



Annual Financial Report  
June 30, 2020

# Pajaro Valley Unified School District

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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 2020, 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 on pages 5-13, General Fund – Budgetary Comparison Schedule, Charter Schools Fund – Budgetary Comparison Schedule, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Contributions, Schedule of Investment Returns, Schedule of the Proportionate Share of the Net Pension Liabilities and Schedule of Contributions on pages 68 through 74, 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 April 21, 2021, 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Menlo Park, California  
April 21, 2021



## PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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

### Management's Discussion and Analysis

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The Management's Discussion and Analysis section of the 2019-2020 Annual Financial Audit summarizes the District's changes in financial position during the fiscal year ending June 30, 2020. The District's financial statements adhere to standards and requirements prescribed under the Governmental Accounting Standards Board (GASB).

#### 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 generally accepted accounting principles.

- 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.

The District is a primary government represented in this report. 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.

### **Financial Highlights of the Past Year**

- The District's net position decreased by \$47 million as a result of this year's changes in pension liabilities and OPEB liabilities. The changes were related in the discount rates and rate of returns on investments dedicated for pension liabilities.
- The District had expenses increased \$11 million over last year mainly due to changes in salaries and benefits. The District's total expenses for the current year were at \$364 million compared to \$354 million last year.
- In the District's net OPEB liability increased from \$86 to \$106 million due to the change in the discount rate which is tied to the 20 year municipal bond index. The District's funded amount of the OPEB liability is at \$3.2 million.
- The General Fund reported a decrease in fund balance of \$8.4 million and the ending fund balance of the general fund was \$18.6 million.
- The District spent \$18 million on school modernization projects and the remaining unspent proceeds from the District's general obligation bonds are at \$39 million at year-end.

### **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.



### **Reporting the District's Most Significant Funds**

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.

### **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 governmentwide 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.

**Net Position**

The District's net position was a deficit of \$232 million and a deficit of \$185 million for the fiscal years ended June 30, 2020 and 2019, respectively. Of this amount, a deficit net position of \$274 million and \$246 million were unrestricted for fiscal years ending June 30, 2020 and 2019, 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			
	2020	2019	Var\$	Var%
<b>Assets</b>				
Current and other assets	\$ 113,600,089	\$ 147,283,961	\$ (33,683,872)	-22.9%
Capital assets	193,108,673	184,945,867	8,162,806	4.4%
Total assets	<u>306,708,762</u>	<u>332,229,828</u>	<u>(25,521,066)</u>	<u>-7.7%</u>
Deferred outflows of resources	<u>98,582,106</u>	<u>77,555,284</u>	<u>21,026,822</u>	<u>27.1%</u>
<b>Liabilities</b>				
Current liabilities	25,119,065	29,047,530	(3,928,465)	-13.5%
Long-term liabilities	592,503,795	545,188,562	47,315,233	8.7%
Total liabilities	<u>617,622,860</u>	<u>574,236,092</u>	<u>43,386,768</u>	<u>7.6%</u>
Deferred inflows of resources	<u>19,780,881</u>	<u>20,528,679</u>	<u>(747,798)</u>	<u>-3.6%</u>
<b>Net Position (deficit)</b>				
Net investment in capital assets	20,472,067	29,157,057	(8,684,990)	-29.8%
Restricted	22,187,235	31,563,441	(9,376,206)	-29.7%
Unrestricted	<u>(274,772,175)</u>	<u>(245,700,157)</u>	<u>(29,072,018)</u>	<u>11.8%</u>
Total net deficit position	<u><u>\$ (232,112,873)</u></u>	<u><u>\$ (184,979,659)</u></u>	<u><u>\$ (47,133,214)</u></u>	<u><u>25.5%</u></u>

The deficit unrestricted net position of \$232 million represents the accumulated results of all past years' operations. The deficit net position resulted from the unfunded pension and OPEB liabilities.

**Changes in Net Position**

The results of 2019-2020 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: Governmental Activities			
	2020	2019	Var\$	Var%
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 666,652	\$ 970,000	\$ (303,348)	-31.3%
Operating grants and contributions	84,516,756	89,422,174	(4,905,418)	-5.5%
General revenues				
Federal and State aid not restricted	133,906,284	132,235,802	1,670,482	1.3%
Property taxes	91,295,217	88,118,792	3,176,425	3.6%
Other general revenues	6,997,248	7,821,083	(823,835)	-10.5%
Total revenues	317,382,157	318,567,851	(1,185,694)	-0.4%
<b>Expenses</b>				
Instruction-related	261,981,385	252,694,289	9,287,096	3.7%
Pupil services	49,771,683	47,440,236	2,331,447	4.9%
Administration	8,256,307	13,849,674	(5,593,367)	-40.4%
Plant services	25,494,594	27,238,983	(1,744,389)	-6.4%
Other	19,011,402	12,775,886	6,235,516	48.8%
Total expenses	364,515,371	353,999,068	10,516,303	3.0%
Change in net position	\$ (47,133,214)	\$ (35,431,217)	\$ (11,701,997)	33.0%

**Governmental Activities**

As reported in the Statement of Activities, the cost of all governmental activities in 2019-2020 was \$365 million. However, the amount that District taxpayers ultimately financed for related activities through local taxes was only \$279 million. This is because \$84 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 State and federal funds and with other revenues, such as interest and general entitlements.

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.

	2020	2019	Var\$	Var%
Instruction	\$ 261,981,385	\$ 185,981,249	\$ 76,000,136	40.9%
Pupil services	49,771,683	29,708,692	20,062,991	67.5%
Administration	8,256,307	11,310,235	(3,053,928)	-27.0%
Plant services	25,494,594	25,788,156	(293,562)	-1.1%
All other services	19,011,402	10,818,562	8,192,840	75.7%
Total	\$ 364,515,371	\$ 263,606,894	\$ 100,908,477	38.3%

**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 2019-2020, the District's ending balance decreased by \$8 million. This was primarily due to an increase in expenditures. District staff provided the Board of Trustees 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](http://www.pvUSD.net)) in the Business Services section.

2019-2020 fiscal year was the seventh 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 2020-2021 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, 2020 and 2019, the District had \$193 million and \$185 million, net of depreciation in a broad range of capital assets including land, buildings, furniture and equipment. The District's capital outlays were \$25 million and mainly funded with proceeds from general obligation bonds.

	Table 4: Governmental Activities			
	2020	2019	Var\$	Var%
Land and construction in progress	\$ 78,148,900	\$ 81,449,321	\$ (3,300,421)	-4.1%
Buildings and improvements	112,097,762	100,171,349	11,926,413	11.9%
Equipment	2,862,011	3,325,197	(463,186)	-13.9%
Total	\$ 193,108,673	\$ 184,945,867	\$ 8,162,806	4.4%

This year's additions to capital assets are primarily from the site improvement and Measure L projects at various sites. Projects were started using the District's Measure L general obligation bond funds and approximately \$20 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 \$193.3 million in bonds outstanding. The District's long-term debt is summarized below.

	Table 5: Governmental Activities			
	2020	0	Var\$	Var%
Long-Term Liabilities				
General obligation bonds	\$ 193,342,923	\$ 189,192,252	\$ 4,150,671	2.2%
Unamortized bond premiums	11,132,658	11,652,867	(520,209)	-4.5%
Certificates of participation	15,335,000	16,160,000	(825,000)	-5.1%
Unamortized COP premiums	237,367	253,192	(15,825)	-6.3%
Compensated absences	1,643,474	1,641,899	1,575	0.1%
Net OPEB liability	105,830,065	85,571,880	20,258,185	23.7%
Aggregate net pension liability	262,511,358	240,688,770	21,822,588	9.1%
Total	\$ 590,032,845	\$ 545,160,860	\$ 44,871,985	8.2%

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.

**Net Pension Liability (NPL) and Net OPEB Liability (NOL)**

The District reported \$262.5 million and \$240.7 million net pension liability in its statement of net position in 2019-2020 and 2018-2019, respectively. In addition, the District reported \$106 million and \$86 million in net OPEB liabilities for the same years. The increases in these liabilities were mainly related to change in the investment returns and a change in the discount rate.

**Fiscal Outlook for 2020-2021**

In considering the District Budget for the 2020-2021 year, the District Board and management evaluates many factors. Major factors impacting the District are the economy and changes in enrollment. The District creates a projection of LCFF revenue based on the FCMAT/BASC calculator. The District's ADA has been projected using a reduction in ADA based on lower enrollment numbers. Additionally, the District has forecasted for employee benefits increases. A significant portion of the employee benefits increases are the result of STRS and PERS (employee retirement systems) increasing rates. These indicators were taken into account when adopting the General Fund budget for 2020-2021. Amounts available for appropriation in the General Fund budget are \$228.1 million a decrease of 9.5 percent compared to the \$251.9 million in 2019-2020.

