Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions*. The pronouncement requires the District to recognize its proportional share of net pension liability of State Teachers Retirement System (CalSTRS) and California Public Employees Retirement System (CalPERS). As a result, the District reported \$240.7 million and \$228.5 million net pension liability in its statement of net position in 2018-2019 and 2017-2018, respectively.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018-2019 ARE NOTED BELOW:

During the 2018-2019 fiscal years, as a result of the implementation of the LCFF and LCAP, the District experienced the following accomplishments:

- Visual and performing arts continued to expand in the elementary schools and secondary schools through providing teachers and purchased musical instruments and art supplies.
- Teachers participated in “Voice and Choice” professional development opportunities in their content and/or grade level.
- Updated facilities at numerous sites.
- Added Code to the Future, Computer Immersion program started at Valencia Elementary School.
- Increased digital resources and training to support differentiation in the classroom. Added Computer Science Immersion to Pajaro Valley High School.
- Expanded SIPPS comprehensive early literacy program to 4 schools, Adopted a new Rigorous ELA Curriculum.

FISCAL OUTLOOK FOR 2019-2020

In considering the District Budget for the 2019-2020 year, the District Board and management used the following criteria:

The key assumptions in our forecast are:

1. Projection of LCFF revenue based on the FCMAT/BASC calculator.
2. The District's ADA has been projected a reduction in ADA based on lower enrollment numbers.
3. Employee benefits will be increased by 7.1%.
4. STRS and PERS (employee retirement systems) rates are increasing 0.82% and 1.659%, respectively.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The annual financial report is designed to provide District citizens, taxpayers, investors and creditors with a general overview of the District's finances and accountability for the public funds it administers under law. For additional information and/or questions about this report or other District financial activities, please contact:

Helen Bellonzi
Director of Fiscal Services
294 Green Valley Road, Watsonville, CA 95076
Helen_Bellonzi@pvusd.net

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2019

	Governmental Activities
ASSETS	
Deposits and investments	\$ 124,067,061
Receivables	15,657,169
Receivable from fiduciary funds	5,994,499
Prepaid items	376,896
Stores inventories	306,870
Loan receivable	1,084,308
Capital assets not depreciated	81,449,321
Capital assets, net of accumulated depreciation	103,496,546
Total Assets	<u>332,432,670</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	1,125,601
Deferred outflows of resources related to OPEB	1,768,649
Deferred outflows of resources related to pensions	74,458,192
Total Deferred Outflows of Resources	<u>77,352,442</u>
LIABILITIES	
Accounts payable	19,464,405
Interest payable	2,938,666
Unearned revenue	3,200,747
Claim liabilities	3,443,712
Current portion of long-term obligations other than pensions	6,316,547
Noncurrent portion of long-term obligations other than pensions	212,611,365
Net OPEB liability	85,571,880
Aggregate net pension liability	240,688,770
Total Liabilities	<u>574,236,092</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to OPEB	1,345,674
Deferred inflows of resources related to pensions	19,183,005
Total Deferred Inflows of Resources	<u>20,528,679</u>
NET POSITION	
Net investment in capital assets	29,157,057
Restricted for:	
Debt service	6,756,691
Capital projects	8,748,326
Food program	2,784,194
Charter schools	2,518,662
Self-Insurance	8,143,214
Educational programs	2,612,354
Unrestricted	(245,700,157)
Total Net Position	<u>\$ (184,979,659)</u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 194,994,649	\$ 99,449	\$ 48,583,646	\$ (146,311,554)
Instruction-related activities:				
Supervision of instruction	30,501,080	33,962	16,100,224	(14,366,894)
Instructional library, media, and technology	5,463,794	6,290	684,061	(4,773,443)
School site administration	21,734,766	686	1,204,722	(20,529,358)
Pupil services:				
Home-to-school transportation	8,195,170	-	193,199	(8,001,971)
Food services	12,784,143	547,863	10,203,641	(2,032,639)
All other pupil services	26,460,923	5,752	6,781,089	(19,674,082)
Administration:				
Data processing	3,468,448	2,932	89,751	(3,375,765)
All other administration	10,381,226	22,443	2,424,313	(7,934,470)
Plant services	27,238,977	22,320	1,428,507	(25,788,150)
Ancillary services	2,939,745	7,805	177,093	(2,754,847)
Community services	17,783	6	42	(17,735)
Other outgo	643,863	220,492	1,551,886	1,128,515
Interest on long-term obligations	9,174,495	-	-	(9,174,495)
Total Governmental Activities	\$ 353,999,068	\$ 970,000	\$ 89,422,174	(263,606,894)
General revenues:				
Property taxes, levied for general purposes				77,403,233
Property taxes, levied for debt service				10,006,473
Taxes levied for other specific purposes				709,086
Federal and State aid not restricted to specific purposes				132,235,802
Interest and investment earnings				521,116
Miscellaneous				7,299,967
Subtotal, General Revenues				228,175,677
Change in Net Position				(35,431,217)
Net Position - Beginning				(149,548,442)
Net Position - Ending				\$ (184,979,659)

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	<u>General Fund</u>	<u>Child Development Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Deposits and investments	\$ 24,654,762	\$ 3,769,969	\$ 64,606,770	\$ 24,209,438	\$ 117,240,939
Receivables	12,308,023	849,119	-	2,500,027	15,657,169
Due from other funds	5,886,642	-	-	818,129	6,704,771
Prepaid expenses	376,896	-	-	-	376,896
Stores inventories	190,649	-	-	116,221	306,870
Total Assets	<u>\$ 43,416,972</u>	<u>\$ 4,619,088</u>	<u>\$ 64,606,770</u>	<u>\$ 27,643,815</u>	<u>\$ 140,286,645</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 13,571,522	\$ 1,001,233	\$ 3,608,207	\$ 887,443	\$ 19,068,405
Due to other funds	506,906	2,458,951	654,663	2,246,556	5,867,076
Unearned revenue	2,279,138	865,838	-	55,771	3,200,747
Total Liabilities	<u>16,357,566</u>	<u>4,326,022</u>	<u>4,262,870</u>	<u>3,189,770</u>	<u>28,136,228</u>
Fund Balances:					
Nonspendable	782,545	-	-	116,221	898,766
Restricted	2,119,492	293,066	60,343,900	23,830,114	86,586,572
Committed	12,219,144	-	-	507,710	12,726,854
Assigned	3,905,152	-	-	-	3,905,152
Unassigned	8,033,073	-	-	-	8,033,073
Total Fund Balances	<u>27,059,406</u>	<u>293,066</u>	<u>60,343,900</u>	<u>24,454,045</u>	<u>112,150,417</u>
Total Liabilities and Fund Balances	<u>\$ 43,416,972</u>	<u>\$ 4,619,088</u>	<u>\$ 64,606,770</u>	<u>\$ 27,643,815</u>	<u>\$ 140,286,645</u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2019**

Amounts Reported for Governmental Activities in the Statement
of Net Position are Different Because:

Total Fund Balance - Governmental Funds \$ 112,150,417

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in governmental
funds.

The cost of capital assets is	\$ 392,885,810	
Accumulated depreciation is	<u>(207,939,943)</u>	
Net Capital Assets		184,945,867

Deferred amount, related to pension expenses due to adjustments to net
pension liabilities and related accounts are classified as deferred
outflows or deferred inflows. 55,275,187

Deferred amount, related to OPEB expenses due to adjustments to net
OPEB liabilities and related accounts are classified as deferred
outflows or deferred inflows. 422,975

In governmental funds, unmatured interest on long-term debt is
recognized in the period when it is due. On the government-wide
statements, unmatured interest on long-term debt is recognized
when it is incurred. (2,938,666)

An internal service fund is used by the District's management to
charge the costs of the self insurance programs to the individual
funds. The assets and liabilities of the internal service fund are
included with governmental activities. 8,143,214

Long-term loan receivable is not received during the current year and,
therefore is not reported as receivable in the government funds. 1,084,308

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION (Continued)
JUNE 30, 2019**

