

PACIFIC ELEMENTARY SCHOOL DISTRICT

COUNTY OF SANTA CRUZ
DAVENPORT, CALIFORNIA

ANNUAL FINANCIAL REPORT
JUNE 30, 2023

ROBERTSON & ASSOCIATES, CPAs
A Professional Corporation

PACIFIC ELEMENTARY SCHOOL DISTRICT
JUNE 30, 2023

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JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Pacific Elementary School District
Davenport, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pacific Elementary School District (District), as of and for the year ended June 30, 2023, 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, 2023, and the respective changes in financial position and 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.

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 information, schedule of the District's proportionate share of the net pension liability, and the schedule of the 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining nonmajor fund financial statements and other supplementary information 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 auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Local Education Agency Organization Structure and schedule of financial trends and analysis, which is the responsibility of management, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Robertson & Associates, CPAs

Lakeport, California
February 27, 2024

**Pacific Elementary School District
Management's Discussion and Analysis
June 30, 2023**

INTRODUCTION

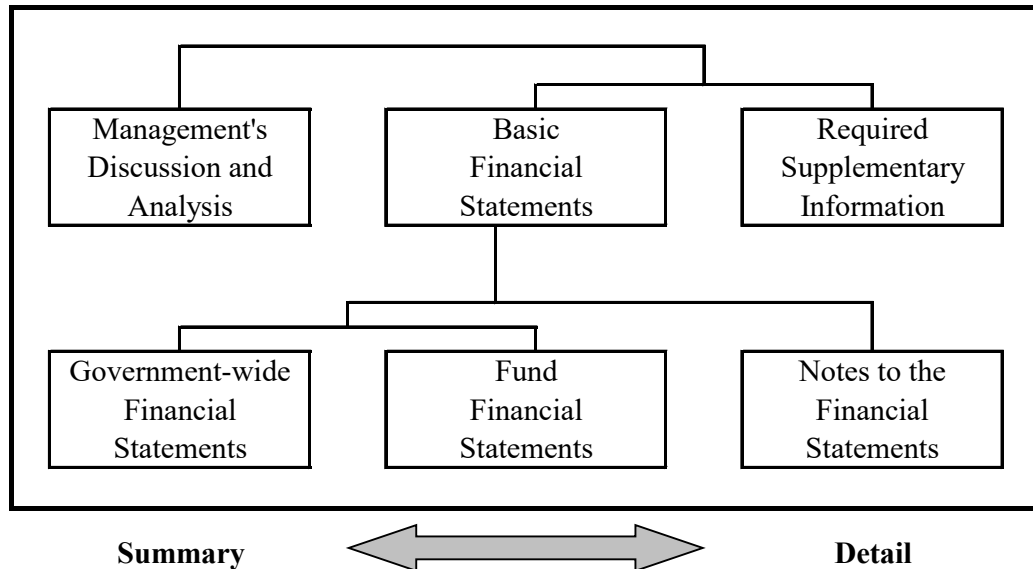
Our discussion and analysis of Pacific Elementary School District (District's) financial performance provides an overview of the District's financial activities for the year ended June 30, 2023. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ❑ Total net position was \$2,139,298 at June 30, 2023. This was an increase of \$600,799 from the prior year.
- ❑ Overall revenues were \$3,043,920, overall expenses were \$2,443,121.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



This annual report consists of three parts – Management’s Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ❑ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the District’s overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - **Governmental fund** statements tell how general government services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District’s net position and how they have changed. Net position, the difference between assets and liabilities, is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating, respectively. The net position of the District has increased by 39% in the past year.
- The District’s ADA had an increase of 8.77, compared to 2021-22, resulting in an increase to the general fund ending balance.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in enrollment, property tax base, and program funding levels by the Federal and State governments, and the condition of facilities. District spent \$199,197 in the planning of facilities projects to improve condition of campus.

The government-wide statements of the District include all governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. LCFF funding, federal and state grants finance most of these activities.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant governmental funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs.

- Some funds are required to be established by State law and by bond covenants.
- The governing board establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues.

The District has one type of fund:

- Governmental funds – All of the District's basic services are included in governmental funds, which generally focus on: (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds' statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources than previously to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information following the governmental funds' statements that explains the relationship (or differences) between them.

The financial performance of the District is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,815,458 as compared to the prior year's ending fund balance of \$2,284,807.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$2,139,298 at June 30, 2023.

| | Governmental Activities | | Net Change |
|--|-------------------------|---------------------|---------------------|
| | 2023 | 2022 | |
| ASSETS | | | |
| Cash and Equivalents | \$ 3,217,743 | \$ 2,315,314 | \$ 902,429 |
| Other Current Assets | 149,212 | 266,589 | (117,377) |
| Capital Assets, Net of Accumulated Depreciation | 1,483,230 | 1,349,204 | 134,026 |
| TOTAL ASSETS | \$ 4,850,185 | \$ 3,931,107 | \$ 919,078 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflow of Resources - Pensions | \$ 1,122,825 | \$ 904,121 | \$ 218,704 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | \$ 1,122,825 | \$ 904,121 | \$ 218,704 |
| LIABILITIES | | | |
| Current Liabilities | \$ 564,295 | \$ 309,894 | \$ 254,401 |
| Long-Term Liabilities | 2,693,717 | 1,812,439 | 881,278 |
| TOTAL LIABILITIES | \$ 3,258,012 | \$ 2,122,333 | \$ 1,135,679 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Inflows of Resources - Pensions | \$ 575,700 | \$ 1,174,396 | \$ (598,696) |
| TOTAL DEFERRED INFLOWS OF RESOURCES | \$ 575,700 | \$ 1,174,396 | \$ (598,696) |
| NET POSITION | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 360,730 | \$ 251,151 | \$ 109,579 |
| Restricted | 857,413 | 615,819 | 241,594 |
| Unrestricted | 921,155 | 671,529 | 249,626 |
| TOTAL NET POSITION | \$ 2,139,298 | \$ 1,538,499 | \$ 600,799 |

Changes in Net Position

| | Governmental Activities | | Net Change |
|--|-------------------------|---------------------|-------------------|
| | 2023 | 2022 | |
| REVENUES | | | |
| Program Revenues: | | | |
| Charges for Services | \$ 66,183 | \$ 56,661 | \$ 9,522 |
| Operating Grants and Contributions | 1,161,580 | 929,444 | 232,136 |
| General Revenues: | | | |
| Property Taxes | 386,205 | 335,445 | 50,760 |
| Unrestricted Federal and State Aid | 1,346,214 | 1,135,030 | 211,184 |
| Miscellaneous and Other Local | 83,738 | 52,028 | 31,710 |
| TOTAL REVENUES | 3,043,920 | 2,508,608 | 535,312 |
| EXPENSES | | | |
| Instruction | 1,471,918 | 1,465,857 | 6,061 |
| Instruction-Related Services | 340,505 | 375,986 | (35,481) |
| Pupil Services | 334,256 | 385,327 | (51,071) |
| General Administration | 143,043 | 176,487 | (33,444) |
| Plant Services | 81,582 | 96,810 | (15,228) |
| Community Services | 1,465 | 33,119 | (31,654) |
| Transfers Between Agencies | 209 | 184 | 25 |
| Interest on Long-Term Debt | 70,143 | 55,109 | 15,034 |
| TOTAL EXPENSES | 2,443,121 | 2,588,879 | (145,758) |
| INCREASE (DECREASE) IN NET POSITION | 600,799 | (80,271) | 681,070 |
| NET POSITION - BEGINNING | 1,538,499 | 1,618,770 | (80,271) |
| NET POSITION - ENDING | \$ 2,139,298 | \$ 1,538,499 | \$ 600,799 |

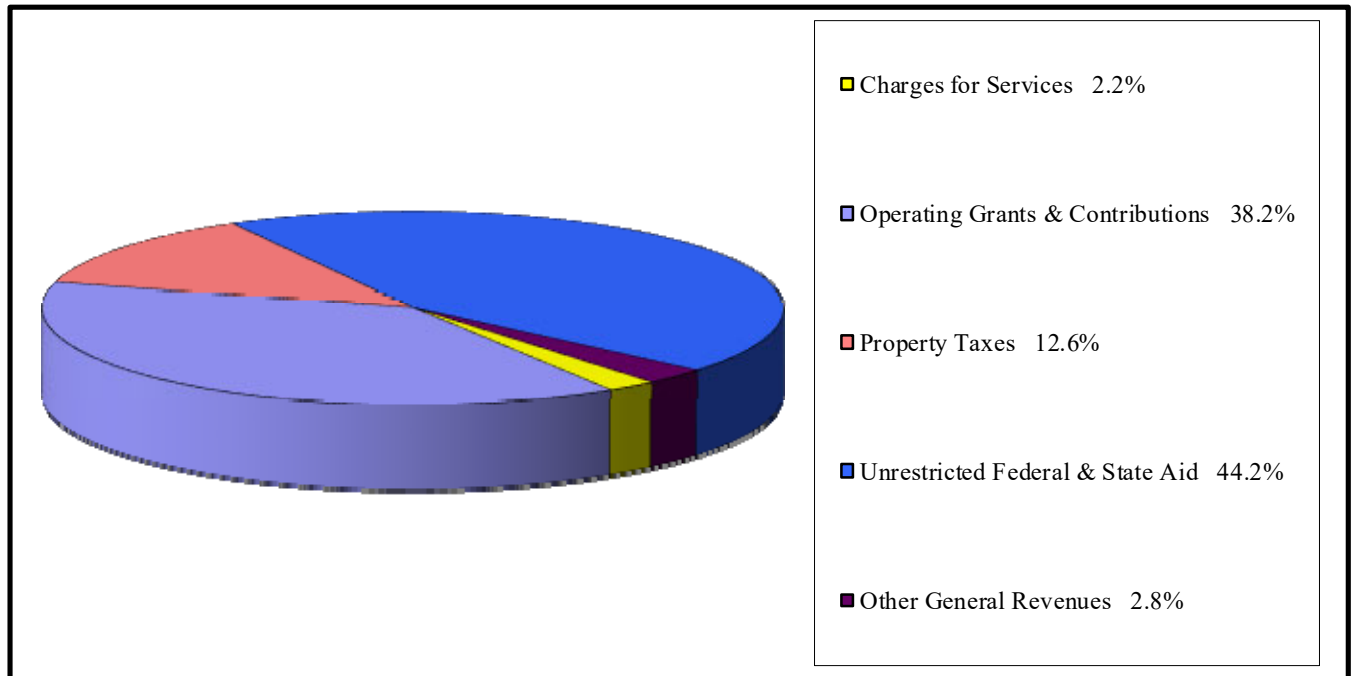
Governmental Activities

Net cost is total cost less fees generated by the related activity. The net cost reflects amounts funded by charges for services, operating grants and capital grants and contributions.