**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:

Director of Fiscal Services  
294 Green Valley Road, Watsonville, CA 95076

Pajaro Valley Unified School District  
Statement of Net Position  
June 30, 2020

	Governmental Activities
<b>Assets</b>	
Deposits and investments	\$ 79,551,004
Receivables	33,439,843
Prepaid items	137,030
Stores inventories	472,212
Capital assets not depreciated	78,148,900
Capital assets, net of accumulated depreciation	114,959,773
Total assets	306,708,762
<b>Deferred Outflows of Resources</b>	
Deferred charge on refunding	8,054,786
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	11,457,818
Deferred outflows of resources related to pensions	79,069,502
Total deferred outflows of resources	98,582,106
<b>Liabilities</b>	
Accounts payable	16,250,525
Interest payable	2,955,221
Unearned revenue	5,913,319
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	8,605,343
Long-term liabilities other than OPEB and pensions due in more than one year	215,557,029
Net other postemployment benefits liabilities - due in more than one year	105,830,065
Aggregate net pension liabilities - due in more than one year	262,511,358
Total liabilities	617,622,860



Pajaro Valley Unified School District  
Statement of Net Position  
June 30, 2020

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	Governmental Activities
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	\$ 25,045
Deferred inflows of resources related to pensions	19,755,836
Total deferred inflows of resources	19,780,881
Net Position	
Net investment in capital assets	20,472,067
Restricted for	
Debt service	5,991,395
Capital projects	7,852,894
Food services	3,015,848
Educational programs	5,327,098
Unrestricted deficit	(274,772,175)
Total net position	\$ (232,112,873)

Pajaro Valley Unified School District

Statement of Activities  
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction	\$ 202,292,117	\$ 65,696	\$ 44,669,960	\$ (157,556,461)
Instruction-related activities				
Supervision of instruction	31,331,426	20,608	15,061,862	(16,248,956)
Instructional library, media, and techn	5,328,795	2,445	520,793	(4,805,557)
School site administration	23,029,047	383	797,742	(22,230,922)
Pupil services				
Home-to-school transportation	8,558,729	-	-	(8,558,729)
Food services	12,803,574	381,002	11,639,665	(782,907)
All other pupil services	28,409,380	4,730	6,695,417	(21,709,233)
Administration				
Data processing	3,516,103	907	18,615	(3,496,581)
All other administration	4,740,204	19,005	2,594,773	(2,126,426)
Plant services	25,494,594	23,806	1,247,559	(24,223,229)
Ancillary services	3,087,846	5,498	144,023	(2,938,325)
Community services	24,044	44	349	(23,651)
Enterprise services	5,450,134	-	-	(5,450,134)
Interest on long-term liabilities	10,234,561	-	-	(10,234,561)
Other outgo	214,817	142,528	1,125,998	1,053,709
Total governmental activities	<u>364,515,371</u>	<u>666,652</u>	<u>84,516,756</u>	<u>(279,331,963)</u>
Total primary government	<u>\$ 364,515,371</u>	<u>\$ 666,652</u>	<u>\$ 84,516,756</u>	<u>(279,331,963)</u>
<b>General Revenues and Subventions</b>				
Property taxes, levied for general purposes				78,945,769
Property taxes, levied for debt service				11,323,148
Taxes levied for other specific purposes				1,026,300
Federal and State aid not restricted to specific purposes				133,906,284
Interest and investment earnings				424,296
Miscellaneous				6,572,952
Total general revenues and transfers				<u>232,198,749</u>
Change in Net Position				(47,133,214)
Net Deficit Position - Beginning				<u>(184,979,659)</u>
Net Deficit Position - Ending				<u>\$ (232,112,873)</u>

Pajaro Valley Unified School District

Balance Sheet - Governmental Funds

June 30, 2020

	General Fund	Charter Schools Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Deposits and investments	\$ 10,291,144	\$ 4,019,145	\$ 40,666,785	\$ 19,480,190	\$ 74,457,264
Receivables	25,043,115	1,394,078	-	5,545,621	31,982,814
Due from other funds	440,757	-	143,865	-	584,622
Prepaid items	137,030	-	-	-	137,030
Stores inventories	151,536	-	-	320,676	472,212
<b>Total assets</b>	<b>\$ 36,063,582</b>	<b>\$ 5,413,223</b>	<b>\$ 40,810,650</b>	<b>\$ 25,346,487</b>	<b>\$ 107,633,942</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 12,503,008	\$ 304,368	\$ 1,454,094	\$ 1,836,076	\$ 16,097,546
Due to other funds	25,436	3,033,257	-	1,016,107	4,074,800
Unearned revenue	4,851,706	-	-	1,061,613	5,913,319
<b>Total liabilities</b>	<b>17,380,150</b>	<b>3,337,625</b>	<b>1,454,094</b>	<b>3,913,796</b>	<b>26,085,665</b>
<b>Fund Balances</b>					
Nonspendable	438,566	-	-	320,676	759,242
Restricted	1,634,167	2,075,598	39,356,556	21,112,015	64,178,336
Committed	2,299,057	-	-	-	2,299,057
Unassigned	14,311,642	-	-	-	14,311,642
<b>Total fund balances</b>	<b>18,683,432</b>	<b>2,075,598</b>	<b>39,356,556</b>	<b>21,432,691</b>	<b>81,548,277</b>
<b>Total liabilities and fund balances</b>	<b>\$ 36,063,582</b>	<b>\$ 5,413,223</b>	<b>\$ 40,810,650</b>	<b>\$ 25,346,487</b>	<b>\$ 107,633,942</b>

Pajaro Valley Unified School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position - Governmental Funds

June 30, 2020

Total Fund Balance - Governmental Funds		\$ 81,548,277
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
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	\$ 417,466,400	
Accumulated depreciation is	<u>(224,357,727)</u>	
Net capital assets		193,108,673
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		
		(2,955,221)
An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		
		7,417,018
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings	8,054,786	
Net Other postemployment benefits liability (OPEB)	11,457,818	
Net pension liabilities	<u>79,069,502</u>	
Total deferred outflows of resources		98,582,106
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Net Other postemployment benefits liability	(25,045)	
Net pension liabilities	<u>(19,755,836)</u>	
Total deferred inflows of resources		(19,780,881)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(262,511,358)

Pajaro Valley Unified School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position - Governmental Funds

June 30, 2020

The District's net OPEB liability is not due and payable in the current period,  
and is not reported as a liability in the funds. (105,830,065)

Long-term liabilities are not due and payable in the current period  
and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of		
General obligation bonds	\$ (204,475,581)	
Certificates of participation	(15,572,367)	
Compensated absences (vacations)	<u>(1,643,474)</u>	
Total long-term liabilities		<u>(221,691,422)</u>
Total net position - governmental activities		<u><u>\$ (232,112,873)</u></u>

Pajaro Valley Unified School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  
Year Ended June 30, 2020

	General Fund	Charter Schools Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local Control Funding Formula	\$ 192,293,045	\$ 16,174,690	\$ -	\$ -	\$ 208,467,735
Federal sources	17,696,996	-	-	20,453,581	38,150,577
Other State sources	37,954,560	1,113,034	-	11,886,373	50,953,967
Other local sources	3,951,151	50,724	916,420	14,346,501	19,264,796
<b>Total revenues</b>	<b>251,895,752</b>	<b>17,338,448</b>	<b>916,420</b>	<b>46,686,455</b>	<b>316,837,075</b>
<b>Expenditures</b>					
<b>Current</b>					
Instruction	150,758,228	10,468,122	-	12,132,244	173,358,594
Instruction-related activities					
Supervision of instruction	22,425,289	245,432	-	4,947,226	27,617,947
Instructional library, media, and technology	4,438,169	283,329	-	156,663	4,878,161
School site administration	14,558,760	5,918,949	-	33,191	20,510,900
Pupil services					
Home-to-school transportation	7,906,105	-	-	-	7,906,105
Food services	13,934	-	-	11,813,336	11,827,270
All other pupil services	23,039,710	230,260	-	1,730,069	25,000,039
Administration					
Data processing	3,188,892	-	-	-	3,188,892
All other administration	6,949,601	-	-	1,260,677	8,210,278
Plant services	19,615,696	448,904	1,861,877	1,624,903	23,551,380
Ancillary services	2,711,592	37,301	-	-	2,748,893
Community services	22,210	-	-	-	22,210
Other outgo	214,817	-	-	-	214,817
Capital outlay	4,456,922	204,018	18,144,420	1,775,230	24,580,590
Debt service					
Principal	825,000	-	-	5,205,000	6,030,000
Interest and other	836,753	-	-	7,490,801	8,327,554
<b>Total expenditures</b>	<b>261,961,678</b>	<b>17,836,315</b>	<b>20,006,297</b>	<b>48,169,340</b>	<b>347,973,630</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(10,065,926)</b>	<b>(497,867)</b>	<b>(19,089,877)</b>	<b>(1,482,885)</b>	<b>(31,136,555)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,897,467	54,803	-	152,712	2,104,982
Proceeds from sale of bonds	-	-	-	50,000,585	50,000,585
Transfers out	(207,515)	-	(1,897,467)	-	(2,104,982)
Payments to escrow agent	-	-	-	(49,466,170)	(49,466,170)
<b>Net Financing Sources (Uses)</b>	<b>1,689,952</b>	<b>54,803</b>	<b>(1,897,467)</b>	<b>687,127</b>	<b>534,415</b>
<b>Net Change in Fund Balances</b>	<b>(8,375,974)</b>	<b>(443,064)</b>	<b>(20,987,344)</b>	<b>(795,758)</b>	<b>(30,602,140)</b>
Fund Balance - Beginning	27,059,406	2,518,662	60,343,900	22,228,449	112,150,417
<b>Fund Balance - Ending</b>	<b>\$ 18,683,432</b>	<b>\$ 2,075,598</b>	<b>\$ 39,356,556</b>	<b>\$ 21,432,691</b>	<b>\$ 81,548,277</b>

