



Annual Financial Report
June 30, 2022

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 Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Correction of Error

As discussed in Note 18 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for capital assets as of July 1, 2021, were discovered by management of the District during the current year. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021, to correct the error. Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

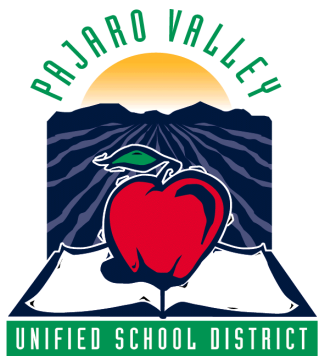
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information such as the combining non-major governmental fund financial statements and Schedule of Expenditures of Federal Awards, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information 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 June 5, 2023 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 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 cursive script that reads "Eide Bailly LLP".

Menlo Park, California
June 5, 2023



PAJARO VALLEY UNIFIED SCHOOL DISTRICT

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

Management's Discussion and Analysis

The Management's Discussion and Analysis section of the 2021-2022 Annual Financial Audit summarizes the District's changes in financial position during the fiscal year ending June 30, 2022. 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), deferred outflows of resources, as well as all liabilities (including long-term debt), and deferred inflows of resources. 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 increased by \$17.9 million as a result of this year's changes in pension liabilities and OPEB liabilities. The changes were related to gains on investments dedicated for future repayment of pension liabilities.
- The District's expenses decreased \$41.0 million over last year mainly due to changes in pension expenses. The District's total expenses for the current year were at \$348.7 million compared to \$389.7 million last year.
- The District's net OPEB liability decreased from \$130.8 million to \$122.3 million due to changes of assumptions to discount rates. The District's funded amount of the OPEB liability is at \$3.2 million.
- The General Fund reported an increase in fund balance of \$17.5 million and the ending fund balance of the general fund was \$56.9 million. The increase was the result of increased local control funding formula revenues of \$15.3 million.
- The District spent \$11.5 million on school modernization projects and the remaining unspent proceeds from the District's general obligation bonds are at \$19.5 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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, like our funds for a private-purpose trust and employee retiree benefits and pensions. 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 \$238.5 million and a deficit of \$256.4 million for the fiscal years ended June 30, 2022 and 2021, respectively. Of this amount, a deficit net position of \$291.7 million and \$317.7 million were unrestricted for fiscal years ending June 30, 2022 and 2021, 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			
	2022	2021	Var\$	Var%
Assets				
Current and other assets	\$ 156,573,282	\$ 162,524,421	\$ (5,951,139)	-3.7%
Capital assets, as restated	173,628,340	178,366,469	(4,738,129)	-2.7%
Total assets	<u>330,201,622</u>	<u>340,890,890</u>	<u>(10,689,268)</u>	<u>-3.1%</u>
Deferred outflows of resources	<u>80,408,218</u>	<u>99,623,503</u>	<u>(19,215,285)</u>	<u>-19.3%</u>
Liabilities				
Current liabilities	43,929,859	57,270,038	(13,340,179)	-23.3%
Long-term liabilities	476,523,308	617,000,745	(140,477,437)	-22.8%
Total liabilities	<u>520,453,167</u>	<u>674,270,783</u>	<u>(153,817,616)</u>	<u>-22.8%</u>
Deferred inflows of resources	<u>128,666,412</u>	<u>22,640,653</u>	<u>106,025,759</u>	<u>468.3%</u>
Net Position (deficit)				
Net investment in capital assets, as restated	10,816,367	17,738,533	(6,922,166)	-39.0%
Restricted	42,345,696	43,549,264	(1,203,568)	-2.8%
Unrestricted	<u>(291,671,802)</u>	<u>(317,684,840)</u>	<u>26,013,038</u>	<u>-8.2%</u>
Total net deficit position	<u>\$ (238,509,739)</u>	<u>\$ (256,397,043)</u>	<u>\$ 17,887,304</u>	<u>-7.0%</u>

The deficit unrestricted net position of \$291.4 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 2021-2022 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			
	2022	2021	Var\$	Var%
Revenues				
Program revenues				
Charges for services	\$ 763,301	\$ 290,771	\$ 472,530	162.5%
Operating grants and contributions	123,857,127	132,987,949	(9,130,822)	-6.9%
General revenues				
Federal and State aid not restricted	137,159,010	126,760,860	10,398,150	8.2%
Property taxes	99,332,596	93,806,835	5,525,761	5.9%
Other general revenues	5,447,164	18,834,294	(13,387,130)	-71.1%
Total revenues	366,559,198	372,680,709	(6,121,511)	-1.6%
Expenses				
Instruction-related	240,700,464	282,391,408	(41,690,944)	-14.8%
Pupil services	53,236,159	57,590,583	(4,354,424)	-7.6%
Administration	12,715,657	14,076,334	(1,360,677)	-9.7%
Plant services	24,507,570	18,203,145	6,304,425	34.6%
All other services	17,512,044	17,431,534	80,510	0.5%
Total expenses	348,671,894	389,693,004	(41,021,110)	-10.5%
Change in net position	\$ 17,887,304	\$ (17,012,295)	\$ 34,899,599	-205.1%

Governmental Activities

As reported in the Statement of Activities, the cost of all governmental activities in 2021-2022 was \$348.7 million. However, the amount that District taxpayers ultimately financed for related activities through local taxes was only \$99.32 million. This is because \$124.6 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.

	Table 3: Net Cost of Services			
	2022	2021	Var\$	Var%
Instruction-related	\$ 149,968,376	\$ 191,658,153	\$ (41,689,777)	-21.8%
Pupil services	28,557,404	28,636,940	(79,536)	-0.3%
Administration	9,055,786	10,837,257	(1,781,471)	-16.4%
Plant services	22,205,405	14,156,356	8,049,049	56.9%
All other services	14,264,495	11,125,578	3,138,917	28.2%
Total	\$ 224,051,466	\$ 256,414,284	\$ (32,362,818)	-12.6%

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 2021-2022, the District's ending balance increased by \$17.5 million. This was primarily due to an increased local control funding formula revenues. 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) in the Business Services section.

2021-2022 fiscal year was the ninth 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 2022-2023 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, 2022 and 2021, the District had \$173.6 million and \$178.4 million, net of depreciation in a broad range of capital assets including land, buildings, furniture and equipment.

	Table 4: Governmental Activities			
	2022	2021	Var\$	Var%
Land and construction in progress	\$ 33,590,193	\$ 27,559,827	\$ 6,030,366	21.9%
Buildings and improvements	137,853,996	148,240,831	(10,386,835)	-7.0%
Equipment	2,184,151	2,565,811	(381,660)	-14.9%
Total	\$ 173,628,340	\$ 178,366,469	\$ (4,738,129)	-2.7%

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 \$11.5 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 \$184.9 million in bonds outstanding. The District's long-term debt is summarized below.

	Table 5: Governmental Activities			
	2022	2021	Var\$	Var%
Long-Term Liabilities				
General obligation bonds	\$ 185,141,970	\$ 188,823,874	\$ (3,681,904)	-1.9%
Unamortized bond premiums	10,092,240	10,612,449	(520,209)	-4.9%
Certificates of participation	12,590,000	14,795,000	(2,205,000)	-14.9%
Unamortized COP premiums	2,053,207	221,542	1,831,665	826.8%
Compensated absences	1,918,905	1,673,707	245,198	14.6%
Claims liability	1,209,369	2,204,787	(995,418)	-45.1%
Net OPEB liability	122,343,461	130,774,469	(8,431,008)	-6.4%
Aggregate net pension liability	141,174,156	267,894,917	(126,720,761)	-47.3%
Total	\$ 476,523,308	\$ 617,000,745	\$ (140,477,437)	-22.8%

The State limits the amount of general obligation debt school districts can issue to 2.5% 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 11 of the financial statements.

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

The District reported \$141.2 million and \$267.9 million net pension liability in its statement of net position in 2021-2022 and 2020-2021, respectively. In addition, the District reported \$122.3 million and \$130.8 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 2022-2023

In considering the District Budget for the 2022-2023 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 2022-2023. Amounts available for appropriation in the General Fund budget are \$280.8 million an increase of 7.1% compared to the \$262.3 million in 2021-2022.

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 Finance, Pajaro Valley Unified School District, 294 Green Valley Road, Watsonville, CA 95076.

Pajaro Valley Unified School District
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 133,135,769
Restricted cash and cash equivalents	5,586,037
Receivables	17,607,599
Stores inventories	243,877
Capital assets not depreciated	33,590,193
Capital assets, net of accumulated depreciation	140,038,147
Total assets	330,201,622
Deferred Outflows of Resources	
Deferred charge on refunding	7,112,739
Deferred outflows of resources related to OPEB	23,163,386
Deferred outflows of resources related to pensions	50,132,093
Total deferred outflows of resources	80,408,218
Liabilities	
Accounts payable	29,721,293
Interest payable	2,363,770
Unearned revenue	11,844,796
Long-term liabilities	
Long-term liabilities other than OPEB and pension	
Due within one year	8,891,399
Due in more than one year	204,114,292
Net other postemployment benefits liability (OPEB)	
Due in more than one year	122,343,461
Aggregate net pension liabilities - due in more than one year	141,174,156
Total liabilities	520,453,167
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	15,273,731
Deferred inflows of resources related to pensions	113,392,681
Total deferred inflows of resources	128,666,412
Net Position	
Net investment in capital assets	10,816,367
Restricted for	
Capital projects	8,935,942
Food services	10,044,029
Educational programs	23,365,725
Unrestricted deficit	(291,671,802)
Total net position (deficit)	\$ (238,509,739)