Deferred charges on refunding related to the loss on refunding of debt which is classified as a deferred outflow of resources and expensed over the life of the debt on the government-wide financial statements, but were recorded as an expenditure in the governmental fund statements when the debt was issued.		1,125,601
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable	(189,192,252)	
Unamortized bond premium	(11,652,867)	
Certificates of Participation (COP)	(16,160,000)	
Unamortized COP premium	(253,192)	
Compensated absences (vacations)	(1,641,899)	
Supplemental employee retirement plan	(27,702)	
OPEB obligations	(85,571,880)	
Net pension liability	(240,688,770)	
Total Long-Term Liabilities		<u>(545,188,562)</u>
Total Net Position - Governmental Activities		<u><u>\$ (184,979,659)</u></u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Child Development Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Local control funding formula	\$ 186,749,410	\$ -	\$ -	\$ 15,223,632	\$ 201,973,042
Federal sources	19,779,211	8,717,249	-	9,983,032	38,479,492
Other state sources	43,982,350	7,218,549	6,122	5,945,255	57,152,276
Other local sources	4,253,692	510,678	1,406,916	12,736,613	18,907,899
Total Revenues	<u>254,764,663</u>	<u>16,446,476</u>	<u>1,413,038</u>	<u>43,888,532</u>	<u>316,512,709</u>
EXPENDITURES					
Current					
Instruction	154,973,596	10,711,343	-	12,026,723	177,711,662
Instruction-related activities:					
Supervision of instruction	22,812,973	3,167,686	-	2,245,746	28,226,405
Instructional library, media and technology	4,591,460	100,078	-	364,784	5,056,322
School site administration	14,732,014	110,707	-	5,271,136	20,113,857
Pupil services:					
Home-to-school transportation	7,584,000	-	-	-	7,584,000
Food services	-	-	-	11,830,743	11,830,743
All other pupil services	22,607,262	1,610,975	-	269,314	24,487,551
Administration:					
Data processing	3,209,782	-	-	-	3,209,782
All other administration	8,474,453	532,809	-	471,979	9,479,241
Plant services	23,040,051	580,475	555,127	1,148,718	25,324,371
Ancillary services	2,674,217	-	-	46,291	2,720,508
Community services	16,457	-	-	-	16,457
Other outgo	442,694	-	-	-	442,694
Capital Outlay	1,645,632	-	14,774,290	12,806,375	29,226,297
Debt service					
Principal	445,523	-	-	5,555,000	6,000,523
Interest and other	8,026	-	-	7,515,587	7,523,613
Total Expenditures	<u>267,258,140</u>	<u>16,814,073</u>	<u>15,329,417</u>	<u>59,552,396</u>	<u>358,954,026</u>
Excess of Expenditures Over Revenues	<u>(12,493,477)</u>	<u>(367,597)</u>	<u>(13,916,379)</u>	<u>(15,663,864)</u>	<u>(42,441,317)</u>
Other Financing Sources (Uses)					
Transfers in	102,684	412,545	-	96,612	611,841
Other sources	-	-	-	16,413,192	16,413,192
Transfers out	(509,157)	-	(102,684)	-	(611,841)
Net Financing Sources (Uses)	<u>(406,473)</u>	<u>412,545</u>	<u>(102,684)</u>	<u>16,509,804</u>	<u>16,413,192</u>
NET CHANGE IN FUND BALANCES	<u>(12,899,950)</u>	<u>44,948</u>	<u>(14,019,063)</u>	<u>845,940</u>	<u>(26,028,125)</u>
Fund Balance - Beginning	<u>39,959,356</u>	<u>248,118</u>	<u>74,362,963</u>	<u>23,608,105</u>	<u>138,178,542</u>
Fund Balance - Ending	<u>\$ 27,059,406</u>	<u>\$ 293,066</u>	<u>\$ 60,343,900</u>	<u>\$ 24,454,045</u>	<u>\$ 112,150,417</u>

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

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PAJARO VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds \$ (26,028,125)
 Amounts Reported for Governmental Activities in the
 Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period:

Depreciation expense	\$ (11,543,034)	
Capital outlays	<u>29,226,291</u>	
Net Expense Adjustment		17,683,257

Proceeds and premium received from the sale of certificates of participation are revenue in the governmental funds, but increases in long-term obligations in the statement of net position and does not affect the statement of activities. (16,413,192)

In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (53,350)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the statement of activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows, and net pension liability during the year. (10,218,170)

Payment of capital leases is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. 445,523

Payment of the principal of general obligation bonds is an expenditure in the governmental funds, but reduces the long-term liabilities in the statement of net position and does not affect the statement of activities. 5,555,000

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2019

Interest on long-term debt is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		53,371
Accreted interest on capital appreciation bonds is not recorded in the governmental funds, but it increases the bond principal in the statement of net position and increases interest expense in the statement of activities.		(1,529,869)
Other postemployment benefit expenditures are recorded in the governmental funds to the extent of amounts actually funded. However, in the statement of activities, the expense is recorded for the full amount of the accrual-basis annual OPEB cost.		(10,412,008)
Amortization of premium and refunding costs are not recorded in the governmental funds, but they impact the statement of activities. The net amortization amount during the year is as follows:		
Premium on general obligation bonds	(281,401)	
Defeasance costs on general obligation bonds	520,209	
Net amortization	<u>238,808</u>	238,808
Supplemental employee retirement plan payment is an expenditure in the governmental funds, but it decreases the long-term liabilities in the statement of net position and does not affect the statement of activities.		27,702
Amounts received from charter schools are recorded as revenues in the governmental funds. However, the amount received is not a revenue in the statement of activities. Instead, it decreases the loan receivable in the statement of net position.		(201,169)
An internal service fund is used by the District's management to charge the costs of the various insurance programs to the individual funds. The net expenses of the internal service fund is reported with governmental activities.		<u>5,421,005</u>
Change in Net Position of Governmental Activities		<u><u>\$ (35,431,217)</u></u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 6,826,122
Due from other funds	5,368,622
Total Assets	<u>12,194,744</u>
LIABILITIES	
Current Liabilities	
Accounts payable	396,000
Due to other funds	211,818
Claim liabilities	3,443,712
Total Liabilities	<u>4,051,530</u>
NET POSITION	
Restricted for insurance programs	8,143,214
Total Net Position	<u>\$ 8,143,214</u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
In-district contributions	\$ 2,684,157
Total Operating Revenues	<u>2,684,157</u>
OPERATING EXPENSES	
Claims and insurance expense	2,758,891
Total Operating Expenses	<u>2,758,891</u>
Operating income	<u>(74,734)</u>
NONOPERATING REVENUES	
Interest income	127,117
Transfers in	5,368,622
Total Nonoperating Expenses	<u>5,495,739</u>
Change in Net Position	5,421,005
Total Net Position - Beginning	<u>2,722,209</u>
Total Net Position - Ending	<u><u>\$ 8,143,214</u></u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

	Governmental Activities - Internal Service Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 2,684,157
Cash payments for insurance claims	(3,147,387)
Net Cash Used for Operating Activities	<u>(463,230)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from other funds	1,942,468
Net Cash used for Noncapital Financing Activities	<u>1,942,468</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	127,117
Net Decrease in Cash and Cash Equivalents	<u>1,606,355</u>
Cash and Cash Equivalents - Beginning	5,219,767
Cash and Cash Equivalents - Ending	<u><u>\$ 6,826,122</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating income	\$ (74,734)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Decrease) in accounts payable	(3,000)
(Decrease) in claims liabilities	(385,496)
NET CASH USED FOR OPERATING ACTIVITIES	<u><u>\$ (463,230)</u></u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Retiree Benefits Trust	Private Purpose Scholarship Trust	Agency Funds
ASSETS			
Deposits and investments	\$ 9,090,290	\$ 2,276,390	\$ 331,452
Due from other funds	-	300	-
Total Assets	<u>9,090,290</u>	<u>2,276,690</u>	<u>\$ 331,452</u>
LIABILITIES			
Accounts payable	\$ -	\$ 305,105	\$ -
Due to student groups	-	-	331,452
Due to other funds	5,994,799	-	-
Total Liabilities	<u>5,994,799</u>	<u>305,105</u>	<u>\$ 331,452</u>
NET POSITION			
Restricted for retiree benefits	3,095,491	-	
Held in trust for scholarships	-	1,971,585	
Total Net Position	<u>\$ 3,095,491</u>	<u>\$ 1,971,585</u>	

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Retiree Benefits Trust	Private Purpose Scholarship Trust
ADDITIONS		
Private donations	\$ -	\$ 209,494
District contributions	3,144,629	-
Investment income	105,036	44,173
Total Additions	<u>3,249,665</u>	<u>253,667</u>
DEDUCTIONS		
Benefit payments	3,017,368	-
Transfers to other funds	5,368,622	-
Scholarships awarded	-	238,712
Total Deductions	<u>8,385,990</u>	<u>238,712</u>
Change in Net Position	(5,136,325)	14,955
Net Position - Beginning	<u>8,231,816</u>	<u>1,956,630</u>
Net Position - Ending	<u>\$ 3,095,491</u>	<u>\$ 1,971,585</u>

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Pajaro Valley Unified School District was unified in 1964 under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates sixteen elementary, six middle, three high school, one community day school, one continuation high school, an adult education school, twelve childcare centers, a migrant center and five charter schools.

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

Component Units - Charter Schools

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to operate charter schools authorized by the District.

The District has approved Charters for Diamond Technology Institute, Alianza Charter, Linscott Charter, Watsonville Charter School of Arts, Pacific Coast Charter and Ceiba College Preparatory Academy pursuant to *Education Code* Section 47605. All Charter Schools, except Ceiba, are operated by the District and their financial activities are accounted for in the charter school special revenue fund. Ceiba College Preparatory Academy is not a component unit of the District. Separate financial statements are not issued for these component units.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Building Fund The Building fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Child Development Fund The Child Development fund is used to account separately for federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Non-Major Governmental Funds

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

Charter Schools Fund This fund may be used by authorizing Districts to account separately for the activities of District-operated charter schools that would otherwise be reported in the authorizing District's General Fund.

Adult Education Fund The Adult Education Fund is used to account separately for federal, State, and user fees restricted for adult education programs and is to be expended for adult education purposes only.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Cafeteria Fund The Cafeteria Fund is used to account separately for federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

Debt Service Funds Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

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

Capital Project Funds Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of capital facilities and other major capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has only one internal service fund which is the Self-Insurance fund.