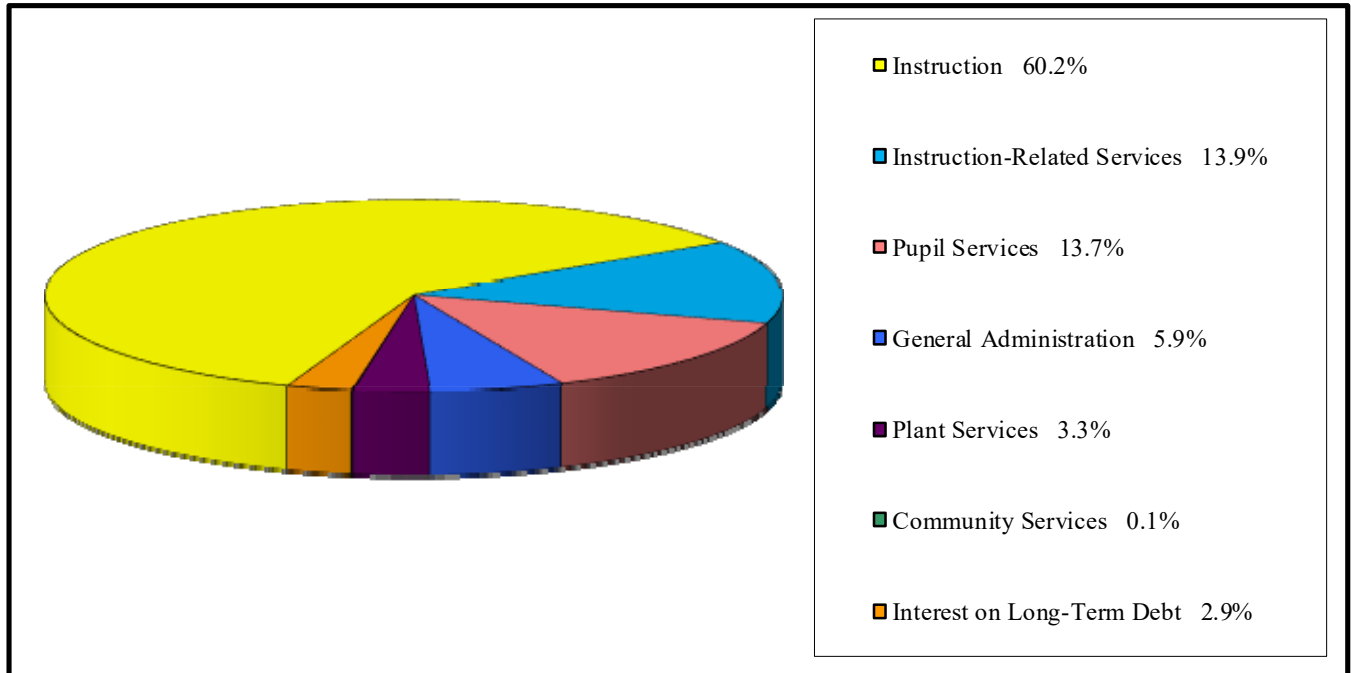
Net Cost of Services

| | Net Cost of Services | | Net Change |
|---------------------------------------|----------------------|---------------------|---------------------|
| | 2023 | 2022 | |
| NET COST OF SERVICES | | | |
| Instruction | \$ 896,918 | \$ 852,850 | \$ 44,068 |
| Instruction-Related Services | 313,538 | 341,140 | (27,602) |
| Pupil Services | 82,582 | 89,341 | (6,759) |
| General Administration | (124,664) | 168,870 | (293,534) |
| Plant Services | 71,970 | 91,179 | (19,209) |
| Facility Acquisition and Construction | (84,004) | | (84,004) |
| Community Services | (11,334) | 4,101 | (15,435) |
| Enterprise Services | - | | - |
| Transfers Between Agencies | 209 | 184 | 25 |
| Interest on Long-Term Debt | 70,143 | 48,439 | 21,704 |
| Other Outgo | - | 6,670 | (6,670) |
| TOTAL NET COSTS OF SERVICES | \$ 1,215,358 | \$ 1,602,774 | \$ (387,416) |

2022/2023 Summary of Revenues for Governmental Activities



2022/2023 Summary of Expenses for Governmental Activities



Fund Balance Comparison

The District currently maintains the following funds:

| FUNDS | Ending Fund Balance | | Net Change |
|------------------------------|---------------------|--------------|------------|
| | 2023 | 2022 | |
| Governmental: | | | |
| General | \$ 2,627,655 | \$ 1,920,053 | \$ 707,602 |
| Child Development | 111,404 | 130,081 | (18,677) |
| Cafeteria Special Revenue | 50,075 | 34,798 | 15,277 |
| Deferred Maintenance | 7 | 7 | - |
| Building | 374 | 369 | 5 |
| Capital Facilities | 7,465 | 5,260 | 2,205 |
| County School Facilities | (14,980) | 164,140 | (179,120) |
| Bond Interest and Redemption | 33,458 | 30,099 | 3,359 |
| Total Governmental | 2,815,458 | 2,284,807 | 530,651 |
| TOTAL FUNDS | \$ 2,815,458 | \$ 2,284,807 | \$ 530,651 |

General Fund

The General Fund experienced an increase in fund balance primarily due to increases in Local Control Funding Formula (LCFF) revenues and utilization of one-time COVID related restricted funding.

Other Governmental Funds

Other governmental funds had the following activity and changes for the year ended June 30, 2023:

The Child Development Fund's ending fund balance decreased by \$18,677. Increased employee costs and lower than expected CSPP state funding levels.

The Cafeteria Special Revenue Fund's ending fund balance increased by \$15,277. State and Federal meal reimbursement rates had increased significantly.

The Deferred Maintenance Fund's ending fund balance is \$0. The District has no planned expenditures in this fund through the next three years.

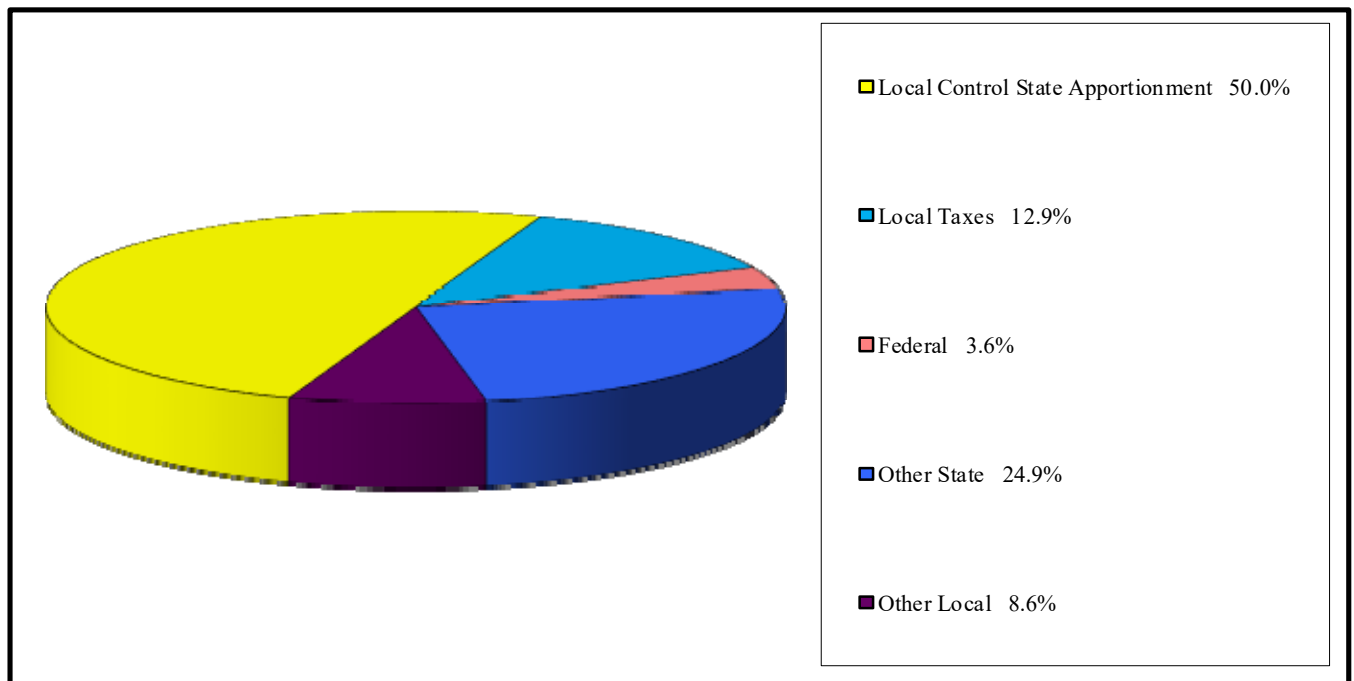
The Building Fund's ending fund balance increased by \$5 due to interest earned.

The Capital Facilities Fund's ending fund balance decreased by \$179,120 due to planning expenditures for modernization and construction projects.

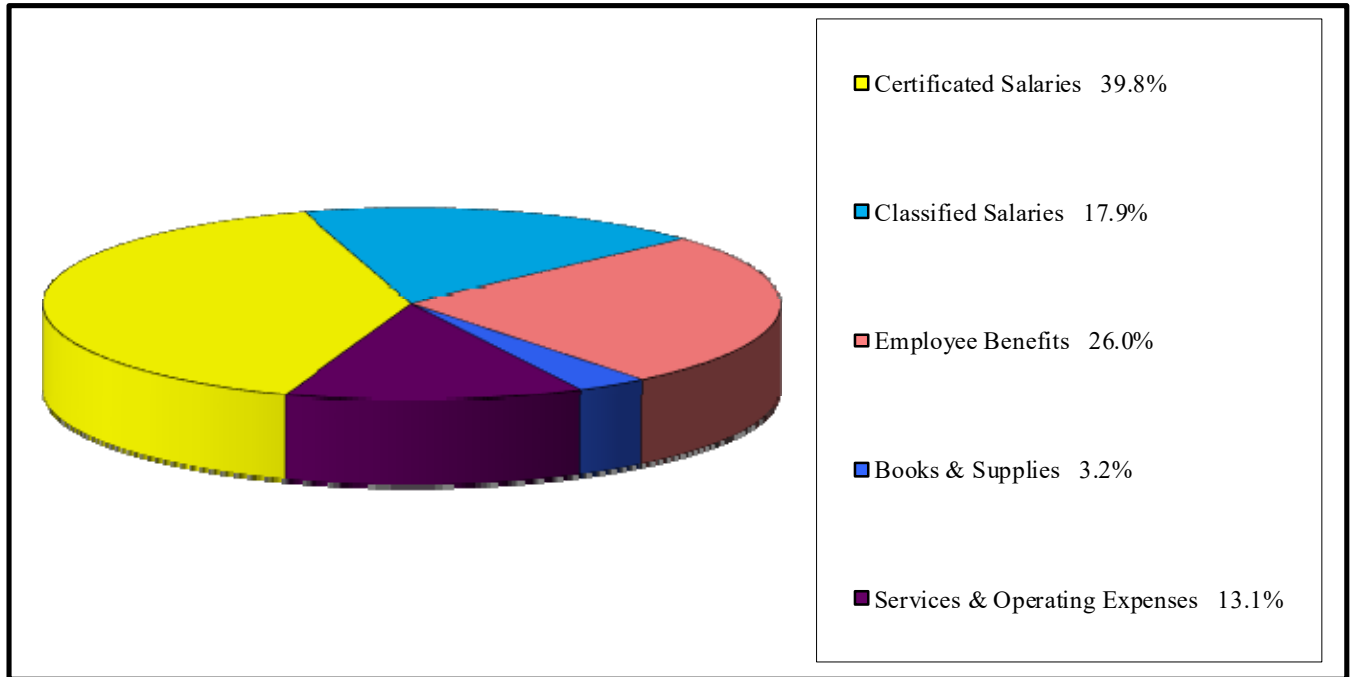
The Bond Interest and Redemption Fund is maintained by the Santa Cruz County Treasurer and increased by \$3,359.

The following charts graphically depict revenues and expenditures, both by major object as well as by function.

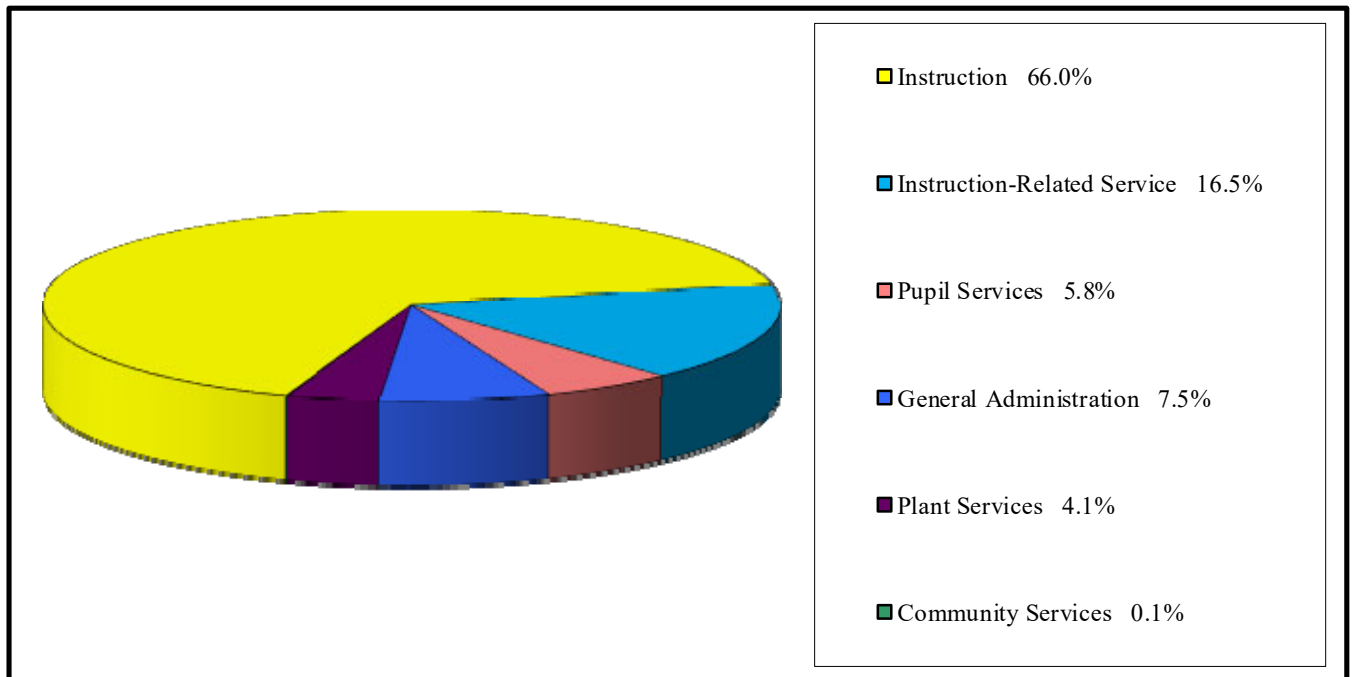
2022/2023 General Fund Revenues



2022/2023 General Fund Expenditures by Object



2022/2023 General Fund Expenditures by Function



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the District had \$1,483,230 invested, net of accumulated depreciation, in capital assets. Current year depreciation expense is \$65,161. The District incurred planning expenses related to modernization and construction projects in the school facilities fund. These expenses have been recorded as construction in progress costs.