Pajaro Valley Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of  
 Activities - Governmental Funds  
 Year Ended June 30, 2020

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Total Net Change in Fund Balances - Governmental Funds \$ (30,602,140)

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 depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (16,417,784)	
Capital outlays	24,580,590	
Net expense adjustment		8,162,806

The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (1,610,671)

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). This amount is the difference between vacation earned and used. (1,575)

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. (17,784,109)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year. (9,248,387)

Proceeds received from Certificates of Participation or Sale of Bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. (50,535,000)

Pajaro Valley Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of  
 Activities - Governmental Funds  
 Year Ended June 30, 2020

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Deferred amounts on refunding (the difference between the reacquisition price of the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.	6,929,185
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium amortization	536,034
Payment of principal on long-term liabilities 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.	
General obligation bonds	47,995,000
Certificates of participation	825,000
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.	(1,084,308)
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
Interest on long-term liabilities 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 accretes or accrues, regardless of when it is due.	(16,555)
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	<u>(726,196)</u>
Change in net position of governmental activities	<u><u>\$ (47,133,214)</u></u>



Pajaro Valley Unified School District  
Statement of Net Position - Proprietary Fund  
June 30, 2020

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	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Current assets	
Deposits and investments	\$ 5,093,740
Due from other funds	<u>4,947,207</u>
Total assets	<u>10,040,947</u>
Liabilities	
Current liabilities	
Accounts payable	152,979
Claims liability	<u>617,738</u>
Total current liabilities	<u>770,717</u>
Noncurrent liabilities	
Claims liability	<u>1,853,213</u>
Total noncurrent liabilities	<u>1,853,213</u>
Total liabilities	<u>2,623,929</u>
Net Position	
Unrestricted	<u>7,417,018</u>
Total net position	<u><u>\$ 7,417,018</u></u>

Pajaro Valley Unified School District  
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund  
Year Ended June 30, 2020

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	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues	
Charges for services	<u>\$ 4,360,771</u>
Total operating revenues	<u>4,360,771</u>
Operating Expenses	
Insurance	<u>5,274,232</u>
Total operating expenses	<u>5,274,232</u>
Operating Income (Loss)	<u>(913,461)</u>
Nonoperating Revenues (Expenses)	
Interest income	<u>187,265</u>
Total nonoperating revenues (expenses)	<u>187,265</u>
Income (loss) before capital contributions and transfers	<u>(726,196)</u>
Change in Net Position	(726,196)
Total Net Position - Beginning	<u>8,143,214</u>
Total Net Position - Ending	<u><u>\$ 7,417,018</u></u>

Pajaro Valley Unified School District  
Statement of Cash Flows - Proprietary Fund  
Year Ended June 30, 2020

	<u>Governmental Activities - Internal Service Fund</u>
Operating Activities	
Cash received from district funds	\$ 4,360,771
Cash payments for insurance premiums or settlements	<u>(6,490,015)</u>
Net Cash (Used for) Operating Activities	<u>(2,129,244)</u>
Noncapital Financing Activities	
Transfer from district funds	<u>209,597</u>
Investing Activities	
Interest on investments	<u>187,265</u>
Net Change in Cash and Cash Equivalents	(1,732,382)
Cash and Cash Equivalents, Beginning	<u>6,826,122</u>
Cash and Cash Equivalents, Ending	<u>\$ 5,093,740</u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities	
Operating (loss)	\$ (913,461)
Adjustments to reconcile operating (loss) to net cash (used for) operating activities	
Changes in assets and liabilities	
Accounts payable	(243,021)
Claims liability	<u>(972,762)</u>
Net Cash Used For Operating Activities	<u>\$ (2,129,244)</u>

Pajaro Valley Unified School District  
Statement of Net Position - Fiduciary Funds  
June 30, 2020

	Retiree Benefits Trust	Scholarship Trust
<b>Assets</b>		
Cash in county treasury	\$ 1,487,143	\$ 2,365,404
Equity mutual funds	3,209,866	-
Receivables	-	10,000
Due from other funds	-	25,436
<b>Total assets</b>	<b>4,697,009</b>	<b>2,400,840</b>
<b>Liabilities</b>		
Accounts payable	-	284,463
Due to student groups	-	-
Due to other funds	1,482,465	-
<b>Total liabilities</b>	<b>1,482,465</b>	<b>284,463</b>
<b>Net Position</b>		
Restricted for retiree benefits	3,214,544	-
Held in trusts for scholarships	-	2,116,377
<b>Total net position</b>	<b>\$ 3,214,544</b>	<b>\$ 2,116,377</b>

Pajaro Valley Unified School District  
Statement of Changes in Net Position - Fiduciary Funds  
Year Ended June 30, 2020

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	Retiree Benefits Trust	Scholarship Trust
Additions		
Private donations	\$ -	\$ 296,025
Employer contributions	4,156,065	-
Investment income	153,223	-
Interest	-	63,279
Total additions	4,309,288	359,304
Deductions		
Benefit payments	4,156,065	-
Administrative expense	34,170	-
Scholarships awarded	-	214,512
Total deductions	4,190,235	214,512
Change in Net Position	119,053	144,792
Net Position - Beginning	3,095,491	1,971,585
Net Position - Ending	\$ 3,214,544	\$ 2,116,377

## **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.

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, an independent charter school is not included in the primary government and is not considered a component unit of the District. Separate financial statements are not issued for the dependent charter schools of the District.

### **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 funds.

**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

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.

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.

The *Charter Schools 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.

### Non-Major Governmental 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.

- 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.
- 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.
- The *Cafeteria Fund* is used to account separately for federal, State, and local resources to operate the food service program and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program.
- The *Deferred Maintenance Fund* is used to account separately for revenues that are restricted or committed for deferred maintenance purposes.

*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.

- The *Bond Interest and Redemption Fund* is used for the repayment of bonds issued for a District.

*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).

- 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.

*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* 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* 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 funds*. 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 funds* (ASB).

### **Basis of Accounting - Measurement Focus**

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 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 governmental 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.
- **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 365 days after year-end.

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 levied. 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.

### **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.

### **Investments**

Investments held at June 30, 2020, 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.

**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.

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, 2020, 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.

### 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.

**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 activities columns of the statement of activities.

**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.

### **Effective in this fiscal year**

GASB Statement No. 95 – In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 or later. For the District, the requirements became effective for FY 2019/2020. The dates noted below were modified to include the postponement.

### **Effective in future fiscal years**

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance related to 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, 2019, or the FY 2020/2021. The District is evaluating the impact of this Statement on the financial statements.

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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2020, or FY 2021/2022. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. 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 the financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 or FY 2021/2022. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 90 – In August 2018, GASB issued Statement No. 90, *Majority Equity Interest, an amendment of GASB statement No. 14 and No. 61*. 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, 2019 or FY 2020/2021. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures 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 reporting periods beginning after December 15, 2021 or FY 2022/2023. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement is to establish accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 or FY 2021/2022, except for the requirement relating to Statement 87 and Implementation Guide 2019-3; reinsurance recoveries, and terminology used to refer to derivative instruments which are effective upon issuance. The District is evaluating the impact of this Statement on the financial statements.



GASB Statement No. 93 – In May 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement is to address those and other accounting and reporting implications resulting from the replacement of an IBOR by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced and providing clarification to the hedge accounting termination provisions, removing LIBOR as a benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap and providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 or FY 2021/2022, except the removal of LIBOR as a benchmark interest rate which is effective for periods beginning after December 31, 2022 or FY 2023/2024. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objectives of this Statement improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 or FY 2022/2023. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 or FY 2022/2023. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The objective of this Statement is (1) to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 or FY 2021/2022. The District is evaluating the impact of this Statement on the financial statements.

**Note 2 - Deposits and Investments**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 74,457,264
Proprietary funds	5,093,740
Fiduciary funds	<u>4,129,053</u>
Total deposits and investments	<u>\$ 83,680,057</u>

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	\$ 6,381,759
Cash in revolving	150,000
Investments	<u>70,766,539</u>
Total deposits and investments	<u>\$ 83,680,057</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.

### 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	None
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, 2020.