Self-Insurance Fund Self-Insurance fund may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates workers' compensations and dental programs that are accounted for in the Self-Insurance fund.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's trust funds are Retiree Benefits Trust and Private Purpose Scholarship Trust. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Basis of Accounting - Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

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

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in assets and liabilities. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenue arises when resources are received by the District prior to the incurrence of qualifying expenditures or expenses. In subsequent periods, when revenue recognition criteria is met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet/net position and revenue is recognized.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

Cash and Cash Equivalents

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Investments

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County and State investment pools are determined by the pools.

Prepaid Items

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

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$25,000 with the exception to federally funded equipment and Food Services Program which has a threshold of \$2,000 with a useful life of five years or more. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

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

Interfund Balances

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

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt obligations and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount and premium of the debt is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized amount on the refunding of general obligation bonds, for pension related items, and for OPEB related items.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred charges on refunding, for pension related items, and for OPEB related items.

Pensions and Other Postemployment Benefits

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

Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board, and chief business officer may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 3 percent of General Fund expenditures and other financing uses. In 2016-2017, the governing board approved an additional 3% or \$6.8 million.

Stabilization Arrangement

In fiscal year 2010-2011, the governing board adopted a resolution for stabilization arrangements. Under the resolution, a portion of the fund balance of the General Fund is committed for stabilization arrangements, such as might be needed in emergency situations or when revenue shortages or budgetary imbalances occur. The resolution states that, at fiscal year-end, an amount approximately equal to, but not less than, ten percent of the annual expenditures of the General Fund is to be committed for use in covering catastrophic losses, including natural and man-made disasters. At June 30, 2019, \$12,219,144 of the fund balance for the General Fund was reported as committed for economic stabilization. The resolution recognizes that under extreme conditions, the use of resources may result in the committed fund balance amount dropping below the established threshold. Such amounts are required to be reinstated by the end of the subsequent fiscal year.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund amounts paid from other funds to the Self-Insurance fund to reimburse insurance premiums. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental columns of the statement of activities.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Estimates

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

Property Tax

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

New Accounting Pronouncements Effective This Fiscal Year

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018-2019 fiscal year. The District has implemented the provisions of this Statement as of June 30, 2019.

GASB Statement No 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District has not determined the effect of the statement. The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements Effective in the Future Fiscal Year

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. 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 requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019-2020 fiscal year. The District has not determined the effect of the statement.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement is effective for the reporting periods beginning after December 15, 2019, or the 2020-2021 fiscal year. The District has not determined the effect of the statement.

GASB Statement No 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined the effect of the statement.

GASB Statement No. 90 – In August 2018, GASB issued Statement No. 90, *Majority Equity Interest, an amendment of GASB statement No. 14 and No. 60*. The objective of this Statement is to improve how majority equity interest is reported. The Statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method if a government's holding of the equity interest meets the definition of an investment and for all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 or FY 2019-2020. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No 91 – In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. The District is evaluating the impact of this Statement on the financial statements.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 117,240,939
Proprietary fund	6,826,122
Fiduciary funds	11,698,132
Total Deposits and Investments	<u>\$ 135,765,193</u>

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	\$ 6,689,844
Cash in revolving	150,000
Investments	128,925,349
Total Deposits and Investments	<u>\$ 135,765,193</u>

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

General Authorizations

Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$65 million
Joint Powers Authority Pools	N/A	None	None

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. Pooled investments, such as the county pool and mutual funds with the Benefit Trust Company were not rated on June 30, 2019.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and mutual funds which have average maturities of less than one year.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance of \$236,263 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - 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 specified 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 reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Santa Cruz 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. In addition, investment in mutual funds are not subject to fair value measurement requirements.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Child Development Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 8,403,282	\$ 597,596	\$ 1,871,699	\$ 10,872,577
State Government				
State principal apportionment	1,057,742	-	-	1,057,742
Categorical aid	1,603,694	170,942	345,104	2,119,740
Lottery	816,040	-	88,464	904,504
Other Local Sources	427,265	80,581	194,760	702,606
Total	<u>\$ 12,308,023</u>	<u>\$ 849,119</u>	<u>\$ 2,500,027</u>	<u>\$ 15,657,169</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 17,055,144	\$ 1,600,000	\$ -	\$ 18,655,144
Construction in progress	43,991,349	19,085,882	283,054	62,794,177
Total Capital Assets Not Being Depreciated	<u>61,046,493</u>	<u>20,685,882</u>	<u>283,054</u>	<u>81,449,321</u>
Capital Assets Being Depreciated:				
Buildings and improvements	293,632,919	8,589,662	-	302,222,581
Furniture and equipment	8,980,107	233,801	-	9,213,908
Total Capital Assets Being Depreciated	<u>302,613,026</u>	<u>8,823,463</u>	<u>-</u>	<u>311,436,489</u>
Less Accumulated Depreciation:				
Buildings and improvements	191,007,765	11,043,467	-	202,051,232
Furniture and equipment	5,389,144	499,567	-	5,888,711
Total Accumulated Depreciation	<u>196,396,909</u>	<u>11,543,034</u>	<u>-</u>	<u>207,939,943</u>
Capital Assets Being depreciated, Net	<u>106,216,117</u>	<u>(2,719,571)</u>	<u>-</u>	<u>103,496,546</u>
Net Capital Assets	<u>\$ 167,262,610</u>	<u>\$ 17,966,311</u>	<u>\$ 283,054</u>	<u>\$ 184,945,867</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Governmental Activities

Instruction	\$ 6,528,852
Supervision of instruction	1,036,995
Instructional library and media	185,761
School site administration	738,952
Home to school transportation	278,624
Food services	434,643
All other pupil services	899,635
Ancillary services	99,947
Community services	605
All general administration	348,253
Data processing services	117,922
Plant services	872,845
Total Depreciation Expense	<u><u>\$ 11,543,034</u></u>

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivables and payable balances arise from interfund transactions and are recorded by all funds affected in the period which transactions are executed. Interfund receivable and payable balances at June 30, 2019, between major and non-major governmental funds, and proprietary funds are as follows:

Due To	Due From				
	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Internal Service Fund	Fiduciary Funds
General	\$ -	\$ 506,906	\$ 506,906	\$ -	\$ 300
Child Development	2,147,728	311,223	2,458,951	-	-
Building Fund	654,663	-	654,663	-	-
Non-Major Governmental Funds	2,246,556	-	2,246,556	-	-
Self-Insurance Fund	211,818	-	211,818	-	-
Fiduciary Funds	625,877	-	625,877	5,368,622	-
Total	<u><u>\$ 5,886,642</u></u>	<u><u>\$ 818,129</u></u>	<u><u>\$ 6,704,771</u></u>	<u><u>\$ 5,368,622</u></u>	<u><u>\$ 300</u></u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

Transfer Out	Transfer In				Total
	General Fund	Child Development Fund	Non-Major Governmental Funds	Fiduciary Funds	
General Fund	\$ -	\$ 412,545	\$ 96,612	\$ -	\$ 509,157
Building Fund	102,684	-	-	-	102,684
Internal Service Fund	-	-	-	5,368,622	5,368,622
Total	\$ 102,684	\$ 412,545	\$ 96,612	\$ 5,368,622	\$ 5,980,463

The General Fund transferred to the Cafeteria Fund to support the District's cafeteria operations including providing assistance to student outstanding accounts.	\$ 12,678
The Retiree Benefits Trust fund transferred to the Internal Service Fund for OPEB reserves.	5,368,622
The General Fund transferred to the Charter School Fund to support the schools' operations.	83,934
The Building Fund transferred to the General Fund for expenditures related to operations of the Bond Measure L Technology and Deferred Maintenance Endowments.	102,684
The General Fund transferred to the Child Development Fund to support the Child Development Program.	412,545
Total	\$ 5,980,463

NOTE 7 - DEFERRED CHARGE ON REFUNDING

Deferred charge on refunding is a consumption of net position by the District that is applicable to a future reporting period. The \$1,125,601 balance of the deferred outflows of resources at June 30, 2019 will be recognized as an expense and as a decrease in net position over the remaining life of related bonds.