| | Governmental Activities | | Net Change |
|----------------------------|-------------------------|---------------------|-------------------|
| | 2023 | 2022 | |
| CAPITAL ASSETS | | | |
| Construction In Progress | \$ 485,016 | \$ 285,829 | \$ 199,187 |
| Land Improvements | 115,548 | 115,548 | - |
| Buildings And Improvements | 2,020,296 | 2,020,296 | - |
| Accumulated Depreciation | (1,137,630) | (1,072,469) | (65,161) |
| NET CAPITAL ASSETS | <u>\$ 1,483,230</u> | <u>\$ 1,349,204</u> | <u>\$ 134,026</u> |

Long-Term Debt

At June 30, 2023, the District had \$2,693,717 in long-term debt.

The General Obligation Bonds are held in the Bond Interest and Redemption Fund maintained by Santa Cruz County Treasurer. Changes are associated with the accrual and payment of interest. With the implementation of GASB 68, the District must reflect its amount of unfunded STRS/PERS liability with the State of California. Currently, the District's Net Pension Liability or their portion of the unfunded STRS/PERS liability is \$ \$1,571,217, which is an increase of \$856,831 from the prior year.

| | Governmental Activities | | Net Change |
|----------------------------------|-------------------------|---------------------|-------------------|
| | 2023 | 2022 | |
| LONG-TERM DEBT | | | |
| General Obligation Bonds Payable | \$ 1,122,500 | \$ 1,098,053 | \$ 24,447 |
| Net Pension Liability | 1,571,217 | 714,386 | 856,831 |
| TOTAL LONG-TERM DEBT | <u>\$ 2,693,717</u> | <u>\$ 1,812,439</u> | <u>\$ 881,278</u> |

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference in the original versus final budget amounts and actual versus budget amounts is primarily due to the following:

- ❑ Revenues in the final budget increased over the adopted budget due to allocation of federal one-time funding, increased state programs, increased LCFF revenues, and special education local revenues. Actual revenues were higher than budgeted due to increased LCFF from the 2022-23 ADA proxy calculation and local receipts.
- ❑ Expenditures in the final budget increased over the adopted budget due to increases in employee costs and contracted services.

Over the course of the year, the District revises its annual budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was approved June 20, 2023. A schedule of the District's General Fund original and final budget amounts compared with actual revenues and expenditures is provided with the basic financial statements in the audited financial report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health:

- ❑ The District has projected enrollment to increase in 2023-24 due to additional educational options.
- ❑ Employee costs continue to increase due to STRS, PERS, and other statutory benefit rates. Rates have been set at 19.10% and 26.68%, respectively, for 2023-24. The District continues to explore on-going salary schedule increases to help retain staff which will further increase expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Eric Gross, P.O. Box H, 50 Ocean Street, Davenport, CA 95017, phone 831-425-7002.

FINANCIAL SECTION

PACIFIC ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Cash and equivalents | \$ 3,217,743 |
| Accounts receivable | 149,212 |
| Capital assets: | |
| Non-depreciable | 485,016 |
| Depreciable, net of accumulated depreciation | 998,214 |
| Total Assets | \$ 4,850,185 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of resources - Pensions | \$ 1,122,825 |
| Total Deferred Outflows of Resources | \$ 1,122,825 |
| LIABILITIES | |
| Accounts payable | \$ 308,888 |
| Interest payable | 12,798 |
| Unearned revenue | 242,609 |
| Long-term debt: | |
| Due after one year | 2,693,717 |
| Total Liabilities | \$ 3,258,012 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources - Pensions | \$ 575,700 |
| Total Deferred Inflows of Resources | \$ 575,700 |
| NET POSITION | |
| Net Investment in capital assets | \$ 360,730 |
| Restricted for: | |
| Capital projects | (7,141) |
| Debt service | 33,458 |
| Educational programs | 781,014 |
| Other purposes (expendable) | 50,082 |
| Unrestricted | 921,155 |
| Total Net Position | \$ 2,139,298 |

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

PACIFIC ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

| Functions | Expenses | Program Revenues | | Net (Expense) |
|---|---------------------|----------------------|------------------------------------|------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Revenue and Change in Net Position |
| GOVERNMENTAL ACTIVITIES | | | | |
| Instruction | \$ 1,471,918 | \$ 9,883 | \$ 565,117 | \$ (896,918) |
| Instruction-related services: | | | | |
| Supervision of instruction | 883 | - | 773 | (110) |
| Instructional library, media and technology | 22,693 | - | 809 | (21,884) |
| School site administration | 316,929 | 4,083 | 21,302 | (291,544) |
| Pupil services: | | | | |
| Food services | 263,995 | 14,971 | 181,839 | (67,185) |
| All other pupil services | 70,261 | 1,347 | 53,517 | (15,397) |
| General administration: | | | | |
| Data processing | 6,177 | - | - | (6,177) |
| All other general administration | 136,866 | - | 267,707 | 130,841 |
| Plant services | 81,582 | 584 | 9,028 | (71,970) |
| Facility acquisition and construction | - | 35,315 | 48,689 | 84,004 |
| Community services | 1,465 | - | 12,799 | 11,334 |
| Transfers between agencies | 209 | - | - | (209) |
| Interest on long-term debt | 70,143 | - | - | (70,143) |
| Total Governmental Activities | \$ 2,443,121 | \$ 66,183 | \$ 1,161,580 | (1,215,358) |
| GENERAL REVENUES | | | | |
| Taxes and subventions: | | | | |
| Property taxes levied for general purposes | | | | 337,452 |
| Property taxes levied for debt service | | | | 48,753 |
| Federal and state aid not restricted to specific purposes | | | | 1,346,214 |
| Interest and investment earnings | | | | (536) |
| Interagency revenues | | | | 1,086 |
| Miscellaneous | | | | 83,188 |
| Total General Revenues | | | | 1,816,157 |
| Change in Net Position | | | | 600,799 |
| Net Position - Beginning | | | | 1,538,499 |
| Net Position - Ending | | | | \$ 2,139,298 |

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

PACIFIC ELEMENTARY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023

| | General Fund | Cafeteria Fund | County School Facilities Fund | Other Governmental Funds | Total Governmental Funds |
|------------------------------------|---------------------|-------------------|-------------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and equivalents | \$ 2,840,108 | \$ 92,117 | \$ 133,110 | \$ 152,408 | \$ 3,217,743 |
| Accounts receivable | 106,687 | 34,225 | - | 8,300 | 149,212 |
| Due from other funds | 18,247 | 31,980 | - | - | 50,227 |
| Total Assets | <u>\$ 2,965,042</u> | <u>\$ 158,322</u> | <u>\$ 133,110</u> | <u>\$ 160,708</u> | <u>\$ 3,417,182</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 160,798 | \$ - | \$ 148,090 | \$ - | \$ 308,888 |
| Due to other funds | 23,980 | 18,247 | - | 8,000 | 50,227 |
| Unearned Revenue | 152,609 | 90,000 | - | - | 242,609 |
| Total Liabilities | <u>337,387</u> | <u>108,247</u> | <u>148,090</u> | <u>8,000</u> | <u>601,724</u> |
| FUND BALANCES | | | | | |
| Non spendable | | | | | |
| Restricted | 669,610 | 50,076 | - | 152,701 | 872,387 |
| Committed | | | | | |
| Other commitments | - | - | - | 7 | 7 |
| Assigned | | | | | |
| Other assignments | 604,520 | - | - | - | 604,520 |
| Unassigned | | | | | |
| Unassigned amount | 1,353,525 | (1) | (14,980) | - | 1,338,544 |
| Total Fund Balance | <u>2,627,655</u> | <u>50,075</u> | <u>(14,980)</u> | <u>152,708</u> | <u>2,815,458</u> |
| Total Liabilities and Fund Balance | <u>\$ 2,965,042</u> | <u>\$ 158,322</u> | <u>\$ 133,110</u> | <u>\$ 160,708</u> | <u>\$ 3,417,182</u> |

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

PACIFIC ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

| | Detail | Total |
|---|--------------|--------------|
| Total fund balances - governmental funds | | \$ 2,815,458 |
| <p>Amounts reported for governmental activities in the Statement of Net Position differ from amounts reported in governmental funds as follows:</p> | | |
| <p>Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p> | | |
| Historical cost of capital assets | \$ 2,620,860 | |
| Accumulated depreciation | (1,137,630) | |
| | | 1,483,230 |
| <p>Interest on long-term debt is not reported in the governmental funds until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liabilities for the unmatured interest owing at the end of the period are included on the Statement of Net Position.</p> | | |
| | | (12,798) |
| <p>Contributions to pension plans made subsequent to the measurement date are reported as expenditures in governmental funds, however, these contributions are reported as deferred outflows of resources in the statement of net position.</p> | | |
| | | 242,323 |
| <p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities, net of unamortized premiums, discounts, and deferred charges, are included in the Statement of Net Position.</p> | | |
| General obligation bonds payable | (1,122,500) | |
| Net pension liability | (1,571,217) | |
| | | (2,693,717) |
| <p>Deferred outflows and inflows of resources relating to pensions:</p> | | |
| <p>In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pension are reported.</p> | | |
| Deferred outflows of resources related to pensions | | 880,502 |
| Deferred inflows of resources relating to pensions | | (575,700) |
| Total net position, governmental activities | | \$ 2,139,298 |

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

PACIFIC ELEMENTARY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

| | General Fund | Cafeteria Fund | County School Facilities Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|-------------------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| LCFF sources: | | | | | |
| State apportionments | \$ 1,313,653 | \$ - | \$ - | \$ - | \$ 1,313,653 |
| Local sources | 337,452 | - | - | - | 337,452 |
| Federal | 94,983 | 68,099 | - | 12,748 | 175,830 |
| Other state | 655,318 | 100,238 | 16,740 | 76,704 | 849,000 |
| Other local | 226,823 | 23,087 | 3,327 | 114,748 | 367,985 |
| Total Revenues | <u>2,628,229</u> | <u>191,424</u> | <u>20,067</u> | <u>204,200</u> | <u>3,043,920</u> |
| EXPENDITURES | | | | | |
| Instruction | 1,244,967 | - | - | 136,016 | 1,380,983 |
| Instruction related services: | | | | | |
| Supervision of instruction | 863 | - | - | - | 863 |
| Instructional library, media, and technology | 22,693 | - | - | - | 22,693 |
| School site administration | 286,299 | - | - | 24,300 | 310,599 |
| Pupil services: | | | | | |
| Food services | 38,359 | 213,900 | - | 8,000 | 260,259 |
| All other pupil services | 70,261 | - | - | - | 70,261 |
| General administration: | | | | | |
| Data processing | 6,177 | - | - | - | 6,177 |
| All other general administration | 134,298 | - | - | - | 134,298 |
| Plant services | 77,284 | - | - | 3,296 | 80,580 |
| Facility acquisition and construction | - | - | 199,187 | - | 199,187 |
| Community services | 1,464 | - | - | - | 1,464 |
| Transfers between agencies | 209 | - | - | - | 209 |
| Interest on long-term debt | - | - | - | 45,696 | 45,696 |
| Total Expenditures | <u>1,882,874</u> | <u>213,900</u> | <u>199,187</u> | <u>217,308</u> | <u>2,513,269</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>745,355</u> | <u>(22,476)</u> | <u>(179,120)</u> | <u>(13,108)</u> | <u>530,651</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating transfers in | - | 37,753 | - | - | 37,753 |
| Operating transfers out | (37,753) | - | - | - | (37,753) |
| Total Other Financing Sources (Uses) | <u>(37,753)</u> | <u>37,753</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses) | 707,602 | 15,277 | (179,120) | (13,108) | 530,651 |
| Fund Balance - Beginning | <u>1,920,053</u> | <u>34,798</u> | <u>164,140</u> | <u>165,816</u> | <u>2,284,807</u> |
| Fund Balance - Ending | <u>\$ 2,627,655</u> | <u>\$ 50,075</u> | <u>\$ (14,980)</u> | <u>\$ 152,708</u> | <u>\$ 2,815,458</u> |