Pajaro Valley Unified School District

Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Changes in Net Governmental Activities
Governmental Activities				
Instruction	\$ 185,942,223	\$ 550,038	\$ 66,734,715	\$ (118,657,470)
Instruction-related activities				
Supervision of instruction	27,480,540	44,731	21,098,824	(6,336,985)
Instructional library, media, and technology	5,886,039	2,582	1,398,326	(4,485,131)
School site administration	21,391,662	7,021	895,851	(20,488,790)
Pupil services				
Home-to-school transportation	9,875,480	-	724,420	(9,151,060)
Food services	12,428,514	13,159	13,737,592	1,322,237
All other pupil services	30,932,165	26,061	10,177,523	(20,728,581)
Administration				
Data processing	3,422,564	4,187	30,563	(3,387,814)
All other administration	9,293,093	4,290	3,620,831	(5,667,972)
Plant services	24,507,570	55,807	2,246,358	(22,205,405)
Ancillary services	3,782,321	22,843	930,578	(2,828,900)
Community services	10,667	41	178	(10,448)
Enterprise services	5,348,177	-	-	(5,348,177)
Interest on long-term liabilities	8,220,879	-	-	(8,220,879)
Other outgo	150,000	32,541	2,261,368	2,143,909
Total primary government	\$ 348,671,894	\$ 763,301	\$ 123,857,127	(224,051,466)
General Revenues and Subventions				
Property taxes, levied for general purposes				85,717,219
Property taxes, levied for debt service				12,345,626
Taxes levied for other specific purposes				1,269,751
Federal and State aid not restricted to specific purposes				137,159,010
Interest and investment earnings				428,032
Miscellaneous				5,019,132
Total general revenues				241,938,770
Change in Net Position				17,887,304
Net Deficit Position (Deficit) - Beginning, as restated				(256,397,043)
Net Deficit Position (Deficit) - Ending				\$ (238,509,739)

Pajaro Valley Unified School District

Balance Sheet - Governmental Funds

June 30, 2022

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 81,175,910	\$ 20,232,597	\$ 28,583,447	\$ 129,991,954
Restricted cash and cash equivalents	-	-	5,586,037	5,586,037
Receivables	12,951,030	-	4,644,208	17,595,238
Due from other funds	686,670	-	1,227,740	1,914,410
Stores inventories	99,030	-	144,847	243,877
Total assets	\$ 94,912,640	\$ 20,232,597	\$ 40,186,279	\$ 155,331,516
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 27,749,136	\$ 716,207	\$ 1,255,868	\$ 29,721,211
Due to other funds	1,157,122	15	757,273	1,914,410
Unearned revenue	9,083,989	-	2,760,807	11,844,796
Total liabilities	37,990,247	716,222	4,773,948	43,480,417
Fund Balances				
Nonspendable	349,030	-	144,847	493,877
Restricted	16,928,039	19,516,375	34,267,453	70,711,867
Committed	-	-	1,000,031	1,000,031
Unassigned	39,645,324	-	-	39,645,324
Total fund balances	56,922,393	19,516,375	35,412,331	111,851,099
Total liabilities and fund balances	\$ 94,912,640	\$ 20,232,597	\$ 40,186,279	\$ 155,331,516

Pajaro Valley Unified School District

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

June 30, 2022

Total Fund Balance - Governmental Funds \$ 111,851,099

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	\$ 442,368,794
Accumulated depreciation is	<u>(268,740,454)</u>

Net capital assets	173,628,340
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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. (2,363,770)

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. 1,946,725

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 (deferred charge on refunding)	7,112,739
Net other postemployment benefits (OPEB)	23,163,386
Net pension liability	<u>50,132,093</u>

Total deferred outflows of resources	80,408,218
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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 (OPEB)	(15,273,731)
Net pension liability	<u>(113,392,681)</u>

Total deferred inflows of resources	(128,666,412)
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Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. (141,174,156)

Pajaro Valley Unified School District

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

June 30, 2022

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.		\$ (122,343,461)
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	(195,234,210)	
Certificates of participation	(14,643,207)	
Compensated absences (vacations)	(1,918,905)	
Total long-term liabilities		<u>(211,796,322)</u>
Total net position - governmental activities		<u>\$ (238,509,739)</u>

Pajaro Valley Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2022

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	\$ 203,845,301	\$ -	\$ 15,388,434	\$ 219,233,735
Federal sources	38,337,178	-	23,058,121	61,395,299
Other State sources	53,015,775	-	13,484,758	66,500,533
Other local sources	3,472,795	(577,809)	15,133,021	18,028,007
Total revenues	<u>298,671,049</u>	<u>(577,809)</u>	<u>67,064,334</u>	<u>365,157,574</u>
Expenditures				
Current				
Instruction	160,095,540	-	22,712,584	182,808,124
Instruction-related activities				
Supervision of instruction	21,101,573	-	5,685,574	26,787,147
Instructional library, media, and technology	5,509,323	-	399,780	5,909,103
School site administration	15,153,321	-	5,774,942	20,928,263
Pupil services				
Home-to-school transportation	9,542,269	-	-	9,542,269
Food services	436,544	-	11,902,026	12,338,570
All other pupil services	27,688,658	-	2,265,431	29,954,089
Administration				
Data processing	3,306,142	-	-	3,306,142
All other administration	7,597,582	-	973,467	8,571,049
Plant services	20,865,935	617,000	2,094,582	23,577,517
Ancillary services	3,611,340	-	28,941	3,640,281
Community services	9,969	-	-	9,969
Other outgo	150,000	-	-	150,000
Capital outlay	3,884,522	6,183,724	1,436,503	11,504,749
Debt service				
Principal	589,999	-	5,435,000	6,024,999
Interest and other	1,285,466	-	5,925,308	7,210,774
Total expenditures	<u>280,828,183</u>	<u>6,800,724</u>	<u>64,634,138</u>	<u>352,263,045</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>17,842,866</u>	<u>(7,378,533)</u>	<u>2,430,196</u>	<u>12,894,529</u>
Other Financing Sources (Uses)				
Transfers in	342,491	-	1,069,205	1,411,696
Refunding bonds issued	12,590,000	-	-	12,590,000
Premium on refunding bonds issued	2,211,150	-	-	2,211,150
Transfers out	(1,069,205)	(342,491)	-	(1,411,696)
Payment to escrow agent	(14,443,723)	-	-	(14,443,723)
Net Financing Sources (Uses)	<u>(369,287)</u>	<u>(342,491)</u>	<u>1,069,205</u>	<u>357,427</u>
Net Change in Fund Balances	17,473,579	(7,721,024)	3,499,401	13,251,956
Fund Balance - Beginning	39,448,814	27,237,399	31,912,930	98,599,143
Fund Balance - Ending	<u>\$ 56,922,393</u>	<u>\$ 19,516,375</u>	<u>\$ 35,412,331</u>	<u>\$ 111,851,099</u>

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, 2022

Total Net Change in Fund Balances - Governmental Funds \$ 13,251,956

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	\$ (16,242,878)	
Capital outlays	<u>11,504,749</u>	
Net expense adjustment		(4,738,129)

The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (1,753,096)

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. (245,198)

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. 17,377,026

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. (7,106,097)

Proceeds received from General obligation bonds or certificates of participation is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not offset the Statement of Activities. (12,590,000)

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, 2022

Governmental funds report the effect of premiums, discounts, and the deferred charge on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium on issuance recognized	(2,211,150)
Deferred charge on refunding recognized	(598,891)
Premium amortization	899,694

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	5,435,000
Certificates of participation	14,795,000

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.

203,500

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.

(5,070,998)

Change in net position of governmental activities

\$ 17,648,617

Pajaro Valley Unified School District
Statement of Net Position - Proprietary Fund
June 30, 2022

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 3,143,815
Receivables	<u>12,361</u>
Total assets	<u>3,156,176</u>
Liabilities	
Current liabilities	
Accounts payable	82
Claims liability	<u>229,072</u>
Total current liabilities	229,154
Noncurrent liabilities	
Claims liability	<u>980,297</u>
Total liabilities	<u>1,209,451</u>
Net Position	
Unrestricted	<u>1,946,725</u>
Total net position	<u>\$ 1,946,725</u>

Pajaro Valley Unified School District
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund
Year Ended June 30, 2022

	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues	
Charges for services	\$ 351,058
Operating Expenses	
Insurance	<u>5,348,177</u>
Operating Income (Loss)	(4,997,119)
Nonoperating Revenues (Expenses)	
Fair market value adjustments	(97,942)
Interest income	<u>24,063</u>
Total nonoperating revenues (expenses)	<u>(73,879)</u>
Change in Net Position	(5,070,998)
Total Net Position - Beginning	<u>7,017,723</u>
Total Net Position - Ending	<u><u>\$ 1,946,725</u></u>

Pajaro Valley Unified School District
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2022

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows from Operating Activities	
Cash received from district funds	\$ 357,590
Cash payments for insurance premiums or settlements	<u>(6,343,595)</u>
Net Cash Used for Operating Activities	(5,986,005)
Cash Flows from Noncapital Financing Activities	
Transfers from district funds	1,453,623
Cash Flows from Investing Activities	
Loss on investments	<u>(73,879)</u>
Net Change in Cash and Cash Equivalents	(4,606,261)
Cash and cash equivalents, beginning	<u>7,750,076</u>
Cash and cash equivalents, ending	<u><u>\$ 3,143,815</u></u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities	
Operating (loss)	\$ (4,997,119)
Changes in assets and liabilities	
Receivables	6,532
Claims liability	<u>(995,418)</u>
Net Cash Used For Operating Activities	<u><u>\$ (5,986,005)</u></u>

Pajaro Valley Unified School District
Statement of Net Position - Fiduciary Funds
June 30, 2022

	<u>Retiree Benefits Trust Fund</u>	<u>Private-Purpose Trust Fund</u>
Assets		
Cash and cash equivalents	\$ 7,784	\$ 2,570,120
Equity mutual funds	3,152,498	-
Receivables	-	9,495
Total assets	<u>3,160,282</u>	<u>2,579,615</u>
Liabilities		
Accounts payable	-	344,020
Total liabilities	<u>-</u>	<u>344,020</u>
Net Position		
Restricted for:		
Postemployment benefits other than pensions	3,160,282	-
Individuals and organizations	-	2,235,595
Total net position	<u><u>\$ 3,160,282</u></u>	<u><u>\$ 2,235,595</u></u>

Pajaro Valley Unified School District
Statement of Changes in Net Position - Fiduciary Funds
Year Ended June 30, 2022

	Retiree Benefits Trust Fund	Private-Purpose Trust Fund
Additions		
Private donations	\$ -	\$ 261,333
Employer contributions	5,248,982	-
Loss on Investment	(705,732)	-
Interest	-	11,537
Total additions	4,543,250	272,870
Deductions		
Benefit payments	5,248,982	-
Administrative expense	39,918	-
Scholarships awarded	-	231,105
Total deductions	5,288,900	231,105
Net Increase in Fiduciary Net Position	(745,650)	41,765
Net Position - Beginning	3,905,932	2,193,830
Net Position - Ending	\$ 3,160,282	\$ 2,235,595

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.