The change in the District's deferred charge on refunding is as follows:

	Balance June 30, 2018	Accretion/ Additions	Deductions	Balance June 30, 2019
Deferred charges on refunding	\$ 1,407,002	\$ -	\$ 281,401	\$ 1,125,601

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Governmental Funds Total	Proprietary Fund	Fiduciary Funds
Vendor payables	\$ 3,772,316	\$ 3,608,207	\$ 848,360	\$ 8,228,883	\$ 396,000	\$ 305,105
Salaries and benefits	9,799,206	-	1,040,316	10,839,522	-	-
Total	<u>\$ 13,571,522</u>	<u>\$ 3,608,207</u>	<u>\$ 1,888,676</u>	<u>\$ 19,068,405</u>	<u>\$ 396,000</u>	<u>\$ 305,105</u>

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

	General Fund	Child Development Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 336,704	\$ 557,118	\$ -	\$ 893,822
State categorical aid	55,329	-	-	55,329
Other local	1,887,105	308,720	55,771	2,251,596
Total	<u>\$ 2,279,138</u>	<u>\$ 865,838</u>	<u>\$ 55,771</u>	<u>\$ 3,200,747</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance June 30, 2018	Accretion/ Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	\$ 193,217,383	\$ 1,529,869	\$ 5,555,000	\$ 189,192,252	\$ 5,205,000
Bond premium	12,173,076	-	520,209	11,652,867	-
Certificates of participation	-	16,160,000	-	16,160,000	825,000
COP premium	-	253,192	-	253,192	15,825
Accumulated vacation - net	1,588,549	296,370	243,020	1,641,899	243,020
Capital leases	445,523	-	445,523	-	-
Supplemental employees retirement benefits	55,404	-	27,702	27,702	27,702
Total	<u>\$ 207,479,935</u>	<u>\$ 18,239,431</u>	<u>\$ 6,791,454</u>	<u>\$ 218,927,912</u>	<u>\$ 6,316,547</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Regularly scheduled principal payments on the capital leases are paid by the General Fund. Accumulated vacation, supplemental employee retirement benefits, and net pension liability and net OPEB are paid by the funds for which the employees worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds	
				Outstanding June 30, 2018	Accreted / Issued	Redeemed	Outstanding June 30, 2019
2005	2030	3.00%-5.31%	\$ 18,254,288	\$ 28,942,383	\$ 1,529,869	\$ -	\$ 30,472,252
2013	2048	3.00%-5.00%	68,540,000	63,320,000	-	-	63,320,000
2013	2038	0.63%-5.12%	11,460,000	11,260,000	-	110,000	11,150,000
2013	2023	0.73%-3.19%	19,675,000	13,885,000	-	2,600,000	11,285,000
2013	2023	2.00%-4.00%	9,765,000	7,195,000	-	1,320,000	5,875,000
2016	2045	2.00%-5.00%	40,000,000	38,615,000	-	1,525,000	37,090,000
2018	2047	4.00%-5.00%	30,000,000	30,000,000	-	-	30,000,000
				<u>\$ 193,217,383</u>	<u>\$ 1,529,869</u>	<u>\$ 5,555,000</u>	<u>\$ 189,192,252</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Debt Service Requirements to Maturity

The bonds mature through fiscal year 2049 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	\$ 5,205,000	\$ 6,964,386	\$ 12,169,386
2021	5,330,000	6,786,865	12,116,865
2022	4,618,064	6,978,391	11,596,455
2023	4,922,590	6,871,114	11,793,704
2024	2,525,859	9,653,567	12,179,426
2025-2029	14,962,776	51,535,532	66,498,308
2030-2034	15,474,998	34,228,252	49,703,250
2035-2039	27,010,000	24,795,392	51,805,392
2040-2044	46,830,000	15,950,513	62,780,513
2045-2048	46,505,000	3,741,594	50,246,594
Subtotal	<u>173,384,287</u>	<u>\$ 167,505,606</u>	<u>\$ 340,889,893</u>
Accretion to date	15,807,965		
Total general obligation bonds	<u>\$ 189,192,252</u>		

Certificate of Participation

In December 2018, the District issued 2019 Certificates of Participation (COPs) in the amount of \$16,160,000. The COPs proceeds were used to acquire the land and building located at 294 Green Valley Road where the District Office is currently located. The COPs mature during succeeding years through August 2034. The bonds accrue interest at a rate of 5.0 percent.

The following is a schedule of future payments for the Certificates of Participation:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 825,000	\$ 836,753	\$ 1,661,753
2021	540,000	753,250	1,293,250
2022	590,000	725,000	1,315,000
2023	650,000	694,000	1,344,000
2024	705,000	660,125	1,365,125
2025-2029	4,550,000	2,680,000	7,230,000
2030-2033	6,660,000	1,290,500	7,950,500
2034	1,640,000	41,000	1,681,000
Total	<u>\$ 16,160,000</u>	<u>\$ 7,680,628</u>	<u>\$ 23,840,628</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Capital Leases

The District's liabilities on lease agreements with options to purchase are summarized below:

	School Buses
Balance, July 1, 2018	\$ 453,550
Payments	453,550
Balance, June 30, 2019	<u>\$ -</u>

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2019, amounted to \$1,641,899.

Supplemental Employees Retirement Plan (SERP)

The outstanding balance for the Supplemental Employee Retirement Plans as of June 30, 2019 consists of the 2015 Plan's amount of \$27,702 which is due in the next fiscal year.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Child Development Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000
Stores inventories	190,649	-	-	116,221	306,870
Prepaid expenditures	376,896	-	-	-	376,896
Other reserve	65,000	-	-	-	65,000
Total Nonspendable	782,545	-	-	116,221	898,766
Restricted					
Educational programs	1,673,203	293,066	-	646,085	2,612,354
Food program	-	-	-	2,667,973	2,667,973
Charter schools	-	-	-	2,518,662	2,518,662
Capital projects	446,289	-	60,343,900	8,302,037	69,092,226
Debt services	-	-	-	9,695,357	9,695,357
Total Restricted	2,119,492	293,066	60,343,900	23,830,114	86,586,572
Committed					
Contingency reserves	12,219,144	-	-	507,710	12,726,854
Total Committed	12,219,144	-	-	507,710	12,726,854
Assigned					
Program carryover	3,905,152	-	-	-	3,905,152
Total Assigned	3,905,152	-	-	-	3,905,152
Unassigned					
Reserve for economic uncertainties	8,033,073	-	-	-	8,033,073
Total Unassigned	8,033,073	-	-	-	8,033,073
Total	\$ 27,059,406	\$ 293,066	\$ 60,343,900	\$ 24,454,045	\$ 112,150,417

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Administration

Pajaro Valley Unified School District administers the Postemployment Benefits Plan (the "Plan") – a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for the District. Management of the Plan is vested in the District's Governing Board, which consists of seven locally elected plan members. At June 30, 2019, Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	2,201
Active plan members	154
Total Plan Members	<u>2,355</u>

Benefits Provided. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses until age 65. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the *plan* except for the co-share amount of \$56 to \$90. The District's Governing Board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions. The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (PVFT), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2018-2019, the District contributed \$2,989,486 to the plan, all of which was used for current premiums (approximately 100 percent of total premiums). Plan members are not required to contribute to the plan. The remainder of the premiums were funded in the prior years and interest earnings.

Investments

Investment Policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Pajaro Valley Unified School District Governing Board by a majority vote of its members. It is the policy of the Governing Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
All Fixed Income	55%	4.500%
Real Estate Investment Trusts	4%	7.500%
All Domestic Equities	22%	7.500%
All International Equities	19%	7.500%
Total	<u>100%</u>	<u>5.850%</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Rate of Return. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 3.25 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB of the District

The component of the net OPEB liability of the District at June 30, 2019, were as follows:

Total OPEB liability	\$ 88,657,371
Plan fiduciary net position	3,095,491
District's net OPEB liability	<u>\$ 85,561,880</u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.49%

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2019
Actuarial valuation date	June 30, 2019
Discount rate	3.50 percent
Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Healthcare cost trend rates	4 percent

Mortality rates were based on the 2009 CalSTRS Mortality, 2009 CalPERS Mortality for Retired Miscellaneous Employees, and the 2009 CalPERS Mortality for Active Miscellaneous Employees for Males or Females, as appropriate, with adjustments for mortality improvements based on CalPERS analysis.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the 2009 CalSTRS Retirement Rates, 2009 CalPERS 2.0% at 60 Rates for Miscellaneous Employees, and the 2009 CalPERS Retirement Rates for School Employees.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019.

Discount Rate. The discount rate used to measure the total OPEB liability was 3.5 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through 2020. Therefore, the long-term expected rate of return on OPEB plan investments and the 20-year municipal bond index was applied to the applicable periods of projected benefit payments to determine the total OPEB liability.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018	\$ 79,921,315	\$ 2,977,044	\$ 76,944,271
Service cost	7,038,018	-	7,038,018
Interest	3,102,693	-	3,102,693
Differences between expected and actual experience	271,684	-	271,684
Contributions-employer	-	3,581,038	(3,581,038)
Net investment income	-	151,343	(151,343)
Changes of assumptions or other inputs	1,914,699	-	1,914,699
Benefit payments	(3,581,038)	(3,581,038)	-
Administrative expense	-	(32,896)	32,896
Net change in total OPEB liability	8,746,056	118,447	8,627,609
Balance at June 30, 2019	<u>\$ 88,667,371</u>	<u>\$ 3,095,491</u>	<u>\$ 85,571,880</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.5 percent) or 1 percentage point higher (4.5 percent) than the current discount rate:

	1% Decrease 2.5%	Discount Rate 3.5%	1% Increase 4.5%
	Net OPEB liability	<u>\$ 92,431,248</u>	<u>\$ 85,571,880</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4 percent decreasing to 3 percent) or 1 percentage point higher (4 percent increasing to 5 percent) than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease 3%	Trend Rates 4%	1% Increase 5%
Net OPEB liability	<u>\$ 80,579,353</u>	<u>\$ 85,571,880</u>	<u>\$ 90,476,152</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$7,116,683.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 252,278
Changes of assumptions	1,768,649	1,021,860
Net difference between projected and actual earnings on OPEB plan investments	-	71,536
Total	\$ 1,768,649	\$ 1,345,674