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

PACIFIC ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

| | Detail | Total |
|---|------------|------------|
| Total change in fund balances - governmental funds | | \$ 530,651 |
| <p>Amounts reported for governmental activities differ from amounts reported in governmental funds as follows:</p> | | |
| <p>Capital Outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p> | | |
| Capital outlay | \$ 199,187 | |
| Depreciation expense | (65,161) | |
| | | 134,026 |
| <p>Accreted interest on capital appreciation bonds is accrued as long-term debt in the government wide financials, increasing interest expense.</p> | | |
| | | (36,989) |
| <p>Debt issued at a premium or at a discount is recognized as an Other Financing Source or Other Financing Use in the period it is incurred in the governmental funds. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt.</p> | | |
| | | 5,872 |
| <p>Repayment of the principal of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.</p> | | |
| General obligation bonds payable | | 6,670 |
| <p>Contributions to pension plans made subsequent to the measurement date are reported as expenditures in governmental funds, however, these contributions are reported as deferred outflows of resources in the statement of net position.</p> | | |
| | | 242,323 |
| <p>Changes in the net pension liability, deferred outflows of and deferred inflows of resources are reported as pension expenses in the statement of activities.</p> | | |
| | | (281,754) |
| Change in net position of governmental activities | | \$ 600,799 |

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

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Pacific Elementary School District is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a three-member Board of Trustees (Board), elected by registered voters of the District. The District, comprised of an area in Santa Cruz County, was established in 1905, and currently serves students of Kindergarten through sixth grade.

B. Accounting Policies

The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB), and the American Institute of Certified Public Accountants (AICPA). The District complies with the policies and procedures of the Department of Education's *California School Accounting Manual*.

C. Reporting Entity

The Board, elected by the public, has authority to make decisions, appoint administrators and managers, and significantly influence operations; furthermore, it has primary accountability for fiscal matters. The District is therefore a financial reporting entity, as defined by GASB in Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District reviewed criteria to determine whether other entities with District-benefiting activities should be included within its financial reporting entity. The criteria include, but are not limited to: whether the District exercises oversight-responsibility (including financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District determined that no outside entity meets these criteria, and therefore, no agency has been included as a component unit in the District's general-purpose financial statements. Additionally, the District is not aware of any entity that would exercise such oversight-responsibility resulting in the District being considered a component unit of that entity.

D. Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2023, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 99, *Omnibus 2022*

In April of 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

This Statement clarifies certain provision of GASB Statement Nos. 34, 53, 63, 87, 94, and 96. In addition, the Statement extends the period during which the LIBOR is considered an appropriate benchmark interest rate for the qualified evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt; clarifies account for the distribution of benefits as part of the Supplemental Nutrition Assistance Program; clarifies disclosures related to nonmonetary transactions; and clarifies pledges of future revenues when resources are not received by the pledging government.

Some requirements of this Statement are effective upon issuance while others are effective for fiscal years beginning after June 15, 2022 or June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*

In June of 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Statement No. 101, *Compensated Absences*

In June of 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement No. 102, *Certain Risk Disclosures*

In December of 2023, GASB issued Statement No. 101, *Certain Risk Disclosure*. The objective of this Statement is to establish financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints that limit the District's ability to acquire resources or to control spending. Concentrations are a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed by an external party or by formal action of a government's highest level of decision-making authority.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

The District will analyze the impact of these new Statements prior to the effective dates listed above. The provisions of these Statements are generally required to be applied retroactively for all periods presented. Early application, if allowable, was not adopted.

E. Basis of Presentation

1. Government-Wide Financial Statements

The Government-wide financial statements (i.e., statement of net position, and statement of activities) report information on all nonfiduciary activities of the District and its component units. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which it is financially accountable.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for functions or programs of the District's governmental activities. Direct expenses are those specifically associated with a service, program, or department, and are therefore clearly identifiable to particular functions. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by recipients of goods or services offered by a program, as well as grants and contributions restricted to meeting a program's operational or capital requirements. Revenues not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental functions are self-financing, or draw from general revenues of the District.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

The Financial transactions of the District are reported in individual funds in the fund financial statements. Funds are accounted for by providing separate self-balancing accounts, constituting their assets, liabilities, reserves, equity, revenues, and expenditures/expenses, as appropriate.

The emphasis in fund financial statements is on major funds in governmental-activities categories. Non-major funds, by category, are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category, or governmental and enterprise funds combined) for the determination of major funds.

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

a. Major Governmental Funds

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources, except those specifically requiring accounting for in another fund.

The *Cafeteria Fund* is used to account for revenues and expenditures associated with the District's food service program.

The *County School Facilities Fund* is used to account for State apportionments provided from State School Facility Program funding and the expenditures relating to the acquisition, construction, or renovation of approved capital facilities projects.

b. Non-major Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following non-major special revenue funds:

The *Child Development Fund* is used to account for resources committed to child development programs maintained by the District.

The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of the District's facilities.

Capital Projects Funds are used to account for acquisition and construction of all major governmental capital assets. The District maintains the following non-major capital projects fund:

The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings funded primarily with proceeds from the sale of bonds.

The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under California Environmental Quality Act (CEQA) provisions.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Funds are used to account for accumulation of resources and debt service payments for and related to the District’s debt issuances. The District maintains the following non-major debt service fund:

The *Bond Interest and Redemption Fund* is maintained by the County Treasurer, and is used to account for both accumulation of resources from Ad Valorem tax levies, and interest payments and redemption of principal, of the District’s general obligation bond issuance, as discussed later in the Notes to Financial Statements.

F. Basis of Accounting

Basis of accounting refers to when transactions are recorded in the financial records, and reported in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting.

Governmental funds are reported using the current financial resources measurement focus, and the modified accrual basis of accounting.

1. Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter, for use in paying liabilities of the current fiscal year. For the District, “available” means collectable within the current period or within 45, 60, or 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts, and as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined available as collectible within one year.

Non-exchange transactions are those in which the District receives value without directly giving equal value in return, including property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when resources are to be used, or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to use for a specific purpose; and expenditure requirements, in which resources are provided to the District on a reimbursement basis. Under modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Unearned Revenue

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

3. Expenses/Expenditures

Under accrual basis of accounting, expenses are recognized at the time incurred. However, 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 related fund liability is incurred, if measurable. Allocations of cost, (i.e., depreciation and amortization), are not recognized on governmental fund financial statements.

G. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

During the year, these budgets are revised by the District's governing board and superintendent to give consideration to unanticipated revenue and expenditures. original and final revised budgets for the General Fund are presented as required supplementary information in these financial statements.

During the year, formal budgetary integration was employed as a management control device for all budgeted funds. The District employs budget control by minor object and individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

H. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated on June 30.

I. Assets, Liabilities, and Equity

1. Cash and Equivalents

The District considers all highly liquid investments, with a maturity of three months or less at the time of purchase, to be cash equivalents.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Receivables

Accounts receivable in governmental fund types consist primarily of receivables from federal, state, and local governments for various programs.

3. Prepaid Expenditures

The District has the option of reporting expenditures for prepaid items in governmental funds either when paid, or during the benefiting period. The District has chosen to report the expenditure when paid and, therefore, no asset is reported.

4. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$20,000 or more, and are reported at historical cost, or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets, or materially extend the asset's lives, are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis and an annual convention over the following estimated useful lives:

| | |
|----------------------------|---------|
| Land improvements | 20 |
| Buildings and improvements | 20 - 50 |

5. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the government-wide 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, and are reported as obligations of the funds. The District reports long-term obligations of governmental funds at face value in the government-wide financial statements.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources.

6. Compensated Absences

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period, for calculation of retirement benefits, when the employee retires.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. 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 District's plans (Plans), and additions to/deductions from the Plans' fiduciary net position, have been determined on the same basis as they are reported by the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due, and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following time frames are used:

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2022 |
| Measurement Period | July 1, 2021 to June 30, 2022 |

8. Deferred Outflows/Inflows of Resources

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

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

9. Fund Balance Classifications

The governmental fund financial statements present fund balances based on a classification hierarchy that depicts the extent to which the District is bound by spending constraints imposed on the use of its resources. The classifications used in the governmental fund financial statements are as follows:

a. Nonspendable Fund Balance

The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory and prepaid items. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Restricted Fund Balance

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the highest level of decision-making authority. 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.

c. Committed Fund Balance

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the highest level of decision-making authority. The constraints giving rise to committed fund balance must be imposed no later than the end of the fiscal year. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements.

d. Assigned Fund Balance

The assigned fund balance classification reflects amounts that the District intends to be used for specific purposes. Assignments may be established either by the Board of Trustees or by a designee of the Board of Trustees and are subject to neither the restricted nor committed levels of constraint.

Constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the highest level of decision-making authority. The action may be delegated to another body or official.

e. Unassigned Fund Balance

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

f. Spending Order Policy

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District's Board of Trustees has provided otherwise in its commitment or assignment functions.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Minimum Fund Balance Policy

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts which represent the minimum recommended reserve consistent with the criteria and standards for fiscal solvency adopted by the State Board of Education. The minimum recommended reserve for a district this size is 5% of budgeted General Fund expenditures and other financing uses.

10. Local Control Funding Formula / Property Taxes

The District's local control funding formula revenue is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula sources by the District.

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund and is known as the State Apportionment.

The District's Base Local Control Funding Formula Revenue is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

PACIFIC ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 2. CASH AND EQUIVALENTS

Cash and equivalents at June 30, 2023 are classified in the accompanying financial statements as follows:

| | Governmental Activities |
|--|----------------------------|
| Cash and Equivalents | |
| Pooled Funds: | |
| Cash in county treasury | \$ 3,340,123 |
| Fair value adjustment to cash in county treasury | (122,380) |
| Net Cash in County Treasury | 3,217,743 |
| Total Cash and Equivalents | \$ 3,217,743 |

A. Cash 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) under the oversight of the County Treasurer. 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 amortized costs which approximate 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.

The Treasury is authorized to deposit cash and invest excess funds by *California Government Code* Section 53648 et seq. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

The Treasury is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2. CASH AND EQUIVALENTS (Continued)

B. Investments Authorized by the District's Investment Policy

The table below identifies investment types authorized for the District by the *California Government Code* Section 53601. This table also identifies certain provisions of the *California Government Code* that address interest rate risk, credit risk, and concentration of credit risk.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|------------------|--|--|
| Local Agency Bonds | 5 years | None | None |
| U.S. Treasury Obligations | 5 years | None | None |
| State Obligations | | | |
| CA and Others | 5 years | None | None |
| CA Local Agency Obligations | 5 years | None | None |
| U.S. Agency Obligations | 5 years | None | None |
| Bankers Acceptances | 180 days | 40% | None |
| Commercial Paper - Non-Pooled Funds | 270 days or less | 25% of the agency's money | Highest letter and number rating by an NRSRO |
| Commercial Paper - Pooled Funds | 270 days or less | 40% of the agency's money | Highest letter and number rating by an NRSRO |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Non-negotiable Certificates of Deposit | 5 years | None | None |
| Placement Service Deposits | 5 years | 50% | None |
| Placement Service Certificates of Deposit | 5 years | 50% | None |
| Repurchase Agreements | 1 year | None | None |
| Reverse Repurchase Agreements and Securities Lending Agreements | 92 days | 20% of the base value of the portfolio | None |
| Medium-Term Notes | 5 years or less | 30% | "A" rating category or its equivalent or better |
| Mutual Funds and Money Market Mutual Funds | N/A | 20% | Multiple |
| Collateralized Bank Deposits | 5 years | None | None |
| Mortgage Pass-Through and Asset-Backed Securities | 5 years or less | 20% | "AA" rating category or its equivalent or better |
| County Pooled Investment Funds | N/A | None | None |
| Joint Power Authority Pools | N/A | None | Multiple |
| Local Agency Investment Funds (LAIF) | N/A | None | None |
| Voluntary Investment Program Fund | N/A | None | None |
| Supranational Obligations | 5 years or less | 30% | "AA" rating category or its equivalent or better |
| Public Bank Obligations | 5 years | None | None |

C. 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 values to changes in market interest rates. As of June 30, 2023, the weighted average maturity of the investments contained in the Treasury investment pool was 430 days.