**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.

**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, 2020, 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.

**Note 4 - Receivables**

Receivables at June 30, 2020, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	Governmental Funds			Total	Fiduciary Funds
	General Fund	Charter Schools Fund	Non-Major Governmental Funds		
Federal Government					
Categorical aid	\$ 6,736,171	\$ -	\$ 4,023,977	\$ 10,760,148	\$ -
State Government					
LCFF apportionment	195,177	1,394,078	-	1,589,255	-
Categorical aid	3,106,347	-	1,149,756	4,256,103	-
Lottery	666,149	-	-	666,149	-
Local Government					
Other local sources	14,339,271	-	371,888	14,711,159	10,000
Total	<u>\$ 25,043,115</u>	<u>\$ 1,394,078</u>	<u>\$ 5,545,621</u>	<u>\$ 31,982,814</u>	<u>\$ 10,000</u>

**Note 5 - Capital Assets**

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

	Balance January 0, 1900	Additions	Deductions	Balance June 30, 2020
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 18,655,144	\$ -	\$ -	\$ 18,655,144
Construction in progress	62,794,177	24,580,590	(27,881,011)	59,493,756
<b>Total capital assets not being depreciated</b>	<b>81,449,321</b>	<b>24,580,590</b>	<b>(27,881,011)</b>	<b>78,148,900</b>
Capital assets being depreciated				
Land improvements	7,907,150	21,864,511	-	29,771,661
Buildings and improvements	294,315,431	5,983,294	-	300,298,725
Furniture and equipment	9,213,908	33,206	-	9,247,114
<b>Total capital assets being depreciated</b>	<b>311,436,489</b>	<b>27,881,011</b>	<b>-</b>	<b>339,317,500</b>
<b>Total capital assets</b>	<b>392,885,810</b>	<b>52,461,601</b>	<b>(27,881,011)</b>	<b>417,466,400</b>
Accumulated depreciation				
Land improvements	(1,465,344)	(4,003,324)	-	(5,468,668)
Buildings and improvements	(200,585,888)	(11,918,068)	-	(212,503,956)
Furniture and equipment	(5,888,711)	(496,392)	-	(6,385,103)
<b>Total accumulated depreciation</b>	<b>(207,939,943)</b>	<b>(16,417,784)</b>	<b>-</b>	<b>(224,357,727)</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 184,945,867</b>	<b>\$ 36,043,817</b>	<b>\$ (27,881,011)</b>	<b>\$ 193,108,673</b>

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

Governmental Activities	
Instruction	\$ 9,216,927
Supervision of instruction	1,468,358
Instructional library, media, and technology	259,356
School site administration	1,090,499
Home-to-school transportation	420,342
Food services	628,818
All other pupil services	1,329,173
Data processing	169,543
All other administration	436,419
Plant services	1,251,018
Ancillary services	146,150
Community Services	1,181
	<u>16,417,784</u>
Total depreciation expenses governmental activities	<u>\$ 16,417,784</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, 2020, between major and non-major governmental funds, and proprietary funds are as follows:

Due To	Due From				Total
	General Fund	Building Fund	Proprietary Funds	Fiduciary Funds	
General Fund	\$ -	\$ -	\$ -	\$ 25,436	\$ 25,436
Charter Schools	440,757	143,865	2,448,635	-	3,033,257
Non-Major Governmental Funds	-	-	1,016,107	-	1,016,107
Fiduciary Funds	-	-	1,482,465	-	1,482,465
	<u>440,757</u>	<u>143,865</u>	<u>4,947,207</u>	<u>25,436</u>	<u>5,557,265</u>
Total	<u>\$ 440,757</u>	<u>\$ 143,865</u>	<u>\$ 4,947,207</u>	<u>\$ 25,436</u>	<u>\$ 5,557,265</u>

**Interfund Transfers**

Interfund transfers for the year ended June 30, 2020, consisted of the following:

Transfer To	Transfer From			Total
	General Fund	Charter School Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 54,803	\$ 152,712	\$ 207,515
Building Fund	<u>1,897,467</u>	<u>-</u>	<u>-</u>	<u>1,897,467</u>
Total	<u>\$ 1,897,467</u>	<u>\$ 54,803</u>	<u>\$ 152,712</u>	<u>\$ 2,104,982</u>

General Fund transferred to Charter Schools to cover deficit spending	\$ 54,803
The General Fund transferred to the Child Development Fund to support the Child Development Program.	143,297
The General Fund transferred to the Cafeteria Fund to support the District's cafeteria operations including providing assistance to student outstanding accounts	9,415
Building Fund transferred to the General Fund for services provided in bond measures	<u>1,897,467</u>
Total	<u>\$ 2,104,982</u>

**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 \$8,054,786 balance of the deferred outflows of resources at June 30, 2020 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, 2019	Accretion/ Additions	Deductions	Balance June 30, 2020
Deferred charges on refunding	<u>\$ 1,125,601</u>	<u>\$ 7,210,585</u>	<u>\$ 281,400</u>	<u>\$ 8,054,786</u>



**Note 8 - Accounts Payable**

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

	General Fund	Charter School Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Funds	Fiduciary Funds
Vendor payables	\$ 2,703,802	\$ 211,085	\$ 1,454,094	\$ 1,131,178	\$ 5,500,159	\$ 152,979	\$ 284,463
Salaries and benefits	9,799,206	93,283	-	704,898	10,597,387	-	-
Total	<u>\$ 12,503,008</u>	<u>\$ 304,368</u>	<u>\$ 1,454,094</u>	<u>\$ 1,836,076</u>	<u>\$ 16,097,546</u>	<u>\$ 152,979</u>	<u>\$ 284,463</u>

**Note 9 - Unearned Revenue**

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

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 2,026,594	\$ 728,127	\$ 2,754,721
State categorical aid	700,704	-	700,704
Other local	2,124,408	333,486	2,457,894
Total	<u>\$ 4,851,706</u>	<u>\$ 1,061,613</u>	<u>\$ 5,913,319</u>

**Note 10 - Long-Term Obligations**

**Summary**

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

	Balance January 0, 1900	Additions	Deductions	Balance June 30, 2020	Due in One Year
<b>Long-Term Liabilities</b>					
General obligation bonds	\$ 189,192,252	\$ 52,145,671	\$ (47,995,000)	\$ 193,342,923	\$ 6,215,000
Unamortized bond premiums	11,652,867	-	(520,209)	11,132,658	-
Certificates of participation	16,160,000	-	(825,000)	15,335,000	540,000
Unamortized COP premiums	253,192	-	(15,825)	237,367	-
Supplemental employees retirement benefits	27,702	-	(27,702)	-	-
Compensated absences	1,641,899	657,099	(655,524)	1,643,474	1,232,606
Claims liability	3,839,712	257,650	(1,626,412)	2,470,950	617,738
<b>Total</b>	<b>\$ 222,767,624</b>	<b>\$ 53,060,420</b>	<b>\$ (51,665,672)</b>	<b>\$ 224,162,372</b>	<b>\$ 8,605,343</b>

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:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding January 0, 1900	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
2005	2030	3.00%-5.31%	\$ 18,254,288	\$ 30,472,252	\$ -	\$ 1,610,671	\$ -	\$ 32,082,923
2013	2048	3.00%-5.00%	68,540,000	63,320,000	-	-	(34,700,000)	28,620,000
2013	2038	0.63%-5.12%	11,460,000	11,150,000	-	-	(8,230,000)	2,920,000
2013	2023	0.73%-3.19%	19,675,000	11,285,000	-	-	(2,755,000)	8,530,000
2013	2023	2.00%-4.00%	9,765,000	5,875,000	-	-	(1,410,000)	4,465,000
2016	2045	2.00%-5.00%	40,000,000	37,090,000	-	-	(400,000)	36,690,000
2018	2047	4.00%-5.00%	30,000,000	30,000,000	-	-	(500,000)	29,500,000
2020	2044	0.82%-2.84%	50,535,000	-	50,535,000	-	-	50,535,000
				<b>\$ 189,192,252</b>	<b>\$ 50,535,000</b>	<b>\$ 1,610,671</b>	<b>\$ (47,995,000)</b>	<b>\$ 193,342,923</b>

The District refunded a portion of its 2002 Series A and B general obligation bonds to achieve savings due to change in the municipal bond rates. The refunding resulted in accounting loss of \$7 million and savings in cash flows of \$35 million with an economic gain (present value) of \$17 million. The balance outstanding on the 2012 Series A and B as of year-end was \$42.8 million.

**Debt Service Requirements to Maturity**

The bonds mature through fiscal year 2050 as follows:

<u>Bonds Maturing Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2021	\$ 6,215,000	\$ 7,692,017	\$ 13,907,017
2022	5,083,064	8,422,928	13,505,992
2023	5,392,590	8,310,764	13,703,354
2024	3,000,859	11,087,473	14,088,332
2025	3,089,360	11,301,288	14,390,648
2026-2030	18,638,414	56,225,793	74,864,207
2031-2035	18,265,000	19,172,665	37,437,665
2036-2040	31,965,000	14,802,389	46,767,389
2041-2045	50,065,000	7,293,246	57,358,246
2046-2050	34,210,000	1,997,969	36,207,969
Subtotal	175,924,287	<u>\$ 146,306,532</u>	<u>\$ 322,230,819</u>
Accretion to date	17,418,636		
Total general obligation bonds	<u>\$ 193,342,923</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 COPs accrue interest at a rate of 5.0 percent.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	770,000	623,250	1,393,250
2026-2030	4,925,000	2,443,125	7,368,125
2031-2035	7,155,000	945,125	8,100,125
Total	<u>\$ 15,335,000</u>	<u>\$ 6,843,875</u>	<u>\$ 22,178,875</u>

**Accumulated Unpaid Employee Vacation**

The accumulated unpaid employee vacation for the District at June 30, 2020, amounted to \$1,640,324.