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 4,149
2021	4,149
2022	4,149
2023	17,641
2024	(540,264)
Thereafter	933,151
	\$ 422,975

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District contracted with Schools Association For Excess Risk for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

Coverage provided by the Schools Association for Excess Risk for Property and Liability and the Pajaro Valley Unified School District Workers' Compensation Self-Insurance Program except for claims occurring on or after 7/1/12. These claims are covered through the Public Insurance Programs for Schools are as follows:

<u>Insurance Program / Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Public Insurance Program for Schools	Workers' Compensation (Incidents after 7/1/12)	\$ 1,000,000
Schools Association For Excess Risk	Property	250,250,000
Schools Association For Excess Risk	Liability	10,000,000
Schools Association For Excess Risk	Excess Liability	25,000,000

Claims Liabilities

The District records an estimated liability for workers' compensation claims filed prior to the termination of the self-insured program and dental. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2017 to June 30, 2019:

Liability Balance, July 1, 2017	\$ 6,298,081
Claims and changes in estimates	925,075
Claims payments	(2,994,948)
Liability Balance, June 30, 2018	4,228,208
Claims and changes in estimates	2,370,395
Claims payments	(2,758,891)
Current portion of Claim liabilities	(396,000)
Liability Balance, June 30, 2019	\$ 3,443,712
Assets available to pay claims at June 30, 2019	\$ 11,586,926

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 160,447,247	\$ 48,121,663	\$ 18,309,005	\$ 18,190,685
CalPERS	80,241,523	26,336,529	874,000	16,405,826
Total	<u>\$ 240,688,770</u>	<u>\$ 74,458,192</u>	<u>\$ 19,183,005</u>	<u>\$ 34,596,511</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$16,117,226.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 160,447,247
State's proportionate share of the net pension liability associated with the District	91,863,553
Total	<u>\$ 252,310,800</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.1746 percent and 0.1770 percent, resulting in a net decrease in the proportionate share of 0.0024 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$18,190,685. In addition, the District recognized pension expense and revenue of \$10,791,896 for support provided by the State.

At June 30, 2019, 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
	<u>\$</u>	<u>\$</u>
Pension contributions subsequent to measurement date	16,117,226	-
Net change in proportionate share of net pension liability	6,580,984	(9,800,187)
Change in assumption	24,925,912	-
Difference between projected and actual earnings on pension plan investments	-	(6,178,233)
Differences between expected and actual experience in the measurement of the total pension liability	497,541	(2,330,585)
Total	<u>\$ 48,121,663</u>	<u>\$ (18,309,005)</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflow of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a remaining closed four-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
<u> </u>	<u>\$</u>
2020	1,341,468
2021	(973,405)
2022	(5,183,298)
2023	(1,362,998)
Total	<u>\$ (6,178,233)</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Year Ended June 30,	Deferred (Inflows) Outflows of Resources
2020	\$ 3,435,708
2021	3,435,708
2022	3,435,707
2023	3,763,912
2024	6,101,758
2025	(299,128)
Total	<u>\$ 19,873,665</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 235,036,441
Current discount rate (7.10%)	160,447,247
1% increase (8.10%)	98,605,567

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, and Schools Pool Actuarial Valuation. These reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were \$8,261,115.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$80,241,523. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June, 30 2018 and June 30, 2017, respectively was 0.3009 percent and 0.2716 percent, resulting in a net increase in proportionate share of 0.0293 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$16,405,826. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>of Resources</u>	<u>of Resources</u>
Pension contributions subsequent to measurement date	\$ 8,261,115	\$ -
Differences between projected and actual earnings on plan investments	658,161	-
Change in assumption	8,011,763	-
Differences between expected and actual experience	5,260,340	-
Change in proportions	4,145,150	(874,000)
Total	<u>\$ 26,336,529</u>	<u>\$ (874,000)</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments are amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 2,393,875
2021	572,475
2022	(1,834,569)
2023	(473,620)
Total	<u>\$ 658,161</u>

The deferred (inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Outflows of Resources
2020	\$ 6,823,874
2021	6,819,780
2022	2,899,599
Total	<u>\$ 16,543,253</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expense the target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	58%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 88,680,195
Current discount rate (7.15%)	80,241,523
1% increase (8.15%)	35,086,114

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Accumulated Program for Part-Time and Limited Services Employees (APPLE)

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 the APPLE Retirement Program as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 1.3 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$8,478,428, \$7,875,606, and \$8,821,244, respectively, for 2019, 2018 and 2017. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have been recorded in the financial statements.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2019 the District had the following construction commitments:

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Date of Completion</u>
AHS Modernization	\$ 1,266,484	Jun 22
AJHS Modernization	2,736,509	Jun 22
Alianza Modernization	572,157	Jun 22
Amesti Modernization	540,205	Jun 22
Ann Soldo Modernization	783,986	Jun 22
Bradley Modernization	755,046	Jun 20
Bradley Relocatables	1,020,421	Jun 22
Calabasas Modernization	255,848	Jun 22
Cesar Chavez MS - Relocatables	174,450	Jun 22
Cesar Chavez MS Modernization	1,626,124	Jun 22
EA Hall A Wing Modernization	102,613	Jun 22
EA Hall Track and Field Replacement	2,226,807	Jun 22
Freedom Modernization	1,388,667	Jun 22
Hall District Modernization	53,321	Jun 22

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Date of Completion</u>
Lakeview MS Modernization	584,937	Jun 22
Landmark Modernization	35,689	Jun 22
Linscott Modernization	1,384,788	Jun 22
MacQuiddy Modernization	388,185	Jun 22
Mintie White - Wing A - Modernization	1,682,766	Jun 22
Mintie White Other Modernization	166,683	Jun 22
New School - Modernization	92,328	Jun 22
Ohlone Modernization	861,044	Jun 22
PMS Modernization	406,537	Jun 22
PV High New Auditorium	5,743,115	Jun 22
PV High Upper Fields	8,453,163	Jun 22
Radcliff Modernization	432,116	Jun 22
Renaissance High Modernization	1,100,399	Aug 22
RHMS - Modernization	460,250	Jun 22
RHMS Gym Modernization	459,174	Dec 19
Starlight Modernization	795,704	Jun 22
WHS - Modernizations	582,519	Jun 22
	<u>\$ 37,132,035</u>	

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of Self Insured Schools of California (SISC), Northern California Regional Liability Excess Fund (NorCal ReLiEF), and Public Insurance Program for Schools (PIPS) public entity risk pools (JPAs). The District pays an annual premium to the applicable entity for its property and liability coverage, excess workers' compensation and excess medical insurance. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPA has a budgeting and financial reporting requirement independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. During the year ended June 30, 2019, the District made payments of \$4,677,509 to PIPS for workers' compensation insurance, \$1,073,364 to NorCal ReliEF for excess property and liability insurance, and \$56,506,017 to SISC for medical and vision insurance.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 17 - LOAN RECEIVABLE

In May 8, 2013, the District entered into a Release and Settlement agreement with Ceiba College Preparatory Academy (the Charter). The agreement includes a \$2 million renovation loan to the Charter school. The loan bears interest at 0.84%. The loan amount will be recovered over ten years, beginning July 1, 2014 and ending June 30, 2024. Quarterly payments of \$52,722 are due the first day of each quarter, commencing December 1, 2014.

The loan matures through 2025 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2020	\$ 202,842	\$ 8,047	\$ 210,889
2021	204,574	6,315	210,889
2022	206,298	4,591	210,889
2023	208,035	2,853	210,888
2024	209,785	1,104	210,889
2025	52,774	-	52,774
Total Loan Receivable	<u>\$ 1,084,308</u>	<u>\$ 22,910</u>	<u>\$ 1,107,218</u>

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REQUIRED SUPPLEMENTARY INFORMATION

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variances- Positive (Negative)
	Original	Final		Final to Actual
REVENUES				
Local control funding formula	\$ 187,588,103	\$ 186,993,672	\$ 186,749,410	\$ (244,262)
Federal sources	19,555,673	20,003,492	19,779,211	(224,281)
Other state sources	33,600,027	35,407,967	43,982,350	8,574,383
Other local sources	1,413,924	3,797,516	4,253,692	456,176
Total Revenues	242,157,727	246,202,647	254,764,663	8,562,016
EXPENDITURES				
Current				
Certificated salaries	92,605,646	92,575,611	92,685,267	(109,656)
Classified salaries	39,885,239	41,162,572	41,556,235	(393,663)
Employee benefits	86,344,552	85,203,496	92,681,050	(7,477,554)
Books and supplies	10,887,004	14,112,351	13,499,066	613,285
Services and operating expenditures	19,095,761	23,152,319	23,895,042	(742,723)
Indirect cost allocated to other funds	(65,959)	(500,415)	(562,094)	61,679
Capital outlay	2,277,095	2,893,063	3,050,025	(156,962)
Debt service - principal	445,523	445,522	445,523	(1)
Debt service - interest	8,027	8,027	8,026	1
Total Expenditures	251,482,888	259,052,546	267,258,140	(8,205,594)
Excess (Deficiency) of Revenues Over Expenditures	(9,325,161)	(12,849,899)	(12,493,477)	356,422
Other Financing Sources (Uses)				
Transfers in	-	-	102,684	102,684
Transfers out	(749,449)	(757,343)	(509,157)	248,186
Net Financing Sources (Uses)	(749,449)	(757,343)	(406,473)	350,870
NET CHANGE IN FUND BALANCES	(10,074,610)	(13,607,242)	(12,899,950)	707,292
Fund Balance - Beginning	39,959,356	39,959,356	39,959,356	-
Fund Balance - Ending	\$ 29,884,746	\$ 26,352,114	\$ 27,059,406	\$ 707,292