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

Major Governmental Funds

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

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

Non-Major Governmental Funds

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

- **Charter Schools Fund** 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.
- **Adult Education Fund** The Adult Education Fund is used to account separately for federal, State, and user fees restricted for adult education programs and is to be expended for adult education purposes only.
- **Child Development Fund** The Child Development Fund is used to account separately for federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).
- **Deferred Maintenance** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).

Debt Service Funds The 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 liabilities.

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

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

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

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Trust funds are used to account for resources held by the District under a trust agreement for individuals, private organizations, or other governments. The District's trust funds are *Retiree Benefits Trust* and *Private-Purpose Scholarship Trust funds*.

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.

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

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

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

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, 2022, 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 Expenditures (Expenses)

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 and improvements, 25 years; equipment, 2 to 15 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

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.

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to \$1,918,905.

Accrued Liabilities and Long-Term Liabilities

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 assets 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

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. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2022, 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. The District has \$1,000,031 committed for the deferred maintenance program.

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. The District currently does not have any Assigned funds.

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% 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 bill and collect the taxes on behalf of the District. Local property tax revenues are recorded when received because the District uses the commonly approved Teeter plans.

Changes in Accounting Principles

Implementation of GASB Statement No. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires 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. There is no material effect of the implementation of this standard on its financial statements.

Implementation of GASB Statement No. 89

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The provisions of this statement have been implemented as of June 30, 2022. There is no material effect of the implementation of this standard on its financial statements.

Implementation of 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 fiscal year 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 provisions of this statement have been implemented as of June 30, 2022.

New Accounting Pronouncements

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides 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. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Government-wide Statement of Net Position	
Governmental funds	\$ 135,577,991
Proprietary funds	3,143,815
Fiduciary Funds Statement of Net Position	
Retiree Benefits Trust Fund	3,160,282
Private-Purpose Trust Fund	<u>2,570,120</u>
Total deposits and investments	<u><u>\$ 144,452,208</u></u>

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

Cash on hand and in banks	\$ 6,154,306
Cash in revolving	250,000
Investments	<u>138,047,902</u>
Total deposits and investments	<u><u>\$ 144,452,208</u></u>

As of June 30, 2022, the District had the following investments:

Investment Type	Reported Amount	Weighted Average Maturity in Years
Mutual Funds	\$ 3,152,498	N/A
County Pool	<u>134,895,404</u>	1.18
Total	<u><u>\$ 138,047,902</u></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, 2022.

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. The weighted average maturity for the mutual funds are less than one year. The fair value of the deposits with the County Pool at June 30, 2022 approximate \$134.9 million, and the weighted average maturity of the pool was 430 days.

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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the District's bank balance of \$415,000 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.

As of June 30, 2022, the District's investments in the Santa Cruz County Treasury Investment Pool and mutual funds are uncategorized.

Note 4 - Receivables

Receivables, except related to leases, at June 30, 2022, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	Governmental Funds			Proprietary Funds	Fiduciary Funds
	General Fund	Non-Major Governmental Funds	Total		
Federal Government					
Categorical aid	\$ 9,757,450	\$ 3,470,606	\$ 13,228,056	\$ -	\$ -
State Government					
Categorical aid	2,290,662	825,034	3,115,696	-	-
Lottery	743	110,903	111,646	-	-
Local Government					
Other local sources	902,175	237,665	1,139,840	12,361	9,495
Total	<u>\$ 12,951,030</u>	<u>\$ 4,644,208</u>	<u>\$ 17,595,238</u>	<u>\$ 12,361</u>	<u>\$ 9,495</u>

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021 as restated	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 18,655,144	\$ -	\$ -	\$ 18,655,144
Construction in progress	8,904,683	11,375,196	(5,344,830)	14,935,049
Total capital assets not being depreciated	27,559,827	11,375,196	(5,344,830)	33,590,193
Capital assets being depreciated				
Buildings and improvements	393,860,247	5,344,830	-	399,205,077
Furniture and equipment	9,443,971	129,553	-	9,573,524
Total capital assets being depreciated	403,304,218	5,474,383	-	408,778,601
Total capital assets	430,864,045	16,849,579	(5,344,830)	442,368,794
Accumulated depreciation				
Buildings and improvements	(245,619,416)	(15,731,665)	-	(261,351,081)
Furniture and equipment	(6,878,160)	(511,213)	-	(7,389,373)
Total accumulated depreciation	(252,497,576)	(16,242,878)	-	(268,740,454)
Governmental activities capital assets, net	\$ 178,366,469	\$ 606,701	\$ (5,344,830)	\$ 173,628,340

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

Governmental Activities	
Instruction	\$ 8,904,451
Supervision of instruction	1,304,782
Instructional library, media, and technology	287,828
School site administration	1,019,400
Home-to-school transportation	464,797
Food services	601,003
All other pupil services	1,459,042
Data processing	161,040
All other administration	710,133
Plant services	1,152,601
Ancillary services	177,315
Community services	486
Total depreciation expenses governmental activities	\$ 16,242,878

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, 2022, between major and non-major governmental funds, and proprietary funds are as follows:

Due To	Due From		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 1,157,122	\$ 1,157,122
Building	15	-	15
Non-Major Governmental Funds	686,655	70,618	757,273
Total	\$ 686,670	\$ 1,227,740	\$ 1,914,410

Interfund Transfers

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

Transfer From	General Fund	Transfer To Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 1,069,205	\$ 1,069,205
Building Fund	342,491	-	342,491
Total	\$ 342,491	\$ 1,069,205	\$ 1,411,696

General Fund transferred to Charter Schools to cover deficit spending. \$ 69,194

The General Fund transferred to the Deferred Maintenance Fund to support cover the costs for maintenance. 1,000,000

The General Fund transferred to the Cafeteria Fund to support the District's cafeteria operations including providing assistance to student outstanding accounts. 11

The Building Fund transferred to the General Fund for support. 342,491

Total \$ 1,411,696

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. For governmental activities, the net investment in capital assets amount of \$10,816,367 includes the effect of deferring the recognition of loss from advance refunding. The \$7,112,739 balance of the deferred outflows of resources at June 30, 2022, 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, 2021	Accretion/ Additions	Deductions	Balance June 30, 2022
Deferred charges on refunding	\$ 7,472,943	\$ 238,687	\$ 598,891	\$ 7,112,739

Note 8 - Accounts Payable

Accounts payable at June 30, 2022, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Funds	Fiduciary Funds
Vendor payables	\$ 3,167,965	\$ 716,207	\$ 1,255,868	\$ 5,140,040	\$ 82	\$ 344,020
LCFF apportionment	5,377,203	-	-	5,377,203	-	-
Salaries and benefits	17,754,138	-	-	17,754,138	-	-
Payables to Cieba	1,449,830	-	-	1,449,830	-	-
Total	<u>\$ 27,749,136</u>	<u>\$ 716,207</u>	<u>\$ 1,255,868</u>	<u>\$ 29,721,211</u>	<u>\$ 82</u>	<u>\$ 344,020</u>

Note 9 - Unearned Revenue

Unearned revenue at June 30, 2022, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 3,980,897	\$ 997,948	\$ 4,978,845
State categorical aid	2,854,518	807,242	3,661,760
Other local	2,248,574	955,617	3,204,191
Total	<u>\$ 9,083,989</u>	<u>\$ 2,760,807</u>	<u>\$ 11,844,796</u>

Note 10 - Current Loans

Tax and Revenue Anticipation Notes

On March 29, 2021, the District issued \$24,665,000 of Tax and Revenue Anticipation Notes bearing interest of 2.00% and which are due and payable before January 31, 2022. The District has pledged a portion of its State principal apportionment revenues in an amount equal to the principal and interest due on the notes.