**Note 11 - Fund Balances**

Fund balances are composed of the following elements:

	General Fund	Charter Schools Fund	Building Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000
Stores inventories	151,536	-	-	320,676	472,212
Prepaid items	137,030	-	-	-	137,030
Total nonspendable	<u>438,566</u>	<u>-</u>	<u>-</u>	<u>320,676</u>	<u>759,242</u>
<b>Restricted</b>					
Educational programs	1,634,167	-	-	1,525,216	3,159,383
Charter schools	-	2,075,598	-	-	2,075,598
Food service	-	-	-	2,695,172	2,695,172
Capital projects	-	-	39,356,556	7,945,011	47,301,567
Debt services	-	-	-	8,946,616	8,946,616
Total restricted	<u>1,634,167</u>	<u>2,075,598</u>	<u>39,356,556</u>	<u>21,112,015</u>	<u>64,178,336</u>
<b>Committed</b>					
Pajaro Valley High School Field	2,299,057	-	-	-	2,299,057
Total committed	<u>2,299,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,299,057</u>
<b>Unassigned</b>					
Remaining unassigned	14,311,642	-	-	-	14,311,642
Total unassigned	<u>14,311,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,311,642</u>
Total	<u>\$ 18,683,432</u>	<u>\$ 2,075,598</u>	<u>\$ 39,356,556</u>	<u>\$ 21,432,691</u>	<u>\$ 81,548,277</u>

**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, 2020, Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	2,201
Inactive employees entitled to but not yet receiving benefits payments	-
Active employees	154
Total	2,355

***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 2019-2020, the District contributed \$4,156,065 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.

***Investment Policy***

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the District's 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, 2020:

Asset Class	Target Allocation	Long-Term Expected Real Target Allocation
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%
	100%	

**Rate of Return**

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 3.25 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net OPEB Liability**

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

Total OPEB liability	\$ 109,039,930
Plan fiduciary net position	(3,209,865)
Net OPEB liability	\$ 105,830,065
Plan fiduciary net position as a percentage of the total OPEB liability	2.94%

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2020	
Valuation Date	June 30, 2019	
Inflation	2.75 percent	
Salary increases	2.75 percent, average, including inflation	
Discount rate	2.20 percent	
Investment rate of return	3.25 percent, net of OPEB plan investment expense, including inflation	
Healthcare cost trend rates	4.00 percent for 2020	

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, 2020.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.2 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.

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 1900	\$ 88,657,371	\$ 3,095,491	\$ 85,561,880
Service cost	10,000,902	-	10,000,902
Interest	3,205,293	-	3,205,293
Expected Investment Income	-	180,087	(180,087)
Employer Contributions as Benefit Payments	-	4,156,065	(4,156,065)
Investment Gains/(Losses)	-	(31,543)	31,543
Changes of assumptions and other inputs	11,332,429	-	11,332,429
Benefit payments	(4,156,065)	(4,156,065)	-
Administrative expense	-	(34,170)	34,170
Net change in total OPEB liability	20,382,559	114,374	20,268,185
Balance, June 30, 2020	<u>\$ 109,039,930</u>	<u>\$ 3,209,865</u>	<u>\$ 105,830,065</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 (1.2 percent) or 1 percentage point higher (3.2 percent) than the current discount rate:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (1.2%)	\$ 114,294,218
Current discount rate (2.2%)	105,830,065
1% increase (3.2%)	96,703,954

***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:

<u>Healthcare Cost Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (3%)	\$ 97,621,674
Current healthcare cost trend rate (4%)	105,830,065
1% increase (5%)	115,557,915

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$13,919,005.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 232,872	\$ -
Changes of assumptions	11,224,946	-
Net difference between projected and actual earnings on OPEB plan investments	-	25,045
Total	<u>\$ 11,457,818</u>	<u>\$ 25,045</u>



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
2021	\$ 858,730
2022	858,730
2023	872,222
2024	879,985
2025	873,678
Thereafter	7,089,428
Total	<u>\$ 11,432,773</u>

**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, 2020, 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:

Insurance Program/ Company Name	Type of Coverage	Limits
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, 2018 to June 30, 2020:

Liability Balance, June 30, 2018	\$ 4,228,208
Claims and changes in estimates	2,370,395
Claims payments	<u>(2,758,891)</u>
Liability Balance, June 30, 2019	\$ 3,839,712
Claims and changes in estimates	257,650
Claims payments	<u>(1,626,412)</u>
Current portion of Claim liabilities	617,738
Noncurrent portion of Claim liabilities	<u>1,853,213</u>
Liability Balance, June 30, 2020	<u>\$ 2,470,950</u>
Assets available to pay claims at June 30, 2020	<u><u>\$ 9,887,968</u></u>

**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, 2020, 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:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 169,491,078	\$ 52,839,073	\$ 18,792,832	\$ 20,224,842
CalPERS	<u>93,020,280</u>	<u>26,230,429</u>	<u>963,004</u>	<u>17,828,336</u>
Total	<u><u>\$ 262,511,358</u></u>	<u><u>\$ 79,069,502</u></u>	<u><u>\$ 19,755,836</u></u>	<u><u>\$ 38,053,178</u></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, 2018, 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.

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, 2020, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
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	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

### **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, 2020, are presented above and the District's total contributions were \$19,336,076.

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

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

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 169,491,078
State's proportionate share of the net pension liability	<u>92,468,698</u>
Total	<u><u>\$ 261,959,776</u></u>

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.1877 percent and 0.1746 percent, resulting in a net increase in the proportionate share of 0.0131 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$20,224,842. In addition, the District recognized pension expense and revenue of \$13,770,583 for support provided by the State.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$16,746,490	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	14,227,791	7,487,921
Differences between projected and actual earnings on pension plan investments	-	6,528,849
Differences between expected and actual experience in the measurement of the total pension liability	427,875	4,776,062
Changes of assumptions	21,436,917	-
Total	\$ 52,839,073	\$ 18,792,832

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
2021	\$ (658,546)
2022	(5,183,137)
2023	(1,076,100)
2024	388,934
Total	\$ (6,528,849)

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 Outflows/(Inflows) of Resources
2021	\$ 4,766,162
2022	4,766,163
2023	5,119,913
2024	7,480,021
2025	697,626
Thereafter	998,715
Total	<u>\$ 23,828,600</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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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.

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%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	-3.3%
Cash/liquidity	2%	-0.4%

**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%)	\$ 252,386,245
Current discount rate (7.10%)	169,491,078
1% increase (8.10%)	100,755,198

**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, 2018 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, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	19.721%	19.721%



**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, 2020, are presented above and the total District contributions were \$9,036,567.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$93,020,280. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June, 30 2019 and June 30, 2018, respectively was 0.3192 percent and 0.3009 percent, resulting in a net increase in proportionate share of 0.0182 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$17,828,336. At June 30, 2020, 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
Pension contributions subsequent to measurement date	\$ 9,036,567	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	6,008,802	100,224
Differences between projected and actual earnings on pension plan investments	-	862,780
Differences between expected and actual experience in the measurement of the total pension liability	6,757,006	-
Changes of assumptions	4,428,054	-
	<u>\$ 26,230,429</u>	<u>\$ 963,004</u>
Total	<u>\$ 26,230,429</u>	<u>\$ 963,004</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 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:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 851,660
2022	(1,701,163)
2023	(257,791)
2024	<u>244,514</u>
Total	<u>\$ (862,780)</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:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 9,389,113
2022	5,355,131
2023	2,135,811
2024	<u>213,583</u>
Total	<u>\$ 17,093,638</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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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.

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:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	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:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 134,082,618
Current discount rate (7.15%)	93,020,280
1% increase (8.15%)	58,956,235

**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 \$10,273,285 for June 30, 2020. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures.

**Note 15 - Commitments and Contingencies**

**Construction Commitments**

As of June 30, 2020, the District had \$10,416,173 in construction commitments for its modernization projects.