See accompanying note to required supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**CHILD DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variances-
	Original	Final		Positive (Negative)
				Final to Actual
REVENUES				
Federal sources	\$ 8,197,106	\$ 8,154,921	\$ 8,717,249	\$ 562,328
Other State sources	6,323,819	7,008,353	7,218,549	210,196
Other local sources	210,918	489,273	510,678	21,405
Total Revenues	14,731,843	15,652,547	16,446,476	793,929
EXPENDITURES				
Certificated salaries	3,580,441	4,199,785	4,303,762	(103,977)
Classified salaries	1,685,155	1,727,054	1,726,160	894
Employee benefits	4,281,902	4,542,218	5,003,838	(461,620)
Books and supplies	675,767	606,441	560,350	46,091
Services and operating expenditures	4,684,569	4,557,173	5,187,019	(629,846)
Other outgo	497,749	528,733	-	528,733
Capital outlay	-	32,944	32,944	-
Total Expenditures	15,405,583	16,194,348	16,814,073	(619,725)
Deficiency of Revenues Over Expenditures	(673,740)	(541,801)	(367,597)	174,204
Other Financing Sources (Uses)				
Transfers in	673,740	675,740	412,545	(263,195)
Net Financing Sources (Uses)	673,740	675,740	412,545	(263,195)
NET CHANGE IN FUND BALANCES	-	133,939	44,948	(88,991)
Fund Balance - Beginning	248,118	248,118	248,118	-
Fund Balance - Ending	\$ 248,118	\$ 382,057	\$ 293,066	\$ (88,991)

See accompanying note to required supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019**

MEASUREMENT DATE	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 7,038,018	\$ 6,849,653	\$ 6,666,329
Interest	3,102,693	2,908,224	2,539,977
Changes of benefit terms	(3,581,038)	(3,479,241)	(3,345,424)
Differences between expected and actual experience	271,684	-	-
Changes of assumptions	1,914,699	(1,204,336)	-
Net changes in total OPEB liability	8,746,056	5,074,300	5,860,882
Total OPEB Liability - beginning	79,921,315	74,847,015	68,986,133
Total OPEB Liability - ending (a)	88,667,371	79,921,315	74,847,015
Plan Fiduciary Net Position			
Net investment income	151,343	174,556	284,816
Administrative expense	(32,896)	(32,696)	(30,503)
Net change in plan fiduciary net position	118,447	141,860	254,313
Plan fiduciary net position - beginning	2,977,044	2,835,184	2,580,871
Plan fiduciary net position - ending (b)	3,095,491	2,977,044	2,835,184
District's net OPEB liability - ending (a) - (b)	\$ 85,571,880	\$ 76,944,271	\$ 72,011,831
Plan fiduciary net position as a percentage of the total OPEB liability	3.49%	3.72%	3.79%
Covered employee payroll	\$ 153,593,936	\$ 147,837,766	\$ 137,357,251
District's net OPEB liability as a percentage of covered employee payroll	55.71%	52.05%	52.43%

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

See accompanying note to required supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS TO OPEB
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 3,581,038	\$ 3,479,241	\$ 3,345,424
Contributions in relation to the actuarially determined contribution	3,144,629	3,664,714	4,987,447
Contribution deficiency (excess)	<u>\$ 436,409</u>	<u>\$ (185,473)</u>	<u>\$ (1,642,023)</u>
Covered employee payroll	\$ 153,593,936	\$ 147,837,766	\$ 137,357,251
Contribution as a percentage of covered employee payroll	2.05%	2.48%	3.63%

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

See accompanying note to required supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual moneyweighted rate of return, net of investment expense	3.25%	2.65%	3.33%

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

See accompanying note to required supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITIES FOR THE YEAR ENDED JUNE 30, 2019

MEASUREMENT DATE, JUNE 30,	2018	2017	2016	2015	2014
CalSTRS					
District's proportion of the net pension liability	0.1746%	0.1770%	0.1650%	0.1842%	0.1758%
District's proportionate share of the net pension liability	\$ 160,447,247	\$ 163,703,335	\$ 133,420,686	\$ 124,038,926	\$ 102,724,052
State's proportionate share of the net pension liability associated with the District	91,863,553	96,845,510	75,954,016	65,602,918	62,029,218
Total	<u>\$ 252,310,800</u>	<u>\$ 260,548,845</u>	<u>\$ 209,374,702</u>	<u>\$ 189,641,844</u>	<u>\$ 164,753,270</u>
District's covered payroll	\$ 95,672,517	\$ 91,823,567	\$ 83,782,062	\$ 82,863,246	\$ 80,688,631
District's proportionate share of the net pension liability as a percentage of its covered payroll	167.70%	178.28%	159.25%	149.69%	127.31%
Plan fiduciary net position as a percentage of the total pension liability	71%	70%	70%	74%	77%
CalPERS					
District's proportion of the net pension liability	0.3009%	0.2716%	0.2741%	0.2932%	0.2922%
District's proportionate share of the net pension liability	\$ 80,241,523	\$ 64,834,201	\$ 54,132,557	\$ 43,211,280	\$ 33,166,972
District's covered payroll	\$ 41,904,894	\$ 36,009,464	\$ 32,903,213	\$ 32,468,352	\$ 30,898,266
District's proportionate share of the net pension liability as a percentage of its covered payroll	191.48%	180.05%	164.52%	133.09%	107.34%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

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

See accompanying note to required supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

FISCAL YEAR ENDED, JUNE 30,	2019	2018	2017	2016	2015
CalSTRS					
Contractually required contribution	\$ 16,117,226	\$ 13,710,169	\$ 11,700,700	\$ 7,603,674	\$ 6,752,541
Contributions in relation to the contractually required contribution	16,117,226	13,710,169	11,700,700	7,603,674	6,752,541
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 99,047,305	\$ 95,672,517	\$ 91,823,567	\$ 83,782,062	\$ 82,863,246
Contributions as a percentage of covered payroll	16.27%	12.74%	12.74%	9.08%	8.15%
CalPERS					
Contractually required contribution	\$ 8,261,115	\$ 6,620,429	\$ 5,019,334	\$ 3,897,772	\$ 3,821,850
Contributions in relation to the contractually required contribution	8,261,115	6,620,429	5,019,334	3,897,772	3,821,850
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered - payroll	\$ 45,279,939	\$ 41,904,894	\$ 36,009,464	\$ 32,903,213	\$ 32,468,352
Contributions as a percentage of covered - payroll	18.24%	15.80%	13.94%	11.85%	11.77%

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

See accompanying note to required supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

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

Change in benefit terms – The District did not make changes in benefit terms in the Fiscal Year 2018-2019.

Change of assumptions – The District's discount rate of 3.8% in 2018 changed to 3.5% in 2019. In 2019 the usage of historic 21 year real rates of return resulting in an offset of 25 basis points instead of 115 basis points.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of Investment Returns

This schedule presents information on the annual money weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions – There were no changes in assumptions since the previous valuations for both CalSTRS and CalPERS except a change in CalPERS discount rate in the 2017 fiscal year.

Schedule of District Pension Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Special Education Cluster:			
Special Education Grants to States - Basic Local Assistance	84.027	13379	\$ 4,024,565
Special Education Grants to States - Mental Health	84.027	14468	216,821
Special Education Preschool Grants	84.173	13430	189,074
Special Education Preschool Grants - Preschool Staff Development	84.173	13431	1,103
Total Special Education Cluster			4,431,563
Adult Education - Basic Grants to States	84.002	14508	217,327
Adult Education - Basic Grants to States	84.002	13978	70,400
Adult Education - Basic Grants to States	84.002	14109	84,854
Subtotal			372,581
Migrant Education State Grant Program	84.011	14326	3,363,305
Migrant Education State Grant Program - Even Start	84.011	14768	417,275
Subtotal			3,780,580
Title I Grants to Local Educational Agencies	84.010	14329	5,228,217
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	639,724
English Language Acquisition State Grants - LEP	84.365	10084	853,601
Student Support and Academic Enrichment Program	84.424	15396	20,442
Twenty-First Century Community Learning Centers	84.287	14349	3,215,640
Education for Homeless Children and Youth	84.196	14332	175,000
Career and Technical Education - Basic Grants to States	84.048	14894	155,452
Special Education-Grants for Infants and Families	84.181	23761	246,523
Rehabilitation Services Vocational Rehabilitation Grants to States - Workability II	84.126	10006	230,203
Total U.S. Department of Education			19,349,526