The outstanding Tax and Revenue Anticipation Notes at June 30, 2022 are as follows:

Issue Date	Rate	Maturity Date	Outstanding June 30, 2021	Additions	Payments	Outstanding June 30, 2022
3/29/2021	2.00%	1/31/2022	<u>\$ 24,665,000</u>	<u>\$ -</u>	<u>\$ 24,665,000</u>	<u>\$ -</u>

Note 11 - Long-Term Liabilities Other than OPEB and Pensions

Summary

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

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 188,823,874	\$ 1,753,096	\$ (5,435,000)	\$ 185,141,970	\$ 5,790,000
Unamortized bond premiums	10,612,449	-	(520,209)	10,092,240	520,209
Certificates of participation	14,795,000	12,590,000	(14,795,000)	12,590,000	755,000
Unamortized COP premiums	221,542	2,211,150	(379,485)	2,053,207	157,939
Compensated absences	1,673,707	1,500,478	(1,255,280)	1,918,905	1,439,179
Claims liability	2,204,787	-	(995,418)	1,209,369	229,072
Total	<u>\$ 218,331,359</u>	<u>\$ 18,054,724</u>	<u>\$ (23,380,392)</u>	<u>\$ 213,005,691</u>	<u>\$ 8,891,399</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Accumulated vacation is paid by the funds for which the employees worked.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2021	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2022
Current Interest Bonds							
2013	2048	3.00%-5.00%	\$ 68,540,000	\$ 28,620,000	\$ -	\$ -	\$ 28,620,000
2013	2038	0.63%-5.12%	11,460,000	2,750,000	-	(200,000)	2,550,000
2013	2023	0.73%-3.19%	19,675,000	5,595,000	-	(2,715,000)	2,880,000
2013	2023	2.00%-4.00%	9,765,000	2,940,000	-	(1,420,000)	1,520,000
2016	2045	2.00%-5.00%	40,000,000	36,690,000	-	-	36,690,000
2018	2047	4.00%-5.00%	30,000,000	28,800,000	-	-	28,800,000
2020	2044	0.82%-2.84%	50,535,000	49,650,000	-	(465,000)	49,185,000
			Subtotal	155,045,000	-	(4,800,000)	150,245,000
Capital Appreciation Bonds							
2005	2031	3.00%-5.31%	18,254,288	33,778,874	1,753,096	(635,000)	34,896,970
Total Bonded Debt				<u>\$ 188,823,874</u>	<u>\$ 1,753,096</u>	<u>\$ (5,435,000)</u>	<u>\$ 185,141,970</u>

Debt Service Requirements to Maturity

The current interest bonds mature through fiscal year 2048 as follows:

Bonds Maturing Fiscal Year	Principal	Interest to Maturity	Total
2023	\$ 5,105,000	\$ 6,189,423	\$ 11,294,423
2024	845,000	8,941,789	9,786,789
2025	980,000	9,155,604	10,135,604
2026	1,165,000	9,373,829	10,538,829
2027	1,485,000	9,577,410	11,062,410
2028-2032	12,125,000	26,798,336	38,923,336
2033-2037	22,980,000	23,840,864	46,820,864
2038-2042	39,255,000	18,055,842	57,310,842
2043-2047	58,250,000	8,321,414	66,571,414
2048	8,055,000	171,169	8,226,169
Total	<u>\$ 150,245,000</u>	<u>\$ 120,425,680</u>	<u>\$ 270,670,680</u>

The capital appreciation bonds mature through fiscal year 2032 as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2023	\$ 287,590	\$ 397,410	\$ 685,000	\$ -	\$ 685,000
2024	2,155,859	2,996,393	5,152,252	267,748	5,420,000
2025	2,109,360	2,957,143	5,066,503	543,497	5,610,000
2026	2,059,761	2,920,920	4,980,681	829,319	5,810,000
2027	2,011,547	2,877,047	4,888,594	1,121,406	6,010,000
2028-2032	5,757,106	8,366,834	14,123,940	5,201,060	19,325,000
Total	<u>\$ 14,381,223</u>	<u>\$ 20,515,747</u>	<u>\$ 34,896,970</u>	<u>\$ 7,963,030</u>	<u>\$ 42,860,000</u>

Advance Refunding and Certificate of Participation

In October 2021, the District issued 2021 Refunding Certificates of Participation (COPs) in the amount of \$12,590,000. The COPs proceeds were used to refund \$14,205,000 of the 2019 COPs accruing interest at a rate of 5.0% which 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 4.0%.

The net proceeds of \$14,443,723 (after payment of \$357,463 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunding bonds. As a result, a portion of the 2019 COP are considered defeased and the liability has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$238,687. This amount is reported as a deferred outflow of resources and amortized over the remaining life of the refunding debt, which had the same life as the refunded debt. The advance refunding reduced its total debt service payments by \$3,532,040 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,343,069.

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

Year Ending June 30,	Principal	Interest	Total
2023	\$ 755,000	\$ 488,500	\$ 1,243,500
2024	665,000	460,100	1,125,100
2025	715,000	432,500	1,147,500
2026	765,000	402,900	1,167,900
2027	820,000	371,200	1,191,200
2028-2032	5,020,000	1,298,000	6,318,000
2033-2035	3,850,000	237,200	4,087,200
Total	\$ 12,590,000	\$ 3,690,400	\$ 16,280,400

Note 12 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 250,000	\$ -	\$ -	\$ 250,000
Stores inventories	99,030	-	144,847	243,877
Total nonspendable	<u>349,030</u>	<u>-</u>	<u>144,847</u>	<u>493,877</u>
Restricted				
Educational programs	16,928,039	-	2,595,031	19,523,070
Charter schools	-	-	3,842,655	3,842,655
Food service	-	-	9,899,182	9,899,182
Capital projects	-	19,516,375	8,935,942	28,452,317
Debt services	-	-	8,994,643	8,994,643
Total restricted	<u>16,928,039</u>	<u>19,516,375</u>	<u>34,267,453</u>	<u>70,711,867</u>
Committed				
Deferred maintenance program	-	-	1,000,031	1,000,031
Total committed	<u>-</u>	<u>-</u>	<u>1,000,031</u>	<u>1,000,031</u>
Unassigned				
Reserve for economic uncertainties	8,420,967	-	-	8,420,967
Other unassigned	31,224,357	-	-	31,224,357
Unassigned	<u>39,645,324</u>	<u>-</u>	<u>-</u>	<u>39,645,324</u>
Total	<u>\$ 56,922,393</u>	<u>\$ 19,516,375</u>	<u>\$ 35,412,331</u>	<u>\$ 111,851,099</u>

Note 13 - Postemployment Health Care Plan and Other Postemployment Benefits (OPEB) Liability

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 122,343,461	\$ 23,163,386	\$ 15,273,731	\$ 12,355,079

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, 2022, Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	174
Active employees	2,060
Total	2,234

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 2021-2022, the District contributed \$5,248,982 to the plan, all of which was used for current premiums (approximately 100% 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, 2022:

Asset Class	Target Allocation	Long-Term Expected Real Target Allocation
All Fixed Income	55%	4.25%
Real Estate Investment Trusts	4%	7.25%
All Domestic Equities	22%	7.25%
All International Equities	19%	7.25%
	100%	

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was 5.71%. 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, 2022, were as follows:

Total OPEB liability	\$ 125,495,959
Plan fiduciary net position	(3,152,498)
Net OPEB liability	\$ 122,343,461
Plan fiduciary net position as a percentage of the total OPEB liability	2.51%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	6/30/2022
Valuation Date	6/30/2021
Inflation	2.50%
Salary increases	2.75% average, including inflation
Discount rate	3.60%
Investment rate of return	5.60% net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00% per year

Mortality rates were based on the 2020 CalSTRS Mortality, 2017 CalPERS Mortality for Miscellaneous and School Employees, as appropriate, with adjustments for mortality improvements based on CalPERS analysis.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the 2020 CalSTRS Rates, and the 2017 CalPERS 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, 2022.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.60%. 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 2028. Therefore, the long-term expected rate of return on OPEB plan investments and the 20-year municipal bond index rate at June 30, 2022 of 3.54% 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, 2021	\$ 134,672,394	\$ 3,897,925	\$ 130,774,469
Service cost	8,689,642	-	8,689,642
Interest	3,000,640	-	3,000,640
Employer contributions as benefit payments	-	5,248,982	(5,248,982)
Investment gains/(losses)	-	(705,510)	705,510
Changes of assumptions and other inputs	(15,617,735)	-	(15,617,735)
Benefit payments	(5,248,982)	(5,248,982)	-
Administrative expense	-	(39,917)	39,917
Net change in total OPEB liability	(9,176,435)	(745,427)	(8,431,008)
Balance, June 30, 2022	<u>\$ 125,495,959</u>	<u>\$ 3,152,498</u>	<u>\$ 122,343,461</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.60%) or 1 percentage point higher (4.60%) than the current discount rate:

Discount Rate	Net OPEB Liability
1% decrease (2.60%)	\$ 133,780,943
Current discount rate (3.60%)	122,343,461
1% increase (4.60%)	114,291,106

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 percentage point lower (4% decreasing to 3%) or 1 percentage point higher (4% increasing to 5%) than the current healthcare cost trend rates:

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3%)	\$ 106,613,681
Current healthcare cost trend rate (4%)	122,343,461
1% increase (5%)	140,473,041

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$12,355,079.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,290,998	\$ -
Changes of assumptions	15,453,059	15,273,731
Net difference between projected and actual earnings on OPEB plan investments	419,329	-
Total	\$ 23,163,386	\$ 15,273,731

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
2023	\$ 855,538
2024	863,301
2025	856,996
2026	964,878
2027	780,346
Thereafter	3,568,596
Total	\$ 7,889,655

Note 14 - 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, 2022, 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, 2020 to June 30, 2022:

Liability Balance, June 30, 2020	\$ 2,470,950
Claims and changes in estimates	377,607
Claims payments	<u>(643,770)</u>
Liability Balance, June 30, 2021	2,204,787
Claims and changes in estimates	(644,360)
Claims payments	<u>(351,058)</u>
Liability Balance, June 30, 2022	1,209,369
Current portion of Claim liabilities	229,072
Noncurrent portion of Claim liabilities	<u>980,297</u>
Liability Balance, June 30, 2022	<u>\$ 1,209,369</u>
Assets available to pay claims at June 30, 2022	<u>\$ 3,156,094</u>

Note 15 - 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, 2022, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 79,184,597	\$ 37,081,549	\$ 85,268,405	\$ 2,416,970
CalPERS	<u>61,989,559</u>	<u>13,050,544</u>	<u>28,124,276</u>	<u>7,310,259</u>
Total	<u>\$ 141,174,156</u>	<u>\$ 50,132,093</u>	<u>\$ 113,392,681</u>	<u>\$ 9,727,229</u>

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, 2020, 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% 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, 2022, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were \$17,055,842.