### **Grants**

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

### **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, 2020.

### **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.



Required Supplementary Information  
June 30, 2020

**Pajaro Valley Unified School District**

Pajaro Valley Unified School District  
 Budgetary Comparison Schedule - General Fund  
 Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local Control Funding Formula	\$ 192,166,227	\$ 192,166,227	\$ 192,293,045	\$ 126,818
Federal sources	20,948,004	20,683,864	17,696,996	(2,986,868)
Other State sources	31,375,034	30,330,017	37,954,560	7,624,543
Other local sources	1,305,936	1,306,217	3,951,151	2,644,934
Total revenues	<u>245,795,201</u>	<u>244,486,325</u>	<u>251,895,752</u>	<u>7,409,427</u>
<b>Expenditures</b>				
Current				
Certificated salaries	92,242,336	92,491,334	91,651,341	839,993
Classified salaries	42,296,073	41,663,570	40,816,405	847,165
Employee benefits	91,323,315	90,575,463	91,785,334	(1,209,871)
Books and supplies	12,606,140	11,699,415	12,049,845	(350,430)
Services and expenditures	19,459,477	19,105,117	21,005,770	(1,900,653)
Debt services	733,126	733,126	119,371	613,755
Capital outlay	3,916,007	3,905,000	4,533,612	(628,612)
Total expenditures	<u>262,576,474</u>	<u>260,173,025</u>	<u>261,961,678</u>	<u>(1,788,653)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(16,781,273)</u>	<u>(15,686,700)</u>	<u>(10,065,926)</u>	<u>5,620,774</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	451,164	183,150	1,897,467	1,714,317
Transfers out	(670,980)	(671,703)	(207,515)	464,188
Net financing sources (uses)	<u>(219,816)</u>	<u>(488,553)</u>	<u>1,689,952</u>	<u>2,178,505</u>
Net Change in Fund Balances	(17,001,089)	(16,175,253)	(8,375,974)	7,799,279
Fund Balance - Beginning	<u>27,059,406</u>	<u>27,059,406</u>	<u>27,059,406</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ 10,058,317</u></u>	<u><u>\$ 10,884,153</u></u>	<u><u>\$ 18,683,432</u></u>	<u><u>\$ 7,799,279</u></u>

Pajaro Valley Unified School District  
 Budgetary Comparison Schedule – Charter Schools Fund  
 Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local Control Funding Formula	\$ 16,026,465	\$ 16,026,465	\$ 16,174,690	\$ 148,225
Other State sources	896,987	876,239	1,113,034	236,795
Other local sources	27,500	27,500	50,724	23,224
Total revenues	<u>16,950,952</u>	<u>16,930,204</u>	<u>17,338,448</u>	<u>408,244</u>
<b>Expenditures</b>				
Current				
Certificated salaries	6,630,283	6,594,400	6,684,398	(89,998)
Classified salaries	1,073,075	1,064,051	1,047,164	16,887
Employee benefits	4,980,291	4,929,166	5,321,726	(392,560)
Books and supplies	438,802	474,595	241,734	232,861
Services and expenditures	3,684,922	3,725,136	4,374,000	(648,864)
Capital Outlay	168,000	168,000	167,293	707
Total expenditures	<u>16,975,373</u>	<u>16,955,348</u>	<u>17,836,315</u>	<u>(880,967)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(24,421)</u>	<u>(25,144)</u>	<u>(497,867)</u>	<u>(472,723)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	24,421	25,144	54,803	29,659
Net financing sources (uses)	<u>24,421</u>	<u>25,144</u>	<u>54,803</u>	<u>29,659</u>
Net Change in Fund Balances	-	-	(443,064)	(443,064)
Fund Balance - Beginning	<u>2,518,662</u>	<u>2,518,662</u>	<u>2,518,662</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 2,518,662</u>	<u>\$ 2,518,662</u>	<u>\$ 2,075,598</u>	<u>\$ (443,064)</u>



Pajaro Valley Unified School District  
Schedule of Changes in the District's Net OPEB Liability and Related Ratios  
Last Ten Fiscal Years

	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 10,000,899	\$ 7,038,018	\$ 6,849,653	\$ 6,666,329
Interest	3,205,293	3,102,693	2,908,224	2,539,977
Employer contributions	(4,156,065)	(3,581,038)	(3,479,241)	(3,345,424)
Difference between expected and actual experience	-	271,684	-	-
Changes of assumptions	11,322,429	1,914,699	(1,204,336)	-
Net change in total OPEB liability	20,372,556	8,746,056	5,074,300	5,860,882
Total OPEB Liability - Beginning	88,667,371	79,921,315	74,847,015	68,986,133
Total OPEB Liability - Ending (a)	<u>\$ 109,039,927</u>	<u>\$ 88,667,371</u>	<u>\$ 79,921,315</u>	<u>\$ 74,847,015</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 4,156,065	\$ 3,581,038	\$ 3,479,241	\$ 3,345,424
Net investment income	148,544	151,343	174,556	284,816
Benefit payments	(4,156,065)	(3,581,038)	(3,479,241)	(3,345,424)
Administrative expense	(34,170)	(32,896)	(32,696)	(30,503)
Net change in plan fiduciary net position	114,374	118,447	141,860	254,313
Plan Fiduciary Net Position - Beginning	3,095,491	2,977,044	2,835,184	2,580,871
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,209,865</u>	<u>\$ 3,095,491</u>	<u>\$ 2,977,044</u>	<u>\$ 2,835,184</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 105,830,062</u>	<u>\$ 85,571,880</u>	<u>\$ 76,944,271</u>	<u>\$ 72,011,831</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.94%	3.49%	3.72%	3.79%
Covered Payroll	<u>\$ 151,592,751</u>	<u>\$ 153,593,936</u>	<u>\$ 147,837,766</u>	<u>\$ 137,357,251</u>
Net OPEB Liability as a Percentage of Covered Payroll	69.81%	55.71%	52.05%	52.43%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

Pajaro Valley Unified School District  
 Schedule of District Contributions  
 Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 4,156,065	\$ 3,581,038	\$ 3,479,241	\$ 3,345,424
Contribution in relation to the actuarially determined contribution	<u>4,156,065</u>	<u>3,144,629</u>	<u>3,664,714</u>	<u>4,987,447</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 436,409</u>	<u>\$ (185,473)</u>	<u>\$ (1,642,023)</u>
Covered payroll	<u>\$151,592,751</u>	<u>\$153,593,936</u>	<u>\$147,837,766</u>	<u>\$137,357,251</u>
Contributions as a percentage of covered payroll	<u>2.7%</u>	<u>2.0%</u>	<u>2.5%</u>	<u>3.6%</u>

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

Pajaro Valley Unified School District  
Schedule of Investment Returns  
Last Ten Fiscal Years

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	<u>3.25%</u>	<u>3.25%</u>	<u>2.65%</u>	<u>3.33%</u>

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

Pajaro Valley Unified School District  
Schedule of the District's Proportionate Share of the Net Pension Liabilities  
Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>						
Proportion of the net pension liability (asset)	0.1877%	0.1746%	0.1770%	0.1650%	0.1842%	0.1758%
Proportionate share of the net pension liability (asset)	\$ 169,491,078	\$ 160,447,247	\$ 163,703,335	\$ 133,420,686	\$ 124,038,926	\$ 102,724,052
State's proportionate share of the net pension liability (asset)	92,468,698	91,863,553	96,845,510	75,954,016	65,602,918	62,029,218
Total	<u>\$ 261,959,776</u>	<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>
Covered payroll	<u>\$ 99,000,160</u>	<u>\$ 95,011,566</u>	<u>\$ 93,010,334</u>	<u>\$ 70,863,691</u>	<u>\$ 76,042,128</u>	<u>78,540,681</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>171.20%</u>	<u>168.87%</u>	<u>176.01%</u>	<u>188.28%</u>	<u>163.12%</u>	<u>130.79%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>						
Proportion of the net pension liability (asset)	0.3192%	0.3009%	0.2716%	0.2741%	0.2932%	0.2922%
Proportionate share of the net pension liability (asset)	\$ 93,020,280	\$ 80,241,523	\$ 64,834,201	\$ 54,132,557	\$ 43,211,280	\$ 33,166,972
Covered payroll	<u>\$ 45,737,543</u>	<u>\$ 42,627,191</u>	<u>\$ 36,141,518</u>	<u>\$ 32,900,920</u>	<u>\$ 32,468,354</u>	<u>\$ 33,581,056</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>203.38%</u>	<u>188.24%</u>	<u>179.39%</u>	<u>164.53%</u>	<u>133.09%</u>	<u>98.77%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Pajaro Valley Unified School District  
Schedule of District Pension Contributions  
Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>						
Contractually required contribution	\$ 16,746,490	\$ 16,117,226	\$ 13,710,169	\$ 11,700,700	\$ 7,603,674	\$ 6,752,541
Less contributions in relation to the contractually required contribution	16,746,490	16,117,226	13,710,169	11,700,700	7,603,674	6,752,541
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 97,932,690	\$ 99,000,160	\$ 95,011,566	\$ 93,010,334	\$ 70,863,691	\$ 76,042,128
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
<b>CalPERS</b>						
Contractually required contribution	\$ 9,036,567	\$ 8,261,115	\$ 6,620,429	\$ 5,019,334	\$ 3,897,772	\$ 3,821,850
Less contributions in relation to the contractually required contribution	9,036,567	8,261,115	6,620,429	5,019,334	3,897,772	3,821,850
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 45,822,053	\$ 45,737,543	\$ 42,627,191	\$ 36,141,518	\$ 32,900,920	\$ 32,468,354
Contributions as a percentage of covered payroll	19.72%	18.06%	15.53%	13.89%	11.85%	11.77%

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

**Note 1 - Budgetary Policies**

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. Budget is adopted on a basis consistent with generally accepted accounting principles. The budget is approved by the governing board and is amended throughout the year. The budgetary level of controls is at the total expenditure level. In both, the General and the Charter Schools funds, the actual expenditures exceeded the budgetary amounts but the governing board during the adoption of the subsequent year's budget approved interfund transfers to fund those excesses.