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Education:			
Medicaid Cluster	93.713	15010	
Medical Assistance Program - Medi-Cal Billing Option	93.778	10013	574,262
Medical Assistance Program - Medi-Cal Administrative Activities	93.778	10060	228,004
Total Medical Assistance Program Cluster			<u>802,266</u>
Child Care and Development Block Grant - Federal Child Care Center	93.596	13609	842,392
Head Start	93.600	10016	7,874,858
Total U.S. Department of Health and Human Services			<u>9,519,516</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13524	6,258,959
School Breakfast Program - National School Breakfast	10.553	13390	4,274
National School Lunch Program - Meal Supplements	10.555	13396	488,630
School Breakfast Program - Especially Needy Breakfast	10.553	13526	2,241,296
National School Lunch Program - Commodity Supplemental Food	10.555	13524	608,808
Total Child Nutrition Cluster			<u>9,601,967</u>
Child and Adult Care Food Program	10.558	13393	291,957
Fresh Fruit and Vegetable Program	10.582	14968	325,334
Total U.S. Department of Agriculture			<u>10,219,258</u>
 Total Expenditures of Federal Awards			 <u><u>\$ 39,088,300</u></u>

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

ORGANIZATION

The Pajaro Valley Unified School District was established in 1964 and consists of an area comprising approximately 150 square miles. The District operates sixteen elementary, six middle, three high schools, one community day school, one continuation high school, an adult education school, twelve childcare centers, a migrant center and five charter schools. The District's boundaries remained unchanged in the fiscal year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Karen Osmundson	President	2020
Daniel Dodge Jr.	Vice President	2022
Maria Orozco	Member	2020
Georgia Acosta	Member	2020
Jennifer Schacher	Member	2022
Kim De Serpa	Member	2022
Jennifer Holm	Member	2022

ADMINISTRATION

Michelle Rodriguez	Superintendent
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See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE - DISTRICT
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	5,347.11	5,363.97
Fourth through sixth	4,031.67	4,002.25
Seventh and eighth	2,612.23	2,557.81
Ninth through twelfth	4,995.81	5,011.82
Total Regular ADA	<u>16,986.82</u>	<u>16,935.85</u>
Extended Year Special Education		
Transitional kindergarten through third	5.83	5.83
Fourth through sixth	6.73	6.73
Seventh and eighth	3.68	3.68
Ninth through twelfth	6.34	6.34
Total Extended Year Special Education	<u>22.58</u>	<u>22.58</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.11	0.96
Migrant Education State Grant Program	1.05	1.12
Seventh and eighth	2.57	2.27
Migrant Education State Grant Program - Even Start	12.63	11.82
Total Special Education, Nonpublic, Nonsectarian Schools	<u>17.36</u>	<u>16.17</u>
Extended Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.10	0.10
Supporting Effective Instruction State Grants - Teacher Quality	0.10	0.10
Seventh and eighth	0.21	0.21
Ninth through twelfth	1.25	1.25
Total Special Education, Nonpublic, Nonsectarian Schools	<u>1.66</u>	<u>1.66</u>
Community Day School		
Twenty-First Century Community Learning Centers	43.47	40.98
Total Community Day School	<u>43.47</u>	<u>40.98</u>
Education for Homeless Children and Youth - Vento Homeless Assistance	<u>17,071.89</u>	<u>17,017.24</u>

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE – CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019**

CHARTER SCHOOLS	Alianza Charter School	Diamond Technology Institute	Linscott Charter School	Pacific Coast Charter School	Watsonville Charter School of The Arts
Second Period Report					
Classroom-Based					
Transitional kindergarten through third	319.63	-	104.53	-	166.53
Fourth through sixth	212.09	-	85.90	-	121.69
Seventh and eighth	114.59	-	76.11	-	72.91
Ninth through twelfth	-	69.75	-	-	-
Total Classroom-Based	646.31	69.75	266.54	-	361.13
Non Classroom-Based					
Transitional kindergarten through third	-	-	-	13.45	-
Fourth through sixth	-	-	-	13.80	-
Seventh and eighth	-	-	-	17.45	-
Ninth through twelfth	-	-	-	162.86	-
Total Non Classroom-Based	-	-	-	207.56	-
Total Charter School	646.31	69.75	266.54	207.56	361.13
Annual Report					
Classroom-Based					
Transitional kindergarten through third	320.11	-	104.57	-	166.88
Fourth through sixth	211.54	-	85.99	-	121.65
Seventh and eighth	114.75	-	76.23	-	72.88
Ninth through twelfth	-	68.84	-	-	-
Total Classroom-Based	646.40	68.84	266.79	-	361.41
Non Classroom-Based					
Transitional kindergarten through third	-	-	-	13.82	-
Fourth through sixth	-	-	-	13.96	-
Seventh and eighth	-	-	-	17.35	-
Ninth through twelfth	-	-	-	163.89	-
Total Non Classroom-Based	-	-	-	209.02	-
Total Charter School	646.40	68.84	266.79	209.02	361.41

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME - DISTRICT
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Grade Level</u>	<u>1986-87 Actual Minutes</u>	<u>2018-2019 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	36,295	180	In compliance
Grades 1 - 3				
Grade 1	50,400	53,270	180	In compliance
Grade 2	50,400	53,270	180	In compliance
Grade 3	50,400	53,270	180	In compliance
Grades 4 - 6				
Grade 4	54,000	54,860	180	In compliance
Grade 5	54,000	54,860	180	In compliance
Grade 6	54,000	55,587	180	In compliance
Grades 7 - 8				
Grade 7	54,000	55,778	180	In compliance
Grade 8	54,000	55,778	180	In compliance
Grades 9 - 12				
Grade 9	64,800	65,834	180	In compliance
Grade 10	64,800	65,834	180	In compliance
Grade 11	64,800	65,834	180	In compliance
Grade 12	64,800	65,834	180	In compliance

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME – CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019**

Grade Level	Education Code Section 46201.2 Required Minutes	2018-2019 Actual Minutes	Number of Days Traditional Calendar	Status
Diamond Technology Institute				
Grade 9	64,800	65,277	180	In Compliance
Grade 10	64,800	65,277	180	In Compliance
Grade 11	64,800	65,277	180	In Compliance
Grade 12	64,800	65,277	180	In Compliance
Alianza Charter School				
Kindergarten	36,000	36,600	180	In Compliance
Grade 1	50,400	55,165	180	In Compliance
Grade 2	50,400	55,165	180	In Compliance
Grade 3	50,400	55,165	180	In Compliance
Grade 4	54,000	55,155	180	In Compliance
Grade 5	54,000	55,155	180	In Compliance
Grade 6	54,000	55,155	180	In Compliance
Grade 7	54,000	55,165	180	In Compliance
Grade 8	54,000	55,165	180	In Compliance
Linscott Charter School				
Kindergarten	36,000	40,500	180	In Compliance
Grade 1	50,400	52,290	180	In Compliance
Grade 2	50,400	52,290	180	In Compliance
Grade 3	50,400	52,290	180	In Compliance
Grade 4	54,000	54,255	180	In Compliance
Grade 5	54,000	54,255	180	In Compliance
Grade 6	54,000	54,255	180	In Compliance
Grade 7	54,000	54,255	180	In Compliance
Grade 8	54,000	54,255	180	In Compliance
Watsonville Charter School of the Arts				
Kindergarten	36,000	37,770	180	In Compliance
Grade 1	50,400	52,060	180	In Compliance
Grade 2	50,400	52,060	180	In Compliance
Grade 3	50,400	52,060	180	In Compliance
Grade 4	54,000	56,630	180	In Compliance
Grade 5	54,000	56,630	180	In Compliance
Grade 6	54,000	56,630	180	In Compliance
Grade 7	54,000	58,020	180	In Compliance
Grade 8	54,000	58,020	180	In Compliance

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

There were the following adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019:

	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>Self Insurance Fund</u>
FUND BALANCE			
Balance, June 30, 2019, Unaudited Actuals	\$ 61,622,284	\$ 2,208,645	\$ 657,279
Increase in accounts payable	(1,278,384)	-	-
Increase of Certificate of Participation	-	16,413,192	-
Cost of Issuance	-	(413,192)	-
Acquisition of District Office Building	-	(9,906,608)	-
Correction of Beginning Balance	-	-	2,117,313
Record transfer from Retiree Benefits Fund	-	-	5,368,622
Balance, June 30, 2019, Audited Financial Statements	<u>\$ 60,343,900</u>	<u>\$ 8,302,037</u>	<u>\$ 8,143,214</u>

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

	(Budget) 2020 ¹	2019	2018	2017
GENERAL FUND				
Revenues	\$ 245,795,201	\$ 254,764,663	\$ 234,677,278	\$ 231,267,778
Other sources	451,164	102,684	85,919	-
Total Revenues and Other Sources	<u>246,246,365</u>	<u>254,867,347</u>	<u>234,763,197</u>	<u>231,267,778</u>
Expenditures	262,576,474	267,258,140	251,758,832	231,957,823
Other uses and transfers out	670,980	509,157	631,373	910,834
Total Expenditures and Other Uses	<u>263,247,454</u>	<u>267,767,297</u>	<u>252,390,205</u>	<u>232,868,657</u>
INCREASE (DECREASE)				
IN FUND BALANCE	<u>\$ (17,001,089)</u>	<u>\$ (12,899,950)</u>	<u>\$ (17,627,008)</u>	<u>\$ (1,600,879)</u>
ENDING FUND BALANCE	<u>\$ 10,058,317</u>	<u>\$ 27,059,406</u>	<u>\$ 39,959,356</u>	<u>\$ 57,586,364</u>
AVAILABLE RESERVES ²	<u>\$ 7,897,424</u>	<u>\$ 8,033,073</u>	<u>\$ 7,573,256</u>	<u>\$ 9,473,723</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>	<u>4.07%</u>
LONG-TERM OBLIGATIONS	<u>\$ 529,967,217</u>	<u>\$ 536,560,953</u>	<u>\$ 512,961,742</u>	<u>\$ 410,150,335</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>17,050</u>	<u>17,072</u>	<u>17,262</u>	<u>17,370</u>

The General Fund balance has decreased by \$30,526,958 over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$17,001,089. For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit during the fiscal year 2018-2019 and anticipates incurring an operating surplus during the 2019-2020 fiscal year. Total long-term obligations have increased by \$126,410,618 over the past two years.