PACIFIC ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 2. CASH AND EQUIVALENTS (Continued)

D. Credit Risk

Generally, 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. The County Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

E. 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 formal policy for custodial credit risk for deposits.

Cash balances in banks and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2023, the District’s bank balances were fully insured.

NOTE 3. INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables or payables, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government wide financial statements.

A. Interfund Receivables/Payables (Due From/Due To)

As of June 30, 2023, interfund receivables and payables were as follows:

| <u>Due from</u> | <u>Due to</u> | <u>Amount</u> | <u>Purpose</u> |
|-----------------|------------------------|-------------------------|----------------|
| General Fund | Cafeteria Fund | \$ 18,247 | Reimbursement |
| Cafeteria Fund | General Fund | 23,980 | Reimbursement |
| Cafeteria Fund | Child Development Fund | <u>8,000</u> | Reimbursement |
| Total | | <u><u>\$ 50,227</u></u> | |

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

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3. INTERFUND TRANSACTIONS (Continued)

B. Interfund Transfers

Permanent reallocations of resources between funds of the reporting District are classified as interfund transfers. As of June 30, 2023, interfund transfers are as follows:

| Transfers In | Transfers Out | Amount | Purpose |
|----------------|---------------|------------------|-----------------------------|
| Cafeteria Fund | General Fund | \$ 37,753 | For excess operating costs. |
| Total | | <u>\$ 37,753</u> | |

NOTE 4. CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2023, are shown below:

| | Balance July 1, 2022 | Additions | Decreases | Balance June 30, 2023 |
|---|-------------------------|-------------------|-------------|--------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Construction in progress | \$ 285,829 | \$ 199,187 | \$ - | \$ 485,016 |
| Total Capital Assets Not Being Depreciated | <u>285,829</u> | <u>199,187</u> | <u>-</u> | <u>485,016</u> |
| Capital Assets Being Depreciated: | | | | |
| Land improvements | 115,548 | - | - | 115,548 |
| Buildings and improvements | 2,020,296 | - | - | 2,020,296 |
| Total Capital Assets Being Depreciated | <u>2,135,844</u> | <u>-</u> | <u>-</u> | <u>2,135,844</u> |
| Less Accumulated Depreciation for: | | | | |
| Land improvements | (115,548) | - | - | (115,548) |
| Buildings and improvements | (956,921) | (65,161) | - | (1,022,082) |
| Total Accumulated Depreciation | <u>(1,072,469)</u> | <u>(65,161)</u> | <u>-</u> | <u>(1,137,630)</u> |
| Total Capital Assets Being Depreciated, Net | <u>1,063,375</u> | <u>(65,161)</u> | <u>-</u> | <u>998,214</u> |
| Total Governmental Activities Capital Assets, Net | <u>\$ 1,349,204</u> | <u>\$ 134,026</u> | <u>\$ -</u> | <u>\$ 1,483,230</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|----------------------------|------------------|
| Instruction | <u>\$ 65,161</u> |
| Total Depreciation Expense | <u>\$ 65,161</u> |

PACIFIC ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 5. GENERAL OBLIGATION BONDS

In August 2013, the District issued General Obligation Bonds in the amount of \$828,471 for the purpose of financing the renovation, construction and improvement of school facilities in the District. The bonds were authorized pursuant to the election of the registered voters of the District held on November 6, 2012 and are payable from the ad valorem taxes to be levied annually upon all properties subject to taxation by the District. The current interest and capital appreciation bonds interest rates range between 5.25 percent and 12.00 percent. The bonds are scheduled to mature through August 2052.

The outstanding bonded debt of the District as of June 30, 2023 is as follows:

| General Obligation Bonds | Date of Issuance | Interest Rate % | Maturity Date August 1 | Amount of Original Issue | |
|---------------------------|--|------------------------------|---|--------------------------------|--------------------------|
| 2012 Current Interest | 2013 | 5.25 | 2052 | \$ 585,000 | |
| 2012 Capital Appreciation | 2013 | 8.00 - 12.00 | 2047 | 1,635,000 | |
| | Outstanding Principal and Accreted Interest June 30, 2022 | Current Year Additions | Accreted Interest Current Year | Redeemed Current Year | Balance June 30, 2023 |
| 2012 Current Interest | \$ 585,000 | \$ - | \$ - | \$ - | \$ 585,000 |
| 2012 Capital Appreciation | 446,843 | - | 36,989 | 6,670 | 477,162 |
| Totals | <u>\$ 1,031,843</u> | <u>\$ -</u> | <u>\$ 36,989</u> | <u>\$ 6,670</u> | <u>\$ 1,062,162</u> |

Future debt service requirements related to this liability will continue to be accounted for in the District's Bond Interest and Redemption Fund and are as follows:

| For the Year Ended June 30: | Principal and Accreted Interest | Future Interest | Total |
|-----------------------------|------------------------------------|---------------------|---------------------|
| 2024 | \$ 44,445 | \$ 66,050 | \$ 110,495 |
| 2025 | 7,642 | 67,663 | 75,305 |
| 2026 | 7,642 | 70,590 | 78,232 |
| 2027 | 7,642 | 73,748 | 81,390 |
| 2028 | 7,642 | 77,155 | 84,797 |
| 2029 - 2033 | 98,442 | 389,874 | 488,316 |
| 2034 - 2038 | 88,084 | 432,959 | 521,043 |
| 2039 - 2043 | 93,180 | 397,917 | 491,097 |
| 2044 - 2048 | 122,443 | 305,276 | 427,719 |
| 2049 - 2053 | 585,000 | 71,535 | 656,535 |
| Totals | <u>\$ 1,062,162</u> | <u>\$ 1,952,766</u> | <u>\$ 3,014,928</u> |

The District has sold its bonds at a total net premium of \$124,661. The premiums are being amortized using the straight-line method over the life of the related bond issue as a reduction in annual interest expense. Amortization of \$5,872 was recognized during the 2022/2023 fiscal year.

PACIFIC ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 6. PENSION PLANS

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

A. California State Teachers' Retirement System

1. Plan Description and Provisions

The District contributes to CalSTRS, a cost-sharing multiple-employer public-employee retirement-system-defined benefit pension plan administered by CalSTRS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues publicly available reports, including full description of the pension plans regarding benefit provisions, assumptions, and membership information, found on CalSTRS' website.

2. Benefits Provided

The plan provides retirement, disability, and survivor benefits to beneficiaries. Beneficiaries of a retired member who elected an option receive a continuing lifetime benefit upon the member's death.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

| Hire Date | <u>After January 1, 2013</u> | <u>On Or Before December 31, 2012</u> |
|--|---|---|
| Benefit Formula | 2% @ age 62 | 2% @ age 60 |
| Benefit Vesting Schedule | 5 years of service | 5 years of service |
| Benefit Payments | Payable upon retirement | Payable upon retirement |
| Retirement Age | Age 55 with at least 5 years service. | Age 55 with at least 5 years service, or age 50 with 30 years of service. |
| Monthly Benefits as a % of Eligible Compensation | Variable based on age factor 2.0% at age 62 to 2.4% maximum at age 65 or older. | Variable based on age factor 2.0% at age 60 to 2.4% maximum at age 63 or older. |
| Required Employee Contribution Rates | 10.205% | 10.250% |
| Required Employer Contribution Rates | 16.92% | 16.92% |
| Required State Contribution Rates | 10.828% | 10.828% |

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6. PENSION PLANS (Continued)

3. Contributions

Active plan members are required to contribute 10.25% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board.

For the year ended June 30, 2023, the contributions recognized as part of pension expense for the Plan were as follows:

| | | |
|---------------------------------|----|---------|
| Contributions - employer | \$ | 111,495 |
| Contributions - state on behalf | \$ | 64,909 |

4. Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the State Teachers Retirement Plan's (STRP) fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

PACIFIC ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 6. PENSION PLANS (Continued)

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. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

| | Asset Allocation | Real Rate of Return (a) |
|----------------------------|---------------------|----------------------------|
| Public Equity | 42.00% | 4.75% |
| Private Equity | 13.00% | 6.25% |
| Real Assets | 15.00% | 3.55% |
| Inflation Sensitive | 6.00% | 3.25% |
| Fixed Income | 12.00% | 1.25% |
| Risk Mitigating Strategies | 10.00% | 1.75% |
| Cash/Liquidity | 2.00% | -0.35% |

(a) 20-year average

5. On Behalf Payment

The State of California makes contributions to STRS on behalf of the District. Under accounting principles generally accepted in the United States of America, these amounts have been recorded as revenue in the government-wide financial statements. For the year ended June 30, 2023 the District has recorded \$64,909 of State on behalf payments as revenue.

PACIFIC ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 6. PENSION PLANS (Continued)

B. California Public Employees' Retirement System

1. Plan Description and Provisions

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports, including full description of the pension plans regarding benefit provisions, assumptions, and membership information, found on CalPERS' website.

2. Benefits Provided

The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

| | <u>PEPRA</u> | <u>Classic</u> |
|--|--|--|
| Hire Date | <u>After January 1, 2013</u> | <u>On Or Before December 31, 2012</u> |
| Benefit Formula | 2% @ age 62 | 2% @ age or 55 |
| Benefit Vesting Schedule | 5 years of service | 5 years of service |
| Benefit Payments | Monthly | Monthly |
| Retirement Age | Age 52 with at least 5 years service | Age 50 with at least 5 years service |
| Monthly Benefits as a % of Eligible Compensation | Variable based on age factor 2.0% at age 62 to 2.4% maximum | Variable based on age factor 2.0% at age 55 to 2.5% maximum |
| Required Employee Contribution Rates | 7.00% | 7.00% |
| Required Employer Contribution Rates | 22.91% | 22.91% |

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6. PENSION PLANS (Continued)

3. Contributions

Active plan members are required to contribute 7.00% of their salary, while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions for determining the rate are those adopted by CalPERS' Board of Administration.

For the year ended June 30, 2023, contributions recognized as part of the Plan's pension expense were as follows:

| | | |
|--------------------------|----|--------|
| Contributions - employer | \$ | 80,646 |
|--------------------------|----|--------|

4. Discount Rate

The discount rate used to measure the total pension liability was 6.9 percent. A projection of expected benefit payments and contributions was performed to determine if assets would be exhausted. The test revealed the assets would not run out, thus the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report found at CalPERS' website.

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.

PACIFIC ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 6. PENSION PLANS (Continued)

In determining long-term expected rate of return, staff considered both short and long-term market return expectations, as well as expected pension fund cash flows. Such cash flows were developed assuming that, in all future years, both members and employers will make their required contributions as scheduled. Using historical returns of all fund asset classes, expected compound (geometric) returns were calculated over short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short and long-term, the present value of benefits was calculated for each fund. Expected rate of return was set by calculating the single equivalent expected return arriving at the present value of benefits for cash flows equal to that calculated using both short and long-term returns. The expected rate of return was then set as the single equivalent rate, and rounded down to the nearest quarter of a percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| | <u>Asset Allocation</u> | <u>Real Return Years 1 - 10 (a) (b)</u> |
|---------------------------------|-------------------------|---|
| Global Entity - cap-weighted | 30.00% | 4.45% |
| Global Entity - noncap-weighted | 12.00% | 3.84% |
| Private Equity | 13.00% | 7.28% |
| Treasury | 5.00% | 0.27% |
| Mortgage-backed Securities | 5.00% | 0.50% |
| Investment Grade Corporates | 10.00% | 1.56% |
| High Yield | 5.00% | 2.27% |
| Emerging Market Debt | 5.00% | 2.48% |
| Private Debt | 5.00% | 3.57% |
| Real Assets | 15.00% | 3.21% |
| Leverage | -5.00% | -0.59% |

(a) an expected inflation of 2.30% used for this period

(b) figures are based on the 2021-22 Asset Liability Management Study

C. Social Security

As established by Federal law, public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

PACIFIC ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 6. PENSION PLANS (Continued)

D. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

1. Pension Liability

As of June 30, 2023, the District reported net pension liabilities for its proportionate shares of each Plan's net pension liability as follows:

| | | |
|---|----|-----------|
| CalSTRS | \$ | 783,249 |
| CalPERS | | 787,968 |
| Total District net pension liability | | 1,571,217 |
| State's proportionate share of the CalSTRS net pension liability associated with the District | | |
| | | 392,248 |
| Total | \$ | 1,963,465 |

The District's net pension liability for each Plan is measured as its proportionate share of the net pension liability. The net pension liability of each Plan is measured as of June 30, 2022. The total pension liability for each Plan used to calculate net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022 using standard update procedures. The District's proportion of net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of net pension liability for each Plan as of June 30, 2021 and 2022 was as follows:

| | CalSTRS | CalPERS |
|-------------------------------------|-----------|-----------|
| District Proportion - June 30, 2021 | 0.001033% | 0.001201% |
| District Proportion - June 30, 2022 | 0.001127% | 0.002290% |
| Change - Increase (Decrease) | 0.000094% | 0.001089% |

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6. PENSION PLANS (Continued)

2. Pension Expenses and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2023, the District recognized pension expense of (\$281,754). At June 30, 2023, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$ 242,323 | \$ - |
| Differences between actual and expected experience | 9,442 | (53,795) |
| Changes in assumptions | 114,580 | - |
| Change in employer's proportion and difference between the employer's contributions and the employer's proportionate share contributions | 538,623 | (521,905) |
| Net differences between projected and actual earnings on plan investments | 217,857 | - |
| Total | \$ 1,122,825 | \$ (575,700) |

The \$242,323 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as pension expense as follows:

| For the Year Ended June 30: | | |
|-----------------------------|----|-----------|
| 2022 | \$ | 141,263 |
| 2023 | | 112,697 |
| 2024 | | 86,799 |
| 2025 | | 124,772 |
| 2026 | | (18,885) |
| Thereafter | | (141,844) |
| | \$ | 304,802 |

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6. PENSION PLANS (Continued)

3. Actuarial Assumptions.

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

| | <u>CalSTRS</u> | <u>CalPERS</u> |
|--|---|--|
| Valuation Date | June 30, 2021 | June 30, 2021 |
| Measurement Date | June 30, 2022 | June 30, 2022 |
| Measurement Period | July 1, 2021 through June 30, 2022 | July 1, 2021 through June 30, 2022 |
| Actuarial Cost Method | Individual Entry Age Normal | Individual Entry Age Normal |
| Actuarial Assumptions: | | |
| Discount Rate | 7.10% | 6.90% |
| Inflation Rate | 2.75% | 2.30% |
| Payroll Growth | 3.50% | Varies by Entry Age and Service |
| Investment Rate of Return | 3.54% | 6.90% |
| Experience Study / Period Upon Which Actuarial Experience Survey Assumptions Were Based | July 1, 2015 - June 30, 2018 | 2000-2019 |
| Mortality Rate | Derived using a generational mortality approach with a base year of 2019 for the mortality rates. Projected improvement is based on 110% of the MP-2019 Ultimate Projection Scale | Derived using CalPERS' Membership Data for all Funds |
| Post-retirement Benefit Increases | 2.00% simple for DB (Annually) Maintain 85% purchasing power level DB, Not applicable for DBS/CBB | 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter |

PACIFIC ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 6. PENSION PLANS (Continued)

4. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

| | CalSTRS | | CalPERS | |
|-----------------------|--------------|--|--------------|--|
| 1% Decrease | 6.10% | | 5.90% | |
| Net Pension Liability | \$ 1,330,247 | | \$ 1,138,260 | |
| Current Discount Rate | 7.10% | | 6.90% | |
| Net Pension Liability | \$ 783,249 | | \$ 787,968 | |
| 1% Increase | 8.10% | | 7.90% | |
| Net Pension Liability | \$ 329,076 | | \$ 498,465 | |

5. Pension Plan Fiduciary Net Position

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

NOTE 7. GENERAL LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2023 is shown below:

| | Balance July 1, 2022 | Additions | Reductions | Balance June 30, 2023 | Due within One Year |
|----------------------------------|-------------------------|------------|------------|--------------------------|------------------------|
| General obligation bonds payable | \$ 1,098,053 | \$ 36,989 | \$ 12,542 | \$ 1,122,500 | \$ - |
| Net Pension Liability | 714,386 | 856,831 | - | 1,571,217 | - |
| Totals | \$ 1,812,439 | \$ 893,820 | \$ 12,542 | \$ 2,693,717 | \$ - |

General obligation bonds issued for governmental activity purposes are liquidated by the Bond Interest and Redemption Fund. The net pension liability is liquidated from the funds for which the related employees are compensated.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8. RESTRICTED NET POSITION

The government-wide statement of net position reports \$857,413 of restricted net position, of which \$33,458 is restricted by enabling legislation.

NOTE 9. PACIFIC SCHOOL FOUNDATION

The Pacific School Foundation (PSF) was established as a 501(c)(3) non-profit organization in 1990 with the primary mission of providing additional financial support to the District. PSF has established an Endowment Fund the earnings of which are used to support the District, sponsors a variety of fundraising events throughout the school year, and seeks grants from businesses and foundations.

During the year ended June 30, 2023, PSF provided support in the amount \$16,472 to support the Library and LifeLab Garden programs.

NOTE 10. JOINT POWERS AGREEMENTS

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 the fiscal year ending June 30, 2023, the District participated in several joint powers agreements (JPAs) to manage these risks. There were no significant reductions in coverage during the year. Settled claims have not exceeded coverage in any of the past three years.

The various JPAs and the services they provide the District are as follows:

- The Southern Peninsula Region Property and Liability Insurance Group (SPRIG) arrange for and provide property and liability insurance coverage for its member agencies.
- The Santa Cruz - San Benito County Schools Insurance Group (SC-SBC SIG) arranges for and provides worker's compensation insurance coverage for its member school districts.
- The Self-Insured Schools of California (SISC) SISC III arranges for and provides medical insurance coverage for its member school districts.
- The Santa Cruz County School Health Insurance Group (HIG) arranges for and provides dental and vision insurance coverage for its member school districts.

The District also participated in one JPAs for other administrative and program operations as follows:

- The North Santa Cruz County Special Education Local Plan Area arranges for and provides special education services for students of member school districts.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10. JOINT POWERS AGREEMENTS (Continued)

The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. Each joint venture is governed by a board consisting of representatives from various member Districts. Each board controls the operations of the JPA, including selection of management, independent of any influence by the member Districts beyond their representation on the board. Each member District pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA.

NOTE 11. STATE TEACHERS' RETIREMENT SYSTEM EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2022/2023, pursuant to California Education Code, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

NOTE 12. DEFICIT FUND BALANCE

The County School Facilities Fund reported a negative fund balance of \$14,980 at June 30, 2023. For fiscal year 2022-23, expenditures exceeded revenue by \$179,120. To alleviate the negative balance in fiscal year 2023-24, the District has budgeted expected State funds that should be received by year end.

NOTE 13. COMMITMENTS AND CONTINGENCIES

A. 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 require 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, 2023.

B. Litigation

As of June 30, 2023 the District is not currently involved in any litigation.

C. Commitments

As of June 30, 2023 the District had no material commitments outstanding.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14. SUBSEQUENT EVENTS

The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date would be recognized in the accompanying financial statements. Management evaluated the activity of the District through February 27, 2024 and concluded that the following subsequent event(s) have occurred that would require recognition in the financial statements.

In October 2023, the Board approved to enter into a Lease-Leaseback Agreement for a new Transitional Kindergarten-Kindergarten Classroom and Playground Project and a Reroofing and Restroom Project. The agreement was signed by the District on December 31, 2023, and signed by the contractor on January 18, 2024. The site lease agreements for both projects are effective as of December 31, 2023. The total project cost (“Total Base Rent”) is to be determined.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

PACIFIC ELEMENTARY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| REVENUES | | | | |
| Local control sources: | | | | |
| State apportionments | \$ 1,196,637 | \$ 1,359,309 | \$ 1,313,653 | \$ (45,656) |
| Local sources | 259,957 | 318,862 | 337,452 | 18,590 |
| Federal | 52,458 | 89,938 | 94,983 | 5,045 |
| Other state | 159,637 | 574,709 | 655,318 | 80,609 |
| Other local | 186,847 | 235,454 | 226,823 | (8,631) |
| Total Revenues | <u>1,855,536</u> | <u>2,578,272</u> | <u>2,628,229</u> | <u>49,957</u> |
| EXPENDITURES | | | | |
| Certificated salaries | 705,865 | 746,286 | 748,543 | (2,257) |
| Classified salaries | 307,240 | 313,677 | 337,698 | (24,021) |
| Employee benefits | 484,216 | 481,553 | 489,849 | (8,296) |
| Books and supplies | 85,150 | 94,609 | 59,428 | 35,181 |
| Services and other operating expenditures | 190,852 | 285,438 | 247,147 | 38,291 |
| Other outgo | 250 | 250 | 209 | 41 |
| Total Expenditures | <u>1,773,573</u> | <u>1,921,813</u> | <u>1,882,874</u> | <u>38,939</u> |
| Excess (deficiency) of revenues over expenditures before other financing Sources (uses) | <u>81,963</u> | <u>656,459</u> | <u>745,355</u> | <u>88,896</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(62,577)</u> | <u>(62,547)</u> | <u>(37,753)</u> | <u>24,794</u> |
| Total Other Financing Sources (Uses) | <u>(62,577)</u> | <u>(62,547)</u> | <u>(37,753)</u> | <u>24,794</u> |
| Net Increase (Decrease) in Fund Balance | 19,386 | 593,912 | 707,602 | 113,690 |
| Fund Balance - Beginning | <u>1,920,053</u> | <u>1,920,053</u> | <u>1,920,053</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 1,939,439</u> | <u>\$ 2,513,965</u> | <u>\$ 2,627,655</u> | <u>\$ 113,690</u> |

See accompanying notes to required supplementary information.

PACIFIC ELEMENTARY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 CAFETERIA FUND
 FOR THE YEAR ENDED JUNE 30, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal | \$ 124,928 | \$ 66,424 | \$ 68,099 | \$ 1,675 |
| Other state | 8,800 | 98,013 | 100,238 | 2,225 |
| Other local | 17,370 | 31,902 | 23,087 | (8,815) |
| Total Revenues | 151,098 | 196,339 | 191,424 | (4,915) |
| EXPENDITURES | | | | |
| Classified salaries | 104,441 | 105,428 | 94,090 | 11,338 |
| Employee benefits | 61,755 | 60,434 | 51,793 | 8,641 |
| Books and supplies | 53,500 | 68,545 | 65,019 | 3,526 |
| Services and other operating expenditures | (5,670) | 2,358 | 2,998 | (640) |
| Total Expenditures | 214,026 | 236,765 | 213,900 | 22,865 |
| Excess (deficiency) of revenues over expenditures before other financing Sources (uses) | (62,928) | (40,426) | (22,476) | 17,950 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 62,577 | 62,547 | 37,753 | (24,794) |
| Total Other Financing Sources (Uses) | 62,577 | 62,547 | 37,753 | (24,794) |
| Net Increase (Decrease) in Fund Balance | (351) | 22,121 | 15,277 | (6,844) |
| Fund Balance - Beginning | 34,798 | 34,798 | 34,798 | - |
| Fund Balance - Ending | \$ 34,447 | \$ 56,919 | \$ 50,075 | \$ (6,844) |