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

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

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 79,184,597
State's proportionate share of the net pension liability	<u>39,842,618</u>
Total	<u><u>\$ 119,027,215</u></u>

The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, respectively was 0.1740% and 0.1764%, resulting in a net decrease in the proportionate share of 0.0024%.

For the year ended June 30, 2022, the District recognized pension expense of \$2,416,970. In addition, the District recognized pension expense and revenue of \$1,363,166 for support provided by the State. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 17,055,842	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	8,607,729	14,204,456
Differences between projected and actual earnings on pension plan investments	-	62,637,056
Differences between expected and actual experience in the measurement of the total pension liability	198,362	8,426,893
Changes of assumptions	<u>11,219,616</u>	<u>-</u>
Total	<u><u>\$ 37,081,549</u></u>	<u><u>\$ 85,268,405</u></u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (15,906,057)
2024	(14,548,845)
2025	(14,909,897)
2026	(17,272,257)
Total	<u>\$ (62,637,056)</u>

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
2023	\$ 1,836,604
2024	4,170,847
2025	(2,214,882)
2026	(1,914,959)
2027	(2,949,865)
Thereafter	(1,533,387)
Total	<u>\$ (2,605,642)</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, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) 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 January 2020 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, 2021, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed 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%) 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% lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 161,191,498
Current discount rate (7.10%)	79,184,597
1% increase (8.10%)	11,120,435

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, 2020 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, 2022, 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	22.91%	22.91%

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, 2022, are presented above and the total District contributions were \$10,048,414.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$61,989,559. The net pension liability was measured as of June 30, 2021. 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 2021 and June 30, 2020, respectively was 0.3049% and 0.3158%, resulting in a net decrease in proportionate share of 0.0109%.

For the year ended June 30, 2022, the District recognized pension expense of \$7,310,259. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 10,048,413	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,151,583	4,188,394
Differences between projected and actual earnings on pension plan investments	-	23,789,747
Differences between expected and actual experience in the measurement of the total pension liability	1,850,548	146,135
Total	\$ 13,050,544	\$ 28,124,276

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments are amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (5,966,448)
2024	(5,486,683)
2025	(5,720,226)
2026	(6,616,390)
Total	\$ (23,789,747)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 737,644
2024	(1,140,610)
2025	(849,980)
2026	(79,452)
Total	<u>\$ (1,332,398)</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, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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% 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%. 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%)	\$ 104,523,100
Current discount rate (7.15%)	61,989,559
1% increase (8.15%)	26,677,593

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% of an employee's gross earnings. An employee is required to contribute 6.2% 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 \$11,190,454 for June 30, 2022. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures.

Note 16 - Commitments and Contingencies

Construction Commitments

As of June 30, 2022, the District had \$14,602,500 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, 2022.

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, 2022.

Note 17 - 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.

Note 18 - Restatement of Prior Year Net Position - Correction of an error

As of July 1, 2021, the District management discovered certain errors resulting in an overstatement of amounts previously reported for capital assets during the current year. The effect of the error on building and improvements was a reduction of \$11,268,151 from \$405,128,398 to \$393,860,247 and the respective accumulated depreciation of \$3,996,276 was removed changing the beginning accumulated depreciation balance of Building and improvements to \$245,619,416 from \$249,615,692. The accumulated net effect on the capital assets' beginning balance is the reduction of \$7,271,875. In addition, the correction of the error results in a reduction in depreciation, and a corresponding increase in the change in net position, in the amount of \$563,408.

Accordingly, a restatement has been made to the governmental activities net position as follows:

Government-wide financial statements	
Net Position (deficit) - beginning	\$ (249,125,168)
Adjustment to capital assets	<u>(7,271,875)</u>
Net position (deficit) - beginning as restated	<u><u>\$ (256,397,043)</u></u>



Required Supplementary Information
June 30, 2022

Pajaro Valley Unified School District

Pajaro Valley Unified School District
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 197,060,405	\$ 203,719,207	\$ 203,845,301	\$ 126,094
Federal sources	23,900,916	47,610,289	38,337,178	(9,273,111)
Other State sources	42,445,469	48,100,387	53,015,775	4,915,388
Other local sources	753,589	6,896,995	3,472,795	(3,424,200)
Total revenues	<u>264,160,379</u>	<u>306,326,878</u>	<u>298,671,049</u>	<u>(7,655,829)</u>
Expenditures				
Current				
Certificated salaries	90,036,756	98,640,966	96,260,756	2,380,210
Classified salaries	41,742,615	44,732,986	42,496,811	2,236,175
Employee benefits	94,899,754	95,452,984	92,990,707	2,462,277
Books and supplies	12,218,946	25,729,826	12,620,327	13,109,499
Services and expenditures	20,004,340	41,730,342	31,923,092	9,807,250
Debt services	60,218	150,595	615,178	(464,583)
Capital outlay	2,912,714	3,338,322	3,921,312	(582,990)
Total expenditures	<u>261,875,343</u>	<u>309,776,021</u>	<u>280,828,183</u>	<u>28,947,838</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,285,036</u>	<u>(3,449,143)</u>	<u>17,842,866</u>	<u>21,292,009</u>
Other Financing Sources (Uses)				
Transfers in	1,250,000	1,250,000	342,491	(907,509)
Proceeds from sale of bonds	-	-	12,590,000	12,590,000
Premium on refunding bonds issued	-	-	2,211,150	2,211,150
Transfers out	(164,388)	(1,070,184)	(1,069,205)	979
Payment to escrow agent	-	-	(14,443,723)	(14,443,723)
Net financing sources (uses)	<u>1,085,612</u>	<u>179,816</u>	<u>(369,287)</u>	<u>(549,103)</u>
Net Change in Fund Balances	3,370,648	(3,269,327)	17,473,579	20,742,906
Fund Balance - Beginning	<u>39,448,814</u>	<u>39,448,814</u>	<u>39,448,814</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 42,819,462</u>	<u>\$ 36,179,487</u>	<u>\$ 56,922,393</u>	<u>\$ 20,742,906</u>

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

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 8,689,642	\$ 12,629,303	\$ 10,000,902	\$ 7,038,018	\$ 6,849,653	\$ 6,666,329
Interest	3,000,640	2,496,263	3,205,293	3,102,693	2,908,224	2,539,977
Employer contributions	(5,248,982)	(3,776,187)	(4,156,065)	(3,581,038)	(3,479,241)	(3,345,424)
Difference between expected and actual experience	-	8,250,912	-	271,684	-	-
Changes of assumptions	(15,617,735)	6,032,173	11,322,429	1,914,699	(1,204,336)	-
Net change in total OPEB liability	(9,176,435)	25,632,464	20,372,559	8,746,056	5,074,300	5,860,882
Total OPEB Liability - Beginning	134,672,394	109,039,930	88,667,371	79,921,315	74,847,015	68,986,133
Total OPEB Liability - Ending (a)	<u>\$ 125,495,959</u>	<u>\$ 134,672,394</u>	<u>\$ 109,039,930</u>	<u>\$ 88,667,371</u>	<u>\$ 79,921,315</u>	<u>\$ 74,847,015</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 5,248,982	\$ 3,776,187	\$ 4,156,065	\$ 3,581,038	\$ 3,479,241	\$ 3,345,424
Net investment income	(705,510)	726,102	148,544	151,343	174,556	284,816
Benefit payments	(5,248,982)	(3,776,187)	(4,156,065)	(3,581,038)	(3,479,241)	(3,345,424)
Administrative expense	(39,917)	(38,042)	(34,170)	(32,896)	(32,696)	(30,503)
Net change in plan fiduciary net position	(745,427)	688,060	114,374	118,447	141,860	254,313
Plan Fiduciary Net Position - Beginning	3,897,925	3,209,865	3,095,491	2,977,044	2,835,184	2,580,871
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,152,498</u>	<u>\$ 3,897,925</u>	<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>\$ 122,343,461</u>	<u>\$ 130,774,469</u>	<u>\$ 105,830,065</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	2.51%	2.89%	2.94%	3.49%	3.72%	3.79%
Covered-Employee Payroll	<u>\$ 158,030,960</u>	<u>\$ 146,755,736</u>	<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-Employee Payroll	77.42%	89.11%	69.81%	55.71%	52.05%	52.43%
Measurement Date	June 30, 2022	June 30, 2021	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 OPEB Contributions
Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 5,248,982	\$ 3,776,187	\$ 4,156,065	\$ 3,581,038	\$ 3,479,241	\$ 3,345,424
Contribution in relation to the actuarially determined contribution	5,248,982	3,776,187	4,156,065	3,144,629	3,664,714	4,987,447
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ 436,409	\$ (185,473)	\$ (1,642,023)
Covered payroll	\$ 158,030,960	\$ 146,755,736	\$ 151,592,751	\$ 153,593,936	\$ 147,837,766	\$ 137,357,251
Contributions as a percentage of covered payroll	3.3%	2.6%	2.7%	2.0%	2.5%	3.6%

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

	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	5.71%	3.56%	3.83%	3.25%	2.65%	3.33%