Average daily attendance has decreased by 298 over the past two years. A decrease of 22 ADA is anticipated during fiscal year 2019-2020.

¹ Budget 2020 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Diamond Technology Institute	Yes
Alianza Charter School	Yes
Linscott Charter School	Yes
Pacific Coast Charter School	Yes
Watsonville Charter School of the Arts	Yes
Ceiba College Preparatory Academy	No

See accompanying note to supplementary information.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**CHARTER SCHOOLS
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Alianza Charter School</u>	<u>Diamond Technology Institute</u>	<u>Linscott Charter School</u>	<u>Pacific Coast Charter School</u>	<u>Watsonville School of the Arts</u>	<u>Total</u>
Fund balance, beginning	\$ 312,158	\$ 77,759	\$ 428,633	\$ 956,037	\$ 599,019	\$ 2,373,606
Revenues	6,895,498	922,212	2,475,506	2,239,808	3,611,992	16,145,016
Expenditures	<u>(6,989,797)</u>	<u>(936,713)</u>	<u>(2,442,979)</u>	<u>(2,056,190)</u>	<u>(3,574,281)</u>	<u>(15,999,960)</u>
Fund balance, ending	<u>\$ 217,859</u>	<u>\$ 63,258</u>	<u>\$ 461,160</u>	<u>\$ 1,139,655</u>	<u>\$ 636,730</u>	<u>\$ 2,518,662</u>

See accompanying note to supplementary information.

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PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

	Charter Schools Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	\$ 2,158,572	\$ 238,861	\$ 2,192,557	\$ 507,710
Receivables	88,464	725,047	1,686,516	-
Due from other funds	818,129	-	-	-
Stores inventories	-	-	116,221	-
Total Assets	<u>\$ 3,065,165</u>	<u>\$ 963,908</u>	<u>\$ 3,995,294</u>	<u>\$ 507,710</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 546,503	\$ 95,401	\$ 230,093	\$ -
Due to other funds	-	166,651	981,007	-
Unearned revenue	-	55,771	-	-
Total Liabilities	<u>546,503</u>	<u>317,823</u>	<u>1,211,100</u>	<u>-</u>
Fund Balances:				
Nonspendable	-	-	116,221	-
Restricted	2,518,662	646,085	2,667,973	-
Committed	-	-	-	507,710
Total Fund Balances	<u>2,518,662</u>	<u>646,085</u>	<u>2,784,194</u>	<u>507,710</u>
Total Liabilities and Fund Balances	<u>\$ 3,065,165</u>	<u>\$ 963,908</u>	<u>\$ 3,995,294</u>	<u>\$ 507,710</u>

See accompanying note to supplementary information.

Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ 9,416,381	\$ 9,695,357	\$ 24,209,438
-	-	2,500,027
-	-	818,129
-	-	116,221
<u>\$ 9,416,381</u>	<u>\$ 9,695,357</u>	<u>\$ 27,643,815</u>

\$ 15,446	\$ -	\$ 887,443
1,098,898	-	2,246,556
-	-	55,771
<u>1,114,344</u>	<u>-</u>	<u>3,189,770</u>

-	-	116,221
8,302,037	9,695,357	23,830,114
-	-	507,710
<u>8,302,037</u>	<u>9,695,357</u>	<u>24,454,045</u>

<u>\$ 9,416,381</u>	<u>\$ 9,695,357</u>	<u>\$ 27,643,815</u>
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PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	Charter School Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES				
Local control funding formula	\$ 15,223,632	\$ -	\$ -	\$ -
Federal sources	-	372,581	9,610,451	-
Other state sources	1,777,282	3,233,808	877,429	-
Other local sources	41,005	684,500	643,332	31,677
Total Revenues	<u>17,041,919</u>	<u>4,290,889</u>	<u>11,131,212</u>	<u>31,677</u>
EXPENDITURES				
Current				
Instruction	10,083,912	1,942,811	-	-
Instruction-related activities:				
Supervision of instruction	257,787	1,987,959	-	-
Instructional library, media and technology	301,681	63,103	-	-
School site administration	5,255,331	15,805	-	-
Pupil services:				
Food services	-	-	11,830,743	-
All other pupil services	195,858	73,456	-	-
Administration:				
All other administration	-	74,590	397,389	-
Plant services	462,311	197,948	21,362	15,831
Ancillary services	46,291	-	-	-
Capital Outlay	377,626	-	-	26,378
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	<u>16,980,797</u>	<u>4,355,672</u>	<u>12,249,494</u>	<u>42,209</u>
Excess of Expenditures Over Revenues	<u>61,122</u>	<u>(64,783)</u>	<u>(1,118,282)</u>	<u>(10,532)</u>
Other Financing Sources (Uses)				
Transfers in	83,934	-	12,678	-
Other sources	-	-	-	-
Net Financing Sources (Uses)	<u>83,934</u>	<u>-</u>	<u>12,678</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>145,056</u>	<u>(64,783)</u>	<u>(1,105,604)</u>	<u>(10,532)</u>
Fund Balance - Beginning	<u>2,373,606</u>	<u>710,868</u>	<u>3,889,798</u>	<u>518,242</u>
Fund Balance - Ending	<u>\$ 2,518,662</u>	<u>\$ 646,085</u>	<u>\$ 2,784,194</u>	<u>\$ 507,710</u>

See accompanying note to supplementary information

Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ 15,223,632
-	-	9,983,032
-	56,736	5,945,255
1,256,374	10,079,725	12,736,613
<u>1,256,374</u>	<u>10,136,461</u>	<u>43,888,532</u>
-	-	12,026,723
-	-	2,245,746
-	-	364,784
-	-	5,271,136
-	-	11,830,743
-	-	269,314
-	-	471,979
451,266	-	1,148,718
-	-	46,291
12,402,371	-	12,806,375
-	5,555,000	5,555,000
413,192	7,102,395	7,515,587
<u>13,266,829</u>	<u>12,657,395</u>	<u>59,552,396</u>
<u>(12,010,455)</u>	<u>(2,520,934)</u>	<u>(15,663,864)</u>
-	-	96,612
16,413,192	-	16,413,192
<u>16,413,192</u>	<u>-</u>	<u>16,509,804</u>
4,402,737	(2,520,934)	845,940
3,899,300	12,216,291	23,608,105
<u>\$ 8,302,037</u>	<u>\$ 9,695,357</u>	<u>\$ 24,454,045</u>

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that had been recorded as revenues in the fiscal year ended June 30, 2018 then spent during the fiscal year ended June 30, 2019. The unspent balances are reported as legally restricted ending fund balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures and Changes in Fund Balances:		\$ 38,479,492
Add: Fair Market Value of Commodities not recorded in the financial statements	10,555	608,808
Total Schedule of Expenditures of Federal Awards		<u>\$ 39,088,300</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-1987 requirement, as required by *Education Code* Section 46201.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2019

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the School District, and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

Charter School Statement of Changes in Fund Balances

The charter school schedule of changes in fund balances provides information about the changes in fund balance in each of the five charter schools operated by the District.

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

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

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INDEPENDENT AUDITOR'S REPORTS

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**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***

Governing Board
Pajaro Valley Unified School District
Watsonville, 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 Pajaro Valley Unified School District (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Eide Bailly LLP

Palo Alto, California
December 15, 2019



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

Governing Board
Pajaro Valley Unified School District
Watsonville, California

Report on Compliance for Each Major Federal Program

We have audited Pajaro Valley Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pajaro Valley Unified School District's (District) major Federal programs for the year ended June 30, 2019. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 a major Federal program occurred. An audit includes examining, on a test basis, evidence about the 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 for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Eide Saily LLP

Palo Alto, California
December 15, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Pajaro Valley Unified School District
Watsonville, California

Report on State Compliance

We have audited Pajaro Valley Unified School District's (District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the 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 opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	Yes
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	Yes
Determination of Funding for Non Classroom-Based Instruction	Yes
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

The District does not have a Charter School Facility Grant Program; therefore, we did not perform any procedures for Charter School Facility Grant Program.

Eide Sully LLP

Palo Alto, California
December 15, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies)?	<u>None reported</u>
Type of auditor's report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,172,649</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for all other programs:	<u>Unmodified</u>
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PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

PAJARO VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no findings in the prior year.