See accompanying notes to required supplementary information.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|
| CalSTRS | | | | | | | | | |
| Proportion as a percentage of the net pension liability | 0.0013% | 0.0015% | 0.0014% | 0.0014% | 0.0016% | 0.0010% | 0.0010% | 0.0010% | 0.0011% |
| Proportionate share of the net pension liability | \$ 759,681 | \$ 1,009,860 | \$ 1,133,883 | \$ 1,324,802 | \$ 1,511,125 | \$ 867,937 | \$ 928,485 | \$ 470,169 | \$ 783,249 |
| State's proportionate share of the net pension liability | <u>458,733</u> | <u>534,057</u> | <u>645,499</u> | <u>783,742</u> | <u>865,190</u> | <u>473,425</u> | <u>478,634</u> | <u>236,571</u> | <u>392,248</u> |
| Total | <u>\$ 1,218,414</u> | <u>\$ 1,543,917</u> | <u>\$ 1,779,382</u> | <u>\$ 2,108,544</u> | <u>\$ 2,376,315</u> | <u>\$ 1,341,362</u> | <u>\$ 1,407,119</u> | <u>\$ 706,740</u> | <u>\$ 1,175,497</u> |
| Covered payroll | \$ 375,265 | \$ 462,633 | \$ 469,180 | \$ 499,308 | \$ 541,532 | \$ 270,922 | \$ 309,962 | \$ 346,023 | \$ 414,480 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 202% | 218% | 242% | 265% | 279% | 320% | 300% | 136% | 189% |
| Plan fiduciary net position as a percentage of the total pension liability | 77% | 74% | 70% | 70% | 71% | 73% | 72% | 87% | 81% |
| CalPERS | | | | | | | | | |
| Proportion as a percentage of the net pension liability | 0.0022% | 0.0020% | 0.0019% | 0.0021% | 0.0021% | 0.0014% | 0.0014% | 0.0012% | 0.0023% |
| Proportionate share of the net pension liability | \$ 249,754 | \$ 294,802 | \$ 375,251 | \$ 503,713 | \$ 559,169 | \$ 416,180 | \$ 416,180 | \$ 244,217 | \$ 787,968 |
| Covered payroll | \$ 116,309 | \$ 106,725 | \$ 107,338 | \$ 160,675 | \$ 162,214 | \$ 135,333 | \$ 138,698 | \$ 152,240 | \$ 313,798 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 215% | 276% | 350% | 313% | 345% | 308% | 300% | 160% | 251% |
| Plan fiduciary net position as a percentage of the total pension liability | 84% | 79% | 74% | 72% | 71% | 70% | 70% | 81% | 70% |

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

See accompanying notes to required supplementary information.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - PENSION
JUNE 30, 2023**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|-----------------|-----------------|-------------------|-------------------|-----------------|-----------------|------------------|------------------|-----------------|
| CalSTRS | | | | | | | | | |
| Contractually required contribution | \$ 48,929 | \$ 59,919 | \$ 76,614 | \$ 95,275 | \$ 126,295 | \$ 84,073 | \$ 93,751 | \$ 105,994 | \$ 110,615 |
| Less contributions in relation to the contractually required contribution | 49,535 | 59,217 | 78,353 | 97,365 | 119,137 | 82,902 | 88,649 | 89,274 | 111,495 |
| Contribution deficiency (excess) | <u>\$ (606)</u> | <u>\$ 702</u> | <u>\$ (1,739)</u> | <u>\$ (2,090)</u> | <u>\$ 7,158</u> | <u>\$ 1,171</u> | <u>\$ 5,102</u> | <u>\$ 16,720</u> | <u>\$ (880)</u> |
| Covered payroll | \$ 375,265 | \$ 462,633 | \$ 469,180 | \$ 499,308 | \$ 541,532 | \$ 270,922 | \$ 309,962 | \$ 346,023 | \$ 414,480 |
| Contributions as a percentage of covered payroll* | 13% | 13% | 17% | 20% | 22% | 31% | 29% | 26% | 27% |
| CalPERS | | | | | | | | | |
| Contractually required contribution | \$ 26,048 | \$ 25,765 | \$ 27,095 | \$ 37,318 | \$ 42,961 | \$ 35,728 | \$ 47,248 | \$ 35,666 | \$ 80,396 |
| Less contributions in relation to the contractually | 25,937 | 26,041 | 25,117 | 37,116 | 43,149 | 35,728 | 35,784 | 35,472 | 80,646 |
| Contribution deficiency (excess) | <u>\$ 111</u> | <u>\$ (276)</u> | <u>\$ 1,978</u> | <u>\$ 202</u> | <u>\$ (188)</u> | <u>\$ -</u> | <u>\$ 11,464</u> | <u>\$ 194</u> | <u>\$ (250)</u> |
| Covered payroll | \$ 116,309 | \$ 106,725 | \$ 107,338 | \$ 160,675 | \$ 162,214 | \$ 135,333 | \$ 138,698 | \$ 152,240 | \$ 313,798 |
| Contributions as a percentage of covered payroll* | 22% | 24% | 23% | 23% | 27% | 26% | 26% | 23% | 26% |

* Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use the measure in schedules of required supplementary information. Statement No. 82 amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

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

See accompanying notes to required supplementary information.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1. PURPOSE OF REQUIRED SUPPLEMENTARY INFORMATION

A. Budgetary Comparison Schedule

Budgetary comparison schedules are required to be presented for the General Fund and each major special revenue fund that has a legally adopted budget. The originally adopted and final revised budgets are presented for such funds. 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 States of America as prescribed by Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code.

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

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the state's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Benefit changes – None

Changes of assumptions:

2020-21

CalPERS assumption for discount rate decreased from 7.15% to 6.90% and inflation rate was reduced from 2.50% to 2.30%.

2019-20

CalSTRS Board adopted a new experience study which updated assumptions for termination rates and service rates.

2018-19

CalPERS Board adopted new mortality assumptions for the plan. Assumption for inflation rate was reduced from 2.75% to 2.50%.

2017-18

CalSTRS Board adopted new mortality assumptions and new mortality tables for the plan. Assumption for inflation rate was reduced from 3.00% to 2.75%; assumption for discount rate decreased from 7.60% to 7.10%; and assumption for payroll growth was reduced from 3.75% to 3.50%.

CalPERS applied a new discount rate decreasing the rate from 7.65% to 7.15%.

2015-16

CalPERS applied a new discount rate increasing the rate from 7.50% to 7.65%.

PACIFIC ELEMENTARY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1. PURPOSE OF REQUIRED SUPPLEMENTARY INFORMATION (Continued)

C. Schedule of the District’s Contributions - Pension

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.

NOTE 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2023, expenditures exceeded appropriations by the following amounts:

| <u>Appropriations Category</u> | <u>Excess Expenditures</u> |
|------------------------------------|--------------------------------|
| General Fund: | |
| Certificated salaries | \$ 2,257 |
| Classified salaries | 24,021 |
| Employee benefits | 8,296 |
| Cafeteria Fund: | |
| Services, other operating expenses | 640 |

These excess expenditures were offset by unexpended appropriations in other categories.

SUPPLEMENTARY INFORMATION SECTION

PACIFIC ELEMENTARY SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2023

The Pacific Elementary School District (District) was established in September 1905 and comprises an area located in Santa Cruz County. There were no changes in the boundaries of the District during the current year. The District currently operates one elementary school.

BOARD OF TRUSTEES

| <u>Name</u> | <u>Office</u> | <u>Term Expires</u> |
|------------------|---------------|---------------------|
| Mr. Gwyan Rhabyt | Board Chair | December, 2024 |
| Ms. Cari Napoles | Trustee | December, 2026 |
| Ms. Diana Conner | Trustee | December, 2026 |

ADMINISTRATION

| <u>Name</u> | <u>Title</u> | <u>Tenure</u> |
|-----------------------|----------------------------|---------------|
| Mr. Eric Gross | Superintendent / Principal | 8 Years |
| Ms. Elizabeth Andrews | District Office Manager | 9 Years |

ADDRESS OF DISTRICT OFFICE

50 Ocean Street
P.O. Box H
Davenport, CA 95017

PACIFIC ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2023

| | Second Period Report | | | Annual Report | | |
|----------------------------------|----------------------|--------------------|---------|---------------|--------------------|---------|
| | Original | Audit Adjustment * | Revised | Original | Audit Adjustment * | Revised |
| Certification Numbers | 4D96DC9F | | | AED63CD5 | | |
| Grades TK / K-3: | | | | | | |
| Regular Average Daily Attendance | 84.00 | (1.27) | 82.73 | 83.69 | - | N/A |
| Grades TK / K-3 Totals | 84.00 | (1.27) | 82.73 | 83.69 | - | N/A |
| Grades 4 - 6: | | | | | | |
| Regular Average Daily Attendance | 58.90 | (0.80) | 58.10 | 58.53 | - | N/A |
| Grades 4 - 6 Totals | 58.90 | (0.80) | 58.10 | 58.53 | - | N/A |
| Total ADA | 142.90 | (2.07) | 140.83 | 142.22 | - | N/A |

N/A - There were no audit findings resulting in necessary revisions to attendance.

* The Attendance findings referenced 2023-001 has not been revised and is reflected in the Audit Adjustment columns above, therefore, a revision is necessary for the Second Period Report for June 30, 2023.

PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2023

| Grade Level | Required Minutes | 2022/2023 Actual Minutes | Actual Number of Instructional Days Offered ^{1/2} | Approved J-13A Credited Minutes | Approved J-13A Credited Days ² | 2022/2023 Total Minutes | Total Number of Instructional Days Offered ^{1/2} | Status |
|--------------|---------------------|--------------------------------|---|---------------------------------------|---|-------------------------------|--|---------------|
| Kindergarten | 36,000 | 37,170 | 177 | 630 | 3 | 37,800 | 180 | In Compliance |
| Grade one | 50,400 | 50,300 | 177 | 830 | 3 | 51,130 | 180 | In Compliance |
| Grade two | 50,400 | 50,300 | 177 | 830 | 3 | 51,130 | 180 | In Compliance |
| Grade three | 50,400 | 50,300 | 177 | 830 | 3 | 51,130 | 180 | In Compliance |
| Grade four | 54,000 | 54,125 | 177 | 890 | 3 | 55,015 | 180 | In Compliance |
| Grade five | 54,000 | 54,125 | 177 | 890 | 3 | 55,015 | 180 | In Compliance |
| Grade six | 54,000 | 54,125 | 177 | 890 | 3 | 55,015 | 180 | In Compliance |

¹ The District did not utilize a multitrack calendar during the 2022/2023 year.

² The California Department of Education has approved the request for three emergency days for 2022/2023 fiscal year.

PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

| General Fund: | (Budgeted) * 2023/2024 | 2022/2023 | 2021/2022 | 2020/2021 |
|--|---------------------------|--------------|--------------|--------------|
| Revenues and Other Financing Sources | \$ 2,326,031 | \$ 2,628,229 | \$ 2,098,358 | \$ 1,588,298 |
| Expenditures | 2,045,363 | 1,882,874 | 1,700,675 | 1,408,844 |
| Other Uses and Transfers Out | 79,796 | 37,753 | 24,000 | 43,700 |
| Total Outgo | 2,125,159 | 1,920,627 | 1,724,675 | 1,452,544 |
| Change in Fund Balance | 200,872 | 707,602 | 373,683 | 135,754 |
| Ending Fund Balance | \$ 2,828,527 | \$ 2,627,655 | \$ 1,920,053 | \$ 1,546,370 |
| Available Reserves ¹ | \$ 1,535,679 | \$ 1,353,525 | \$ 1,253,133 | \$ 961,859 |
| Reserve for Economic Uncertainties | \$ - | \$ - | \$ 86,234 | \$ - |
| Unassigned Fund Balance | \$ 1,535,679 | \$ 1,353,525 | \$ 1,166,899 | \$ 961,859 |
| Available Reserves as a percentage of Total Outgo | 72.3% | 70.5% | 72.7% | 66.2% |
| Total Long-Term Debt | \$ 2,693,717 | \$ 2,693,717 | \$ 1,812,439 | \$ 2,403,152 |
| Average Daily Attendance at P-2 | 146 | 141 | 130 | 112 |

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

The General Fund balance has increased by \$1,081,285 over the past two years. The District has not incurred an operating deficit in any of the past three years. The 2023/2024 General Fund budget projects a increase of \$200,872 (7.6%).

For a District of this size, the state recommends available reserves of the greater of 5% of total General Fund expenditures, transfers out, and other uses (other outgo) or \$71,000.

Total long-term debt has increased by \$290,565 over the past two years.

Average daily attendance has increased by 29 ADA over the past two years. The ADA is anticipated to increase 5 ADA during the fiscal year 2023/2024.

* The 2023/2024 budget is included for analytical purposes only and has not been subjected to audit.

¹ Available reserves consists of all unassigned fund balances and reserves for economic uncertainty that are contained within the governmental funds. Unassigned fund balances are typically only reported in the General Fund. However, other governmental funds may report negative unassigned fund balances and are included in the reported available reserves.