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

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Proportion of the net pension liability	0.1740%	0.1764%	0.1877%	0.1746%	0.1770%	0.1650%	0.1842%	0.1758%
Proportionate share of the net pension liability	\$ 79,184,597	\$ 170,985,405	\$ 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)	39,842,618	96,909,512	92,468,698	91,863,553	96,845,510	75,954,016	65,602,918	62,029,218
Total	\$ 119,027,215	\$ 267,894,917	\$ 261,959,776	\$ 252,310,800	\$ 260,548,845	\$ 209,374,702	\$ 189,641,844	\$ 164,753,270
Covered payroll	\$ 93,605,554	\$ 97,932,690	\$ 99,000,160	\$ 95,011,566	\$ 93,010,334	\$ 70,863,691	\$ 76,042,128	78,540,681
Proportionate share of the net pension liability as a percentage of its covered payroll	84.59%	174.59%	171.20%	168.87%	176.01%	188.28%	163.12%	130.79%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS								
Proportion of the net pension liability	0.3049%	0.3158%	0.3192%	0.3009%	0.2716%	0.2741%	0.2932%	0.2922%
Proportionate share of the net pension liability	\$ 61,989,559	\$ 96,909,512	\$ 93,020,280	\$ 80,241,523	\$ 64,834,201	\$ 54,132,557	\$ 43,211,280	\$ 33,166,972
Covered payroll	\$ 44,017,150	\$ 45,822,053	\$ 45,737,543	\$ 42,627,191	\$ 36,141,518	\$ 32,900,920	\$ 32,468,354	\$ 33,581,056
Proportionate share of the net pension liability as a percentage of its covered payroll	140.83%	211.49%	203.38%	188.24%	179.39%	164.53%	133.09%	98.77%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2021	June 30, 2020	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

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Contractually required contribution	\$ 17,055,842	\$ 15,117,297	\$ 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	<u>17,055,842</u>	<u>15,117,297</u>	<u>16,746,490</u>	<u>16,117,226</u>	<u>13,710,169</u>	<u>11,700,700</u>	<u>7,603,674</u>	<u>6,752,541</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 100,802,849</u>	<u>\$ 93,605,554</u>	<u>\$ 97,932,690</u>	<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>
Contributions as a percentage of covered payroll	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS								
Contractually required contribution	\$ 10,048,413	\$ 9,111,550	\$ 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	<u>10,048,413</u>	<u>9,111,550</u>	<u>9,036,567</u>	<u>8,261,115</u>	<u>6,620,429</u>	<u>5,019,334</u>	<u>3,897,772</u>	<u>3,821,850</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 43,860,380</u>	<u>\$ 44,017,150</u>	<u>\$ 45,822,053</u>	<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>
Contributions as a percentage of covered payroll	<u>22.91%</u>	<u>20.70%</u>	<u>19.72%</u>	<u>18.06%</u>	<u>15.53%</u>	<u>13.89%</u>	<u>11.85%</u>	<u>11.77%</u>

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

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.

At June 30, 2022, the District major fund(s) exceeded the budgeted amount in total as follows:

Funds	Other Financing Uses		
	Budget	Actual	Excess
General Fund - Payment to escrow agent	\$ -	\$ (14,443,723)	\$ (14,443,723)

The above amount was not included in the budget as it represents a payment to escrow agent amount which was offset by Other Financing Sources exceeding the amount.

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations.
- *Changes of Assumptions* – The discount rate used in 2022 was 3.60% changed from 2.20%. The discount rate in 2020 was changed from 3.50% to 2.20%.

Schedule of District OPEB Contributions

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

Schedule of OPEB Investment Returns

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

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Pension Contributions

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

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Supplementary Information
June 30, 2022

Pajaro Valley Unified School District

Pajaro Valley Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	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	\$ 4,063,488
Special Education Grants to States	84.027	15197	212,787
Special Education Grants to States	84.027	15438	62,955
Subtotal Special Education Grants to States			<u>4,339,230</u>
Special Education Preschool Grants	84.173	13431	1,042
Special Education Preschool Grants	84.173	13007	9,173
Special Education Preschool Grants	84.173	13430	178,863
Subtotal Special Education Preschool Grants			<u>189,078</u>
Total Special Education Cluster			<u>4,528,308</u>
Adult Education - Basic Grants to States	84.002	14508	230,607
Adult Education - Basic Grants to States	84.002	13978	85,550
Adult Education - Basic Grants to States	84.002	14109	47,040
Subtotal Adult Education			<u>363,197</u>
COVID-19, Education Stabilization Fund (ESF)			
Governor's Emergency Education Relief Fund			
Learning Loss Mitigation			
GEER I	84.425C	15517	1,249,500
GEER II	84.425C	15619	254,536
Elementary and Secondary School			
Emergency Relief Fund (ESSER) Fund			
ESSER	84.425D	15536	3,450,589
ESSER II	84.425D	15547	6,655,684
Expanded Learning Opportunity (ESSER II)	84.425D	15618	300,328
American Rescue Plan Act (ARPA)			
ESSER III	84.425U	15559	1,914,057
ASES ESSER III	84.425U	15649	5,345,394
21st Century ESSER III	84.425U	15651	705,152
ELO ESSER III, Emergency	84.425U	15620	4,539
ELO ESSER III, Learning Loss	84.425U	15621	16,770
ARPA, HCY	84.425W	15564	149,300
ARPA, HCY II	84.425W	15566	13,503
Subtotal COVID-19 ESF			<u>20,059,352</u>
Title I Grants to Local Educational Agencies	84.010	14329	4,473,360
Title I Grants to Local Educational Agencies	84.010	15438	399,967
Subtotal Title I			<u>4,873,327</u>
English Language Acquisition State Grants (ELAS)	84.365	14346	686,859
English Language Acquisition State Grants	84.365	15146	43,863
Subtotal ELAS			<u>730,722</u>

Pajaro Valley Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
Supporting Effective Instruction State Grants	84.367	14341	498,749
Migrant Education State Grant Program	84.011	14326	3,349,775
Student Support and Academic Enrichment Program	84.424	15396	818,424
Twenty-First Century Community Learning Centers	84.287	14349	2,819,846
Education for Homeless Children and Youth	84.196	14332	137,566
Career and Technical Education -- Basic Grants to States	84.048	14894	143,558
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>38,808,900</u>
U.S. Department of Health and Human Services Human Services Passed Through California Department of Education			
Child Care and Development Fund (CCDF) Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	664,860
COVID-19, Child Care and Development Block Grant Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act	93.575	15555	128,550
Child Care and Development Programs Administered by California	93.575	10163	<u>114,341</u>
Subtotal Child Care and Development Block Grant			<u>242,891</u>
Total CCDF Cluster			907,751
Head Start Cluster			
Head Start	93.600	10016	<u>9,350,277</u>
Total Head Start Cluster			<u>9,350,277</u>
Total U.S. Department of Health and Human Services			<u>10,258,028</u>
U.S. Department of Agriculture Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13524	8,163,729
COVID-19, Emergency Operational Costs Reimburseme	10.555	15637	59,045
Subtotal National School Lunch Program			<u>8,222,774</u>
School Breakfast Program	10.553	13526	2,717,142
Fresh Fruit and Vegetable Program	10.582	14968	434,094
Total Child Nutrition Cluster			<u>11,374,010</u>
Child and Adult Care Food Program	10.558	13393	905,075
COVID-19, Child and Adult Care Food Program	10.558	15577	49,286
Subtotal Child and Adult Care Food Program			<u>954,361</u>
Total U.S. Department of Agriculture			<u>12,328,371</u>
Total Federal Financial Assistance			<u>\$ 61,395,299</u>

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
Kim De Serpa	President	2022
Maria Orozco	Vice President	2024
Georgia Acosta	Member	2024
Daniel Dodge Jr.	Member	2022
Jennifer Holm	Member	2022
Jennifer Schacher	Member	2022
Oscar Soto	Member	2024
Itzi Sanchez	Student Trustee	2022

Administration

Name	Title
Dr. Michelle Rodriguez	Superintendent

Pajaro Valley Unified School District
 Schedule of Average Daily Attendance
 Year Ended June 30, 2022

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	4,114.42	4,114.42
Fourth through sixth	3,315.86	3,315.86
Seventh and eighth	2,191.29	2,191.29
Ninth through twelfth	4,860.80	4,860.80
Total Regular ADA	14,482.37	14,482.37
Extended Year Special Education		
Transitional kindergarten through third	26.37	26.37
Fourth through sixth	34.42	34.42
Seventh and eighth	24.21	24.21
Ninth through twelfth	33.63	33.63
Total Extended Year Special Education	118.63	118.63
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.76	0.76
Fourth through sixth	2.66	2.66
Seventh and eighth	0.95	0.95
Ninth through twelfth	8.21	8.21
Total Special Education, Nonpublic, Nonsectarian Schools	12.58	12.58
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.10	0.10
Fourth through sixth	0.50	0.50
Seventh and eighth	0.21	0.21
Ninth through twelfth	1.76	1.76
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.57	2.57
Community Day School		
Ninth through twelfth	35.41	35.41
Total Community Day School	35.41	35.41
Total ADA	14,651.56	14,651.56

Pajaro Valley Unified School District
Schedule of Charter Schools Average Daily Attendance
Year Ended June 30, 2022

Charter Schools	Alianza Charter School	Diamond Technology Institute	Linscott Charter School	Pacific Coast Charter School	Watsonville Charter School of the Arts	Total
Second Period Report						
Classroom-Based						
Transitional kindergarten through third	283.27	-	103.29	-	152.42	538.98
Fourth through sixth	201.06	-	85.99	-	127.03	414.08
Seventh and eighth	115.98	-	49.99	-	76.49	242.46
Ninth through twelfth	-	65.22	-	-	-	65.22
Total Classroom-Based	600.31	65.22	239.27	-	355.94	1,260.74
Non Classroom-Based						
Transitional kindergarten through third	-	-	-	22.51	-	22.51
Fourth through sixth	-	-	-	18.90	-	18.90
Seventh and eighth	-	-	-	22.35	-	22.35
Ninth through twelfth	-	-	-	112.82	-	112.82
Total Non Classroom-Based	-	-	-	176.58	-	176.58
Total Charter School	600.31	65.22	239.27	176.58	355.94	1,437.32
Annual Report						
Classroom-Based						
Transitional kindergarten through third	283.27	-	103.29	-	152.42	538.98
Fourth through sixth	201.06	-	85.99	-	127.03	414.08
Seventh and eighth	115.98	-	49.99	-	76.49	242.46
Ninth through twelfth	-	65.22	-	-	-	65.22
Total Classroom-Based	600.31	65.22	239.27	-	355.94	1,260.74
Non Classroom-Based						
Transitional kindergarten through third	-	-	-	22.51	-	22.51
Fourth through sixth	-	-	-	18.90	-	18.90
Seventh and eighth	-	-	-	22.35	-	22.35
Ninth through twelfth	-	-	-	112.82	-	112.82
Total Non Classroom-Based	-	-	-	176.58	-	176.58
Total Charter School	600.31	65.22	239.27	176.58	355.94	1,437.32