Supplementary Information  
June 30, 2020

**Pajaro Valley Unified School District**

**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**

Member	Office	Term Expires
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**

Name	Title
Michelle Rodriguez	Superintendent



Pajaro Valley Unified School District  
Schedule of Average Daily Attendance - District  
Year Ended June 30, 2020

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	5,038.39	5,038.39
Fourth through sixth	3,826.95	3,826.95
Seventh and eighth	2,632.28	2,632.28
Ninth through twelfth	5,074.92	5,074.92
Total Regular ADA	<u>16,572.54</u>	<u>16,572.54</u>
Extended Year Special Education		
Transitional kindergarten through third	3.80	3.80
Fourth through sixth	1.90	1.90
Seventh and eighth	2.38	2.38
Ninth through twelfth	6.94	6.94
Total Extended Year Special Education	<u>15.02</u>	<u>15.02</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.87	0.87
Fourth through sixth	1.34	1.34
Seventh and eighth	1.72	1.72
Ninth through twelfth	10.16	10.16
Total Special Education, Nonpublic, Nonsectarian Schools	<u>14.09</u>	<u>14.09</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.38	0.38
Ninth through twelfth	0.69	0.69
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>1.07</u>	<u>1.07</u>
Community Day School		
Ninth through twelfth	38.62	38.62
Total Community Day School	<u>38.62</u>	<u>38.62</u>
Total ADA	<u><u>16,641.34</u></u>	<u><u>16,641.34</u></u>

Pajaro Valley Unified School District  
Schedule of Average Daily Attendance - Charter Schools  
Year Ended June 30, 2020

CHARTER SCHOOLS	Alianza Charter School	Diamond Technology Institute	Linscott Charter School	Pacific Coast Charter School	Watsonville Charter School of The Arts
<b>Second Period Report</b>					
Classroom-Based					
Transitional kindergarten through third	321.99	-	94.29	-	166.91
Fourth through sixth	210.92	-	85.92	-	140.71
Seventh and eighth	114.29	-	75.86	-	90.03
Ninth through twelfth	-	70.34	-	-	-
Total Classroom-Based	<u>647.20</u>	<u>70.34</u>	<u>256.07</u>	<u>-</u>	<u>397.65</u>
Non Classroom-Based					
Transitional kindergarten through third	-	-	-	7.47	-
Fourth through sixth	-	-	-	13.44	-
Seventh and eighth	-	-	-	23.96	-
Ninth through twelfth	-	-	-	137.88	-
Total Non Classroom-Based	<u>-</u>	<u>-</u>	<u>-</u>	<u>182.75</u>	<u>-</u>
Total Charter School	<u>647.20</u>	<u>70.34</u>	<u>256.07</u>	<u>182.75</u>	<u>397.65</u>
<b>Annual Report</b>					
Classroom-Based					
Transitional kindergarten through third	321.99	-	94.29	-	166.91
Fourth through sixth	210.92	-	85.92	-	140.71
Seventh and eighth	114.29	-	75.86	-	90.03
Ninth through twelfth	-	70.34	-	-	-
Total Classroom-Based	<u>647.20</u>	<u>70.34</u>	<u>256.07</u>	<u>-</u>	<u>397.65</u>
Non Classroom-Based					
Transitional kindergarten through third	-	-	-	7.47	-
Fourth through sixth	-	-	-	13.44	-
Seventh and eighth	-	-	-	23.96	-
Ninth through twelfth	-	-	-	137.88	-
Total Non Classroom-Based	<u>-</u>	<u>-</u>	<u>-</u>	<u>182.75</u>	<u>-</u>
Total Charter School	<u>647.20</u>	<u>70.34</u>	<u>256.07</u>	<u>182.75</u>	<u>397.65</u>

Pajaro Valley Unified School District  
 Schedule of Instructional Time - District  
 Year Ended June 30, 2020

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,295	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		53,270	180	N/A	Complied
Grade 2		53,270	180	N/A	Complied
Grade 3		53,270	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,860	180	N/A	Complied
Grade 5		54,860	180	N/A	Complied
Grade 6		54,860	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		55,778	180	N/A	Complied
Grade 8		55,778	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,834	180	N/A	Complied
Grade 10		65,834	180	N/A	Complied
Grade 11		65,834	180	N/A	Complied
Grade 12		65,834	180	N/A	Complied

Pajaro Valley Unified School District  
 Schedule of Instructional Time - Charter Schools  
 Year Ended June 30, 2020

Grade Level	Education Code Section 46201.2 Required Minutes	2019-2020 Actual Minutes	Number of Days Traditional Calendar	Status
<b>Diamond Technology Institute</b>				
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
<b>Alianza Charter School</b>				
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
<b>Linscott Charter School</b>				
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
<b>Watsonville Charter School of the Arts</b>				
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

Pajaro Valley Unified School District  
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
 Year Ended June 30, 2020

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There were the following adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2020:

	Self Insurance Fund	Charter Schools Fund
Fund Balance		
Balance, June 30, 2020, Unaudited Actuals	\$ 2,469,441	\$ 681,520
Change in		
Accounts receivables	-	1,394,078
Accounts payable/Claims liabilities	4,947,577	-
Balance, June 30, 2020, Audited Financial Statements	\$ 7,417,018	\$ 2,075,598

Pajaro Valley Unified School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2020

	(Budget) 2021 <sup>1</sup>	2020	2019	2018
General Fund				
Revenues	\$ 228,062,250	\$ 251,895,752	\$ 254,764,663	\$ 234,677,278
Other sources	1,250,000	1,897,467	102,684	85,919
Total Revenues and Other Sources	<u>229,312,250</u>	<u>253,793,219</u>	<u>254,867,347</u>	<u>234,763,197</u>
Expenditures	230,040,661	261,745,061	267,258,140	251,758,832
Other uses and transfers out	364,185	424,132	509,157	631,373
Total Expenditures and Other Uses	<u>230,404,846</u>	<u>262,169,193</u>	<u>267,767,297</u>	<u>252,390,205</u>
Increase/(Decrease) in Fund Balance	<u>(1,092,596)</u>	<u>(8,375,974)</u>	<u>(12,899,950)</u>	<u>(17,627,008)</u>
Ending Fund Balance	<u>\$ 17,590,836</u>	<u>\$ 18,683,432</u>	<u>\$ 27,059,406</u>	<u>\$ 39,959,356</u>
Available Reserves <sup>2</sup>	<u>\$ 15,956,668</u>	<u>\$ 14,311,642</u>	<u>\$ 8,033,073</u>	<u>\$ 7,573,256</u>
Available Reserves as a Percentage of Total Outgo	<u>6.93%</u>	<u>5.46%</u>	<u>3.00%</u>	<u>3.00%</u>
Long-Term Liabilities	<u>\$ 583,898,452</u>	<u>\$ 592,503,795</u>	<u>\$ 536,560,953</u>	<u>\$ 512,961,742</u>
K-12 Average Daily Attendance at P-2	<u>16,641</u>	<u>16,641</u>	<u>17,072</u>	<u>17,262</u>

The General Fund balance has decreased by \$21 million over the past two years. The fiscal year 2020-2021 budget projects a decrease of \$1 million. 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 2019-2020 and anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term obligations have increased by \$79 million over the past two years.

Average daily attendance has decreased by 621 over the past two years. ADA is anticipated to stay the same during fiscal year 2020-2021.

<sup>1</sup> Budget 2021 is included for analytical purposes only and has not been subjected to audit.