PACIFIC ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND
BUDGET REPORT (SACS) WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

| | General Fund | Special Reserve Fund for Other Than Capital Outlay Projects * |
|---|-----------------|--|
| June 30, 2023 Annual Financial and Budget Report (SACS) Fund Balance | \$ 2,206,400 | \$ 421,255 |
| Adjustments and Reclassifications: | | |
| Reclassification for financial statement presentation | 421,255 | (421,255) |
| June 30, 2023 Audited Financial Statement Fund Balance | \$ 2,627,655 | \$ - |

* This audit reclassification is made for financial presentation purposes only, pursuant to GASB 54 which, when applied, does not recognize this fund as a special revenue fund type. Therefore, the fund balance is consolidated with the General Fund. However, the District is permitted under current State law to account for this fund as a special revenue fund type for interim reporting and budgeting purposes.

PACIFIC ELEMENTARY SCHOOL DISTRICT
OTHER GOVERNMENTAL FUNDS FINANCIAL STATEMENT
COMBINING BALANCE SHEET
JUNE 30, 2023

| | Child Development Fund | Deferred Maintenance Fund | Building Fund | Capital Facilities Fund | Bond Interest and Redemption Fund | Total Other Governmental Funds |
|---|------------------------------|---------------------------------|------------------|-------------------------------|--|---|
| ASSETS | | | | | | |
| Cash and equivalents | \$ 111,104 | \$ 7 | \$ 374 | \$ 7,465 | \$ 33,458 | \$ 152,408 |
| Accounts receivable | 8,300 | - | - | - | - | 8,300 |
| Total Assets | \$ 119,404 | \$ 7 | \$ 374 | \$ 7,465 | \$ 33,458 | \$ 160,708 |
| LIABILITIES AND FUND BALANCE | | | | | | |
| Liabilities: | | | | | | |
| Due to other funds | \$ 8,000 | \$ - | \$ - | \$ - | \$ - | \$ 8,000 |
| Total Liabilities | 8,000 | - | - | - | - | 8,000 |
| Fund Balance: | | | | | | |
| Non spendable | | | | | | |
| Restricted | 111,404 | - | 374 | 7,465 | 33,458 | 152,701 |
| Committed | | | | | | |
| Other commitments | - | 7 | - | - | - | 7 |
| Total Fund Balance | 111,404 | 7 | 374 | 7,465 | 33,458 | 152,708 |
| Total Liabilities and Fund Balance | \$ 119,404 | \$ 7 | \$ 374 | \$ 7,465 | \$ 33,458 | \$ 160,708 |

See accompanying notes to supplementary information.

PACIFIC ELEMENTARY SCHOOL DISTRICT
OTHER GOVERNMENTAL FUNDS FINANCIAL STATEMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

| | Child Development Fund | Deferred Maintenance Fund | Building Fund | Capital Facilities Fund | Bond Interest and Redemption Fund | Total Other Governmental Funds |
|---|------------------------------|---------------------------------|------------------|-------------------------------|--|---|
| REVENUES | | | | | | |
| Federal | \$ 12,748 | \$ - | \$ - | \$ - | \$ - | \$ 12,748 |
| Other state | 76,532 | - | - | - | 172 | 76,704 |
| Other local | 63,655 | - | 5 | 2,205 | 48,883 | 114,748 |
| Total Revenues | <u>152,935</u> | <u>-</u> | <u>5</u> | <u>2,205</u> | <u>49,055</u> | <u>204,200</u> |
| EXPENDITURES | | | | | | |
| Certificated salaries | 6,489 | - | - | - | - | 6,489 |
| Classified salaries | 102,920 | - | - | - | - | 102,920 |
| Employee benefits | 51,138 | - | - | - | - | 51,138 |
| Books and supplies | 1,213 | - | - | - | - | 1,213 |
| Services and other operating expenditures | 9,852 | - | - | - | - | 9,852 |
| Debt Service: | | | | | | |
| Interest | - | - | - | - | 45,696 | 45,696 |
| Total Expenditures | <u>171,612</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>45,696</u> | <u>217,308</u> |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | <u>(18,677)</u> | <u>-</u> | <u>5</u> | <u>2,205</u> | <u>3,359</u> | <u>(13,108)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Increase (Decrease) in Fund Balance | (18,677) | - | 5 | 2,205 | 3,359 | (13,108) |
| Fund Balance - Beginning | <u>130,081</u> | <u>7</u> | <u>369</u> | <u>5,260</u> | <u>30,099</u> | <u>165,816</u> |
| Fund Balance - Ending | <u>\$ 111,404</u> | <u>\$ 7</u> | <u>\$ 374</u> | <u>\$ 7,465</u> | <u>\$ 33,458</u> | <u>\$ 152,708</u> |

See accompanying notes to supplementary information.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1. PURPOSE OF SUPPLEMENTARY INFORMATION

A. Local Education Agency Organization Structure

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

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by Education Code Section 46201.

D. Schedule of Financial Trends and Analysis

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

E. Reconciliation of Annual Financial and Budget Report (SACS) with Audited Financial Statements

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

OTHER INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Pacific Elementary School District
Davenport, 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 Pacific Elementary School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated February 27, 2024.

Report on Internal Control over Financial Reporting

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Robertson & Associates, CPAs

Lakeport, California
February 27, 2024

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Pacific Elementary School District
Davenport, California

Report on State Compliance

Opinion on State Compliance

We have audited Pacific Elementary School District (District) compliance with the types of compliance requirements described in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of the District's state programs for the year ended June 30, 2023, as identified below.

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 state programs for the year ended June 30, 2023.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, California Code of Regulations, section 19810 (the K-12 Audit Guide). Our responsibilities under those standards and the K-12 Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each state 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 State Compliance

Management is responsible for compliance with the requirements of the state compliance requirements as identified in the table below 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.

Auditors' Responsibility 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 generally accepted auditing standards, *Government Auditing Standards*, and K-12 Audit Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the applicable state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide, 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 School'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 K-12 Audit Guide, 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 state laws and regulations applicable to the following items:

| Description | Procedures Performed |
|---|-------------------------|
| Local Education Agencies Other Than Charter Schools: | |
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Independent Study | No, See Below |
| Continuation Education | Not Applicable |
| Instructional Time | Yes |
| Instructional Materials | Yes |
| Ratios of Administrative Employees to Teachers | No, See Below |
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | No, See Below |
| Gann Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| Juvenile Court Schools | Not Applicable |
| Middle or Early College High Schools | Not Applicable |
| K-3 Grade Span Adjustment | Yes |
| Transportation Maintenance of Effort | No, See Below |
| Apprenticeship: Related and Supplemental Instruction | Not Applicable |
| Comprehensive School Safety Plan | Yes |
| District of Choice | No, See Below |
| Home to School Transportation Reimbursement | No, See Below |
| Independent Study Certification for ADA Loss Mitigation | Yes |

| Description | Procedures Performed |
|---|-------------------------|
| School Districts, County Office of Education and Charter Schools | |
| California Clean Energy Jobs Act | No, See Below |
| After School Education and Safety Program | No, See Below |
| 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 | Not Applicable |
| Transitional Kindergarten | Yes |
| Charter Schools | |
| Attendance | Not Applicable |
| Mode of Instruction | Not Applicable |
| Nonclassroom-Based Instruction/Independent Study For Charter Schools | Not Applicable |
| Determination of Funding for Nonclassroom-Based Instruction | Not Applicable |
| Annual Instructional Minutes - Classroom Based | Not Applicable |
| Charter School Facility Grant Program | Not Applicable |

The term "Not Applicable" used above is to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

The District does not operate an Independent Study program; therefore, we did not perform any procedures related to the Independent Study Program.

We did not perform testing for Ratios of Administrative Employees to Teachers because the District has one or fewer administrators.

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.

We did not perform testing for Transportation Maintenance of Effort because the District did not participate in the program in 2012/2013 and therefore had no expenditures.

The District did not apply to be a District of Choice; therefore, we did not perform any procedures related to this program.

The District did not apply for the Home to School Transportation Reimbursement; therefore, we did not perform any procedures related to the Program.

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

The District does not offer an After School Education and Safety Program; therefore, we did not perform procedures related to the After School Education and Safety 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 identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the K-12 Audit Guide and which are described in the accompanying finding and responses as items 2023-001, 2023-002 and 2023-003. Our opinion on each state program 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 described in the accompanying finding and responses. 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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 state program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying finding and responses as items 2023-001, 2023-002 and 2023-003, to be significant deficiencies. Those significant deficiencies in internal control over compliance related to the following programs and compliance requirements:

| <u>Finding #</u> | <u>State Compliance Reference Listing #</u> | <u>State Compliance Program</u> |
|------------------|---|--|
| 2023-001 | A. Y. | Attendance Independent Study-Course Based |
| 2023-002 | L. | School Accountability Report Card |
| 2023-003 | R. | Comprehensive School Safety Plan |

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 finding and responses. 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.

Purpose of this Report

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 K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Robertson & Associates, CPAs

Lakeport, California
February 27, 2024

FINDINGS AND RESPONSES SECTION

PACIFIC ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
 FOR THE YEAR ENDED JUNE 30, 2023

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness identified?

| | | | |
|--|-----|--------------|----|
| | Yes | <u> X </u> | No |
|--|-----|--------------|----|

Significant deficiencies identified that are not considered to be material weaknesses?

| | | | |
|--|-----|--------------|------|
| | Yes | <u> X </u> | None |
|--|-----|--------------|------|

Noncompliance material to financial statements noted?

| | | | |
|--|-----|--------------|----|
| | Yes | <u> X </u> | No |
|--|-----|--------------|----|

Federal Awards

The District was not subject to Uniform Guidance Single Audit for the year ended June 30, 2023 because federal award expenditures did not exceed \$750,000.

State Awards

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

Unmodified

Internal control over state compliance programs:

Material weakness identified?

| | | | |
|--|-----|--------------|----|
| | Yes | <u> X </u> | No |
|--|-----|--------------|----|

Significant deficiencies identified that are not considered to be material weaknesses?

| | | | |
|--------------|-----|--|------|
| <u> X </u> | Yes | | None |
|--------------|-----|--|------|

PACIFIC ELEMENTARY SCHOOL DISTRICT
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

Financial Statement Findings

There were no findings or questioned costs relative to the financial statements.

Federal Award Findings and Questioned Costs

The District was not subject to *Uniform Guidance Single Audit* for the year ended June 30, 2023 because federal award expenditures did not exceed \$750,000.

State Award Findings and Questioned Costs

**2023-001 Attendance Accounting and Reporting
Independent Study - Course Based 10% ADA Reduction
State Code 10000 Attendance
State Code 40000 State Compliance**

Criteria

Per Education Code Section 51749.5(b)(5), if more than 10 percent of the total average daily attendance of a school district, charter school, or county office of education is claimed pursuant to this section, then the amount of average daily attendance for all pupils enrolled by that school district, charter school, or county office of education in courses authorized pursuant to this section that is in excess of 10 percent of the total average daily attendance for the school district, charter school, or county office of education shall be reduced by either (A) the statewide average rate of absence for elementary school districts for kindergarten and grades 1 to 8, inclusive, as calculated by the department for the prior fiscal year, with the resultant figures and ranges rounded to the nearest 10th.

Condition

The District did not compute the amount of Course Based Independent Study (CBIS) ADA greater than 10 percent of total ADA and reduce the ADA claimed by the statewide absence rate for the P-2 reporting. The Annual report was filed correctly for the fiscal year 2022/2023.

Effect

The net effect is P-2 ADA was over-claimed by 2.07.

Cause

The District inadvertently missed reducing line A-1 and recording the calculated reduction on line B-4, resulting in incorrect reporting on the P-2 Report of Attendance.

PACIFIC ELEMENTARY SCHOOL DISTRICT
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

2023-001 **Attendance Accounting and Reporting**
Independent Study - Course Based 10% ADA Reduction (Continued)
State Code 10000 Attendance
State Code 40000 State Compliance

Questioned Cost

| P-2 Report | <u>TK-3</u> | <u>Grades 4-6</u> | <u>Total</u> |
|---------------------------------------|-----------------------|----------------------|-----------------------|
| LCFF Apportionment by Grade Span | \$ 11,117.14 | \$ 10,221.75 | |
| Overstated / Understated - Annual ADA | <u>(1.27)</u> | <u>(0.80)</u> | <u>(2.07)</u> |
| Questioned Costs - By Grade Span | <u>\$ (14,