Pajaro Valley Unified School District
 Schedule of Instructional Time - District
 Year Ended June 30, 2022

Grade Level	Minutes Requirement	Actual Minutes	Number of Actual Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,000	180	Not applicable	Complied
Grades 1 - 3					
Grade 1	50,400	51,015	180	Not applicable	Complied
Grade 2	50,400	51,015	180	Not applicable	Complied
Grade 3	50,400	51,015	180	Not applicable	Complied
Grades 4 - 8					
Grade 4	54,000	54,155	180	Not applicable	Complied
Grade 5	54,000	54,155	180	Not applicable	Complied
Grade 6	54,000	54,155	180	Not applicable	Complied
Grade 7	54,000	55,778	180	Not applicable	Complied
Grade 8	54,000	55,778	180	Not applicable	Complied
Grades 9 - 12					
Grade 9	64,800	65,671	180	Not applicable	Complied
Grade 10	64,800	65,671	180	Not applicable	Complied
Grade 11	64,800	65,671	180	Not applicable	Complied
Grade 12	64,800	65,671	180	Not applicable	Complied

Pajaro Valley Unified School District
 Schedule of Instructional Time - Charter Schools
 Year Ended June 30, 2022

Grade Level	Minutes Requirement	Actual Minutes	Number of Actual Days		Status
			Traditional Calendar	Multitrack Calendar	
Diamond Technology Institute					
Grade 9	64,800	65,412	180	Not applicable	Complied
Grade 10	64,800	65,412	180	Not applicable	Complied
Grade 11	64,800	65,412	180	Not applicable	Complied
Grade 12	64,800	65,412	180	Not applicable	Complied
Alianza Charter School					
Kindergarten	36,000	38,280	180	Not applicable	Complied
Grades 1 - 3					
Grade 1	50,400	54,150	180	Not applicable	Complied
Grade 2	50,400	56,220	180	Not applicable	Complied
Grade 3	50,400	54,150	180	Not applicable	Complied
Grade 4	54,000	54,150	180	Not applicable	Complied
Grade 5	54,000	55,950	180	Not applicable	Complied
Grade 6	54,000	55,950	180	Not applicable	Complied
Grade 7	54,000	54,150	180	Not applicable	Complied
Grade 8	54,000	54,150	180	Not applicable	Complied
Linscott Charter School					
Kindergarten	36,000	46,350	180	Not applicable	Complied
Grades 1 - 3					
Grade 1	50,400	52,200	180	Not applicable	Complied
Grade 2	50,400	52,200	180	Not applicable	Complied
Grade 3	50,400	52,200	180	Not applicable	Complied
Grade 4	54,000	54,150	180	Not applicable	Complied
Grade 5	54,000	54,150	180	Not applicable	Complied
Grade 6	54,000	54,150	180	Not applicable	Complied
Grade 7	54,000	54,150	180	Not applicable	Complied
Grade 8	54,000	54,150	180	Not applicable	Complied
Watsonville Charter School of the Arts					
Kindergarten	36,000	51,480	180	Not applicable	Complied
Grades 1 - 3					
Grade 1	50,400	52,250	180	Not applicable	Complied
Grade 2	50,400	52,250	180	Not applicable	Complied
Grade 3	50,400	52,250	180	Not applicable	Complied
Grade 4	54,000	54,555	180	Not applicable	Complied
Grade 5	54,000	54,555	180	Not applicable	Complied
Grade 6	54,000	57,325	180	Not applicable	Complied
Grade 7	54,000	57,325	180	Not applicable	Complied
Grade 8	54,000	57,325	180	Not applicable	Complied

Pajaro Valley Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2022

There were the following adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2022:

	General Fund	Building Fund	Non-Major Governmental Funds
Fund Balance			
Balance, June 30, 2022, Unaudited Actuals	\$ 59,742,738	\$ 20,623,193	\$ 36,064,444
Change in			
Accounts payable/claims liabilities	-	(434,150)	-
Fair Value Adjustment to Cash in County Treasury	(2,820,345)	(672,668)	(652,113)
Cash in County Treasury	470,452	15	(470,467)
Due From Other Funds	686,670	-	1,227,740
Due to Other Funds	(1,157,122)	(15)	(757,273)
Balance, June 30, 2022, Audited Financial Statements	\$ 56,922,393	\$ 19,516,375	\$ 35,412,331
	Retiree Benefits Trust Fund	Private- Purpose Trust Fund	Self-Insurance Fund
Net Position			
Balance, June 30, 2022, Unaudited Actuals	\$ 3,160,541	\$ 2,320,942	\$ 1,383,086
Change in			
Accounts payable/claims liabilities	-	-	661,581
Fair Value Adjustment to Cash in County Treasury	(259)	(85,347)	(97,942)
Balance, June 30, 2022, Audited Financial Statements	\$ 3,160,282	\$ 2,235,595	\$ 1,946,725

Pajaro Valley Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2022

	(Budget) 2023 ¹	2022	2021 ¹	2020 ¹
General Fund				
Revenues	\$ 311,646,728	\$ 298,671,049	\$ 282,935,589	\$ 251,895,752
Other sources	1,250,000	15,143,641	188,555	1,897,467
Total revenues and other sources	<u>312,896,728</u>	<u>313,814,690</u>	<u>283,124,144</u>	<u>253,793,219</u>
Expenditures	322,596,349	280,828,183	262,259,780	261,745,061
Other uses and transfers out	71,642	15,512,928	98,982	424,132
Total expenditures and other uses	<u>322,667,991</u>	<u>296,341,111</u>	<u>262,358,762</u>	<u>262,169,193</u>
Increase/(Decrease) in Fund Balance	<u>(9,771,263)</u>	<u>17,473,579</u>	<u>20,765,382</u>	<u>(8,375,974)</u>
Ending Fund Balance	<u>\$ 47,151,130</u>	<u>\$ 56,922,393</u>	<u>\$ 39,448,814</u>	<u>\$ 18,683,432</u>
Available Reserves ²	<u>\$ 27,724,378</u>	<u>\$ 39,645,324</u>	<u>\$ 21,154,802</u>	<u>\$ 14,311,642</u>
Available Reserves as a Percentage of Total Outgo	<u>8.59%</u>	<u>13.38%</u>	<u>8.06%</u>	<u>5.46%</u>
Long-Term Liabilities	<u>\$ 467,631,909</u>	<u>\$ 476,523,308</u>	<u>\$ 617,000,745</u>	<u>\$ 592,503,795</u>
K-12 Average Daily Attendance at P-2	<u>16,780</u>	<u>16,089</u>	<u>16,641</u>	<u>16,641</u>

The General Fund balance has increased by \$38.3 million over the past two years. The fiscal year 2022-2023 budget projects a decrease of \$9.8 million. For a district this size, the State recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in two of the past three years, but anticipates incurring an operating deficit during the 2022-2023 fiscal year. Total long-term liabilities have decreased by \$115.98 million over the past two years.

Average daily attendance has decreased by 552 over the past two years. ADA is anticipated to increase 691 during fiscal year 2022-2023.

¹Budget 2023, 2021 and 2020 is included for analytical purposes only and has not been subjected to audit.

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

Pajaro Valley Unified School District
Schedule of Charter Schools
Year Ended June 30, 2022

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

Pajaro Valley Unified School District
Schedule of Changes in Fund Balances - Charter Schools
Year Ended June 30, 2022

	Alianza Charter School	Diamond Technology Institute	Linscott Charter School	Pacific Coast Charter School	Watsonville School of the Arts	Total
Fund balance, beginning	\$ 1,375,485	\$ 33,954	\$ 403,593	\$ 873,701	\$ 844,762	\$ 3,531,495
Revenues	7,745,844	1,511,989	2,549,051	2,080,692	3,951,147	17,838,723
Expenditures	<u>(7,054,643)</u>	<u>(1,370,067)</u>	<u>(2,807,779)</u>	<u>(2,094,314)</u>	<u>(4,200,760)</u>	<u>(17,527,563)</u>
Fund balance, ending	<u>\$ 2,066,686</u>	<u>\$ 175,876</u>	<u>\$ 144,865</u>	<u>\$ 860,079</u>	<u>\$ 595,149</u>	<u>\$ 3,842,655</u>

Pajaro Valley Unified School District
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2022