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

Pajaro Valley Unified School District  
Schedule of Charter Schools  
Year Ended June 30, 2020

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<u>Charter Number</u>	<u>Name of Charter School and Charter Number</u>	<u>Included in Audit Report</u>
0265	Diamond Technology Institute	Yes
0164	Alianza Charter School	Yes
0041	Linscott Charter School	Yes
0170	Pacific Coast Charter School	Yes
0373	Watsonville Charter School of the Arts	Yes
1004	Ceiba College Preparatory Academy	No

Pajaro Valley Unified School District  
Schedule of Changes in Fund Balances - Charter Schools  
Year Ended June 30, 2020

	Alianza Charter School	Diamond Technology Institute	Linscott Charter School	Pacific Coast Charter School	Watsonville School of the Arts	Total
Fund balance, beginning	\$ 217,859	\$ 63,259	\$ 461,160	\$ 1,139,655	\$ 636,729	\$ 2,518,662
Revenues	7,109,341	941,742	2,382,068	2,068,969	4,051,793	16,553,913
Expenditures	<u>(7,218,036)</u>	<u>(998,674)</u>	<u>(2,640,667)</u>	<u>(2,255,561)</u>	<u>(3,884,039)</u>	<u>(16,996,977)</u>
Fund balance, ending	<u>\$ 109,164</u>	<u>\$ 6,327</u>	<u>\$ 202,561</u>	<u>\$ 953,063</u>	<u>\$ 804,483</u>	<u>\$ 2,075,598</u>



Pajaro Valley Unified School District  
Combining Balance Sheet - Non-Major Governmental Funds  
June 30, 2020

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<b>Assets</b>							
Deposits and investments	\$ 538,598	\$ 902,588	\$ 899,630	\$ 92,117	\$ 8,100,641	\$ 8,946,616	\$ 19,480,190
Receivables	537,953	2,197,225	2,810,443	-	-	-	5,545,621
Stores inventories	-	-	320,676	-	-	-	320,676
<b>Total assets</b>	<b>\$ 1,076,551</b>	<b>\$ 3,099,813</b>	<b>\$ 4,030,749</b>	<b>\$ 92,117</b>	<b>\$ 8,100,641</b>	<b>\$ 8,946,616</b>	<b>\$ 25,346,487</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 170,178	\$ 1,167,384	\$ 464,469	\$ -	\$ 34,045	\$ -	\$ 1,836,076
Due to other funds	56,765	281,608	464,032	-	213,702	-	1,016,107
Unearned revenue	61,389	913,824	86,400	-	-	-	1,061,613
<b>Total liabilities</b>	<b>288,332</b>	<b>2,362,816</b>	<b>1,014,901</b>	<b>-</b>	<b>247,747</b>	<b>-</b>	<b>3,913,796</b>
<b>Fund Balances</b>							
Nonspendable	-	-	320,676	-	-	-	320,676
Restricted	788,219	736,997	2,695,172	92,117	7,852,894	8,946,616	21,112,015
<b>Total fund balances</b>	<b>788,219</b>	<b>736,997</b>	<b>3,015,848</b>	<b>92,117</b>	<b>7,852,894</b>	<b>8,946,616</b>	<b>21,432,691</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,076,551</b>	<b>\$ 3,099,813</b>	<b>\$ 4,030,749</b>	<b>\$ 92,117</b>	<b>\$ 8,100,641</b>	<b>\$ 8,946,616</b>	<b>\$ 25,346,487</b>

Pajaro Valley Unified School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2020

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<b>Revenues</b>							
Federal sources	\$ 298,820	\$ 8,861,974	\$ 11,292,787	\$ -	\$ -	\$ -	\$ 20,453,581
Other State sources	3,278,291	7,722,452	824,179	-	-	61,451	11,886,373
Other local sources	646,561	487,409	424,428	7,992	1,428,917	11,351,194	14,346,501
Total revenues	<u>4,223,672</u>	<u>17,071,835</u>	<u>12,541,394</u>	<u>7,992</u>	<u>1,428,917</u>	<u>11,412,645</u>	<u>46,686,455</u>
<b>Expenditures</b>							
<b>Current</b>							
Instruction	1,763,712	10,368,532	-	-	-	-	12,132,244
Instruction-related activities							
Supervision of instruction	1,865,446	3,081,780	-	-	-	-	4,947,226
Instructional library, media, and technology	62,351	94,312	-	-	-	-	156,663
School site administration	631	32,560	-	-	-	-	33,191
Pupil services							
Food services	-	-	11,813,336	-	-	-	11,813,336
All other pupil services	61,369	1,668,700	-	-	-	-	1,730,069
Administration							
All other administration	123,650	648,238	488,789	-	-	-	1,260,677
Plant services	204,379	877,079	17,030	24,948	501,467	-	1,624,903
Capital outlay	-	-	-	398,637	1,376,593	-	1,775,230
Debt service							
Principal	-	-	-	-	-	5,205,000	5,205,000
Interest and other	-	-	-	-	-	7,490,801	7,490,801
Total expenditures	<u>4,081,538</u>	<u>16,771,201</u>	<u>12,319,155</u>	<u>423,585</u>	<u>1,878,060</u>	<u>12,695,801</u>	<u>48,169,340</u>

Pajaro Valley Unified School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2020

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	142,134	300,634	222,239	(415,593)	(449,143)	(1,283,156)	(1,482,885)
Other Financing Sources (Uses)							
Transfers in	-	143,297	9,415	-	-	-	152,712
Proceeds from sale of bonds	-	-	-	-	-	50,000,585	50,000,585
Payments to escrow agent	-	-	-	-	-	(49,466,170)	(49,466,170)
Net Financing Sources (Uses)	-	143,297	9,415	-	-	534,415	687,127
Net Change in Fund Balances	142,134	443,931	231,654	(415,593)	(449,143)	(748,741)	(795,758)
Fund Balance - Beginning	646,085	293,066	2,784,194	507,710	8,302,037	9,695,357	22,228,449
Fund Balance - Ending	\$ 788,219	\$ 736,997	\$ 3,015,848	\$ 92,117	\$ 7,852,894	\$ 8,946,616	\$ 21,432,691

## **Note 1 - Purpose of Schedules**

### **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.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 52 days due to the pandemic. As a result, the District received credit for these 52 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure

### **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.



**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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 21, 2021.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Menlo Park, California  
April 21, 2021



## **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 (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. 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, 2020.

### **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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Menlo Park, California  
April 21, 2021



## 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 *2019-2020 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, 2020.

### 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 *2019-2020 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, 2020.

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>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
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
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
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
<b>CHARTER SCHOOLS</b>	
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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Menlo Park, California  
April 21, 2021

Pajaro Valley Unified School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

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	84.027	13379	\$ 4,052,033
Special Education Grants to States	84.173	13430	179,217
Special Education Grants to States	84.027	15438	216,753
Special Education-Preschool Grants	84.173	13431	1,155
Special Education Preschool Grants	84.173	13007	<u>18,113</u>
Total Special Education Cluster			<u>4,467,271</u>
Adult Education - Basic Grants to States	84.002	14508	205,685
Adult Education - Basic Grants to States	84.002	13978	64,900
Adult Education - Basic Grants to States	84.002	14109	<u>28,235</u>
Subtotal			<u>298,820</u>
Migrant Education State Grant Program	84.011	14326	2,826,435
Migrant Education State Grant Program	84.011	14768	336,824
Migrant Education State Grant Program	84.011	10144	<u>428,481</u>
Subtotal			<u>3,591,740</u>
Title I Grants to Local Educational Agencies	84.010	14329	4,033,229
Title I Grants to Local Educational Agencies	84.010	15438	285,784
Supporting Effective Instruction State Grants	84.367	14341	576,478
English Language Acquisition State Grants	84.365	14346	789,450
English Language Acquisition State Grants	84.365	15146	13,527
Student Support and Academic Enrichment Program	84.424	15396	268,632
Twenty-First Century Community Learning Centers	84.287	14349	2,277,876
Education for Homeless Children and Youth	84.196	14332	172,728
Career and Technical Education - Basic Grants to States	84.048	14894	154,067
Special Education-Grants for Infants and Families	84.181	15197	246,523
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	10006	<u>239,553</u>
Total U.S. Department of Education			<u>17,415,678</u>

Pajaro Valley Unified School District  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2020

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 Human Services			
Passed Through California Department of Education			
Child Care and Development Fund Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	965,060
Head Start	93.600	10016	<u>7,896,914</u>
Total U.S. Department of Health and Human Services Human Services			<u>8,861,974</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13524	7,782,860
School Breakfast Program	10.553	13526	<u>2,240,834</u>
Total Child Nutrition Cluster			<u>10,023,694</u>
Child and Adult Care Food Program	10.558	13393	905,383
Fresh Fruit and Vegetable Program	10.582	14968	<u>363,710</u>
Total U.S. Department of Agriculture			<u>11,292,787</u>
Total Expenditures of Federal Awards			<u>\$ 37,570,439</u>

**Note 1 - 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 Medical Assistance Program was reported as a federal amount per CDE's guidelines which represents matching required at the state level disbursed to school districts.

	<u>CFDA Number</u>	<u>Amount</u>
Description		
Total Federal Revenues reported on the financial statements		\$ 38,150,577
Medical Assistance Program		<u>(580,138)</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 37,570,439</u></u>

**Section I - Summary of Auditor's Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

**Identification of major programs:**

Name of Federal Program or Cluster	CFDA Number
Migrant Education State Grant Program	84.011
Special Education Cluster	84.027, 84.173
Twenty-First Century Community Learning Centers	84.287

Dollar threshold used to distinguish between type A and type B programs:	\$ 1,127,113
Auditee qualified as low-risk auditee?	Yes

**STATE COMPLIANCE**

Type of auditor's report issued on compliance for programs:	Unmodified
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**Section II - Federal Award Findings and Questioned Costs**

None reported.

**Section III - State Award Findings and Questioned Costs**

None reported.

None reported.