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets								
Deposits and investments	\$ 4,905,338	\$ 1,970,503	\$ 2,129,583	\$ 7,143,197	\$ 31	\$ 3,440,152	\$ 8,994,643	\$ 28,583,447
Restricted deposits and investments	-	-	-	-	-	5,586,037	-	5,586,037
Receivables	411,138	309,452	1,005,015	2,918,603	-	-	-	4,644,208
Due from other funds	70,618	-	157,122	-	1,000,000	-	-	1,227,740
Stores inventories	-	-	-	144,847	-	-	-	144,847
Total assets	<u>\$ 5,387,094</u>	<u>\$ 2,279,955</u>	<u>\$ 3,291,720</u>	<u>\$ 10,206,647</u>	<u>\$ 1,000,031</u>	<u>\$ 9,026,189</u>	<u>\$ 8,994,643</u>	<u>\$ 40,186,279</u>
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 220,160	\$ 169,424	\$ 627,293	\$ 151,136	\$ -	\$ 87,855	\$ -	\$ 1,255,868
Due to other funds	-	743,399	-	11,482	-	2,392	-	757,273
Unearned revenue	1,324,279	67,621	1,368,907	-	-	-	-	2,760,807
Total liabilities	<u>1,544,439</u>	<u>980,444</u>	<u>1,996,200</u>	<u>162,618</u>	<u>-</u>	<u>90,247</u>	<u>-</u>	<u>4,773,948</u>
Fund Balances								
Nonspendable	-	-	-	144,847	-	-	-	144,847
Restricted	3,842,655	1,299,511	1,295,520	9,899,182	-	8,935,942	8,994,643	34,267,453
Committed	-	-	-	-	1,000,031	-	-	1,000,031
Total fund balances	<u>3,842,655</u>	<u>1,299,511</u>	<u>1,295,520</u>	<u>10,044,029</u>	<u>1,000,031</u>	<u>8,935,942</u>	<u>8,994,643</u>	<u>35,412,331</u>
Total liabilities and fund balances	<u>\$ 5,387,094</u>	<u>\$ 2,279,955</u>	<u>\$ 3,291,720</u>	<u>\$ 10,206,647</u>	<u>\$ 1,000,031</u>	<u>\$ 9,026,189</u>	<u>\$ 8,994,643</u>	<u>\$ 40,186,279</u>

Pajaro Valley Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2022

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues								
Local Control Funding Formula	\$ 15,388,434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,388,434
Federal sources	108,525	363,197	10,258,028	12,328,371	-	-	-	23,058,121
Other State sources	2,972,224	3,292,992	6,431,216	728,375	-	-	59,951	13,484,758
Other local sources	50,605	440,870	260,810	(192,329)	(1)	2,227,440	12,345,626	15,133,021
Total revenues	18,519,788	4,097,059	16,950,054	12,864,417	(1)	2,227,440	12,405,577	67,064,334
Expenditures								
Current								
Instruction	11,000,548	1,607,023	10,105,013	-	-	-	-	22,712,584
Instruction-related activities								
Supervision of instruction	267,469	2,110,486	3,307,619	-	-	-	-	5,685,574
Instructional library, media, and technology	268,565	93,027	38,188	-	-	-	-	399,780
School site administration	5,734,946	6,094	33,902	-	-	-	-	5,774,942
Pupil services								
Food services	-	-	-	11,902,026	-	-	-	11,902,026
All other pupil services	341,675	48,699	1,875,057	-	-	-	-	2,265,431
Administration								
All other administration	15,111	113,923	565,193	271,241	-	7,999	-	973,467
Plant services	496,526	169,673	874,343	26,709	-	527,331	-	2,094,582
Capital outlay	124,041	-	42,450	-	-	1,270,012	-	1,436,503
Debt service								
Principal	-	-	-	-	-	-	5,435,000	5,435,000
Interest and other	-	-	-	-	-	-	5,925,308	5,925,308
Total expenditures	18,277,822	4,148,925	16,841,765	12,199,976	-	1,805,342	11,360,308	64,634,138
Excess (Deficiency) of Revenues over Expenditures	241,966	(51,866)	108,289	664,441	(1)	422,098	1,045,269	2,430,196
Other Financing Sources (Uses)								
Transfers in	69,194	-	-	11	1,000,000	-	-	1,069,205
Net Change in Fund Balances	311,160	(51,866)	108,289	664,452	999,999	422,098	1,045,269	3,499,401
Fund Balance - Beginning	3,531,495	1,351,377	1,187,231	9,379,577	32	8,513,844	7,949,374	31,912,930
Fund Balance - Ending	\$ 3,842,655	\$ 1,299,511	\$ 1,295,520	\$ 10,044,029	\$ 1,000,031	\$ 8,935,942	\$ 8,994,643	\$ 35,412,331

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Pajaro Valley Unified School District (the District) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrued basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

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 Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Sections 43504.

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 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 (the “District”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated June 5, 2023.

Correction of Error

As discussed in Note 18 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for capital assets as of July 1, 2021, were discovered by management of the District during the current year. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021, to correct the error. Our opinions are not modified with respect to that matter.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as finding number 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

The District's Response to Findings

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

Purpose of this Report

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Menlo Park, California
June 5, 2023



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance by the Uniform Guidance

Governing Board
Pajaro Valley Unified School District
Watsonville, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Pajaro Valley Unified School District (the “District”)’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2022. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



Menlo Park, California
June 5, 2023

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Independent Auditor's Report on State Compliance

Governing Board
Pajaro Valley Unified School District
Watsonville, California

Report on State Compliance

Qualified and Unmodified Opinions on State Compliance

We have audited Pajaro Valley Unified School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2022.

Qualified Opinion on School Accountability Report Card

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022, except as described in the accompanying Schedule of Findings and Questioned Costs.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the audit requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on School Accountability Report Card

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the School Accountability Report Card and finding 2022-002.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

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

- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Yes
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	Yes

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	No, see below

Early Retirement Incentive

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.

Juvenile Court Schools

We did not perform Juvenile Court Schools procedures because the program is not offered by the District.

Middle or Early College High Schools

We did not perform Middle or Early College High Schools procedures because the program is not offered by the District.

Apprenticeship: Related and Supplemental Instruction

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

District of Choice

We did not perform District of Choice procedures because the program is not offered by the District.

California Clean Energy Jobs Act

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

Charter School Facility Grant Program

We did not perform procedures for the Charter School Facility Grant Program because the District did not receive funding for this program.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items 2022-002. Our opinion on state compliance is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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 a material noncompliance with compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-002 to be material weaknesses.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over state compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Menlo Park, California
June 5, 2023

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
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	Federal financial Assistance Listing/ Federal CFDA Number
Child Nutrition Cluster	10.553/10.555/10.582
Title I Grants to Local Educational Agencies	84.010
COVID-19, Education Stabilization Fund	84.425

Dollar threshold used to distinguish between type A and type B programs	\$1,841,859
Auditee qualified as low-risk auditee?	Yes

State Compliance

Unmodified for all programs except for the following program which was qualified:

Name of Program
School Accountability Report Card

The following finding represent a material weakness related to the financial statements that are required to be reported in accordance with Government Auditing Standards. The finding has been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

2022-001 30000 – Audit Adjustments including Restatement of capital assets beginning balance

Criteria

Management is responsible for developing and maintaining internal control activities that comply with the generally accepted accounting principles to meet the following objectives: control environment, risk assessment, control activities, information and communications, and monitoring.

Condition

The District included capital assets and related accumulated depreciation in the governmental activities as reported on the financial statements which were duplicate amounts. These duplicated amounts started in 2012 financial statements. It resulted in prior period adjustment in the current year's financial statements (Note 18). The District overstated amounts in the schedule of capital assets which management determined should not have been presented. The District did not record accounts payable amounts paid in fiscal year 2023 which should have been accrued in fiscal year 2022.

Effect

The district overstated site improvements and building projects by \$11,268,151 with related accumulated depreciation of \$3,996,276 for a net impact to the net position of \$7,271,875. The adjustment impacted the reported amounts of capital assets and net position in the government-wide activities. An adjustment was necessary to increase the accounts payable for the Building Fund for \$434,150. The adjustment impacted the reported amounts of expenses, accounts payable and ending fund balance reported in the building fund and government-wide activities net position.

Cause

The capital asset schedule included duplicate amounts which were recorded twice. While the District's cash payment amount is reported was reported on cash basis, generally accepted accounting principles require reporting the accounts payable to be recorded on modified accrual basis.

Recommendation

The District should have an additional layer of review incorporated with the preparation of the capital assets roll-forward schedule. The District should have a robust review process at year end to account for the recording of expenditures which may be accrued and paid in the subsequent period(s).

Views of Responsible Officials

The District concurs with the finding and have adjusted the amounts for the current year and will ensure that the subsequent years are reported on the financial statements in accordance with generally accepted accounting principles.

None reported.

The following finding represent an instance of noncompliance and questioned costs relating to compliance with state laws and regulations. The finding has been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance
72000	School Accountability Report Card

2022-002 Code 40000 / 72000 - School Accountability Report Card

Criteria

EDC §17002 and EDC §33126(b)(8) requires that an assessment of school facilities be included in the annual School Accountability Report Card (SARC). School Districts use a “Facility Inspection Tool (FIT)” or equivalent, as the documented basis of the conditions reported in the facilities section of the SARC.

Condition

The District could not provide the correct FIT, or equivalent, for us to compare with the information about facilities published in the SARC.

Questioned Costs

There is no questioned cost associated with this condition.

Context

We selected a sample of ten schools and the condition applies to three of those schools.

Effect

Information contained in the SARC regarding school facilities may be incomplete or inaccurate.

Cause

The District could not provide correct support FIT to support its SARC

Recommendation

We recommend that the District appoint someone to be accountable for compliance in this area.

Identification as a Repeat Finding

This was reported as a prior year finding.

Views of Responsible Officials/Corrective Action Plan

The District has included this area of gap in staff assignment and will address the corrective action required.

2021-001 School Accountability Report Card
Code 40000, 72000

Criteria

EDC §17002 and EDC §33126(b)(8) requires that an assessment of school facilities be included in the annual School Accountability Report Card (SARC). School Districts use a “Facility Inspection Tool (FIT)” or equivalent, as the documented basis of the conditions reported in the facilities section of the SARC.

Condition

The District could not provide the FIT, or equivalent, for us to compare with the information about facilities published in the SARC.

Questioned Costs

There is no questioned cost associated with this condition.

Context

We selected a sample of six schools and the condition applies to four of those schools.

Effect

Information contained in the SARC regarding school facilities may be incomplete or inaccurate.

Cause and Recommendation

We recommend that the District appoint someone to be accountable for compliance in this area.

Current Status

This was reported as a current year finding 2022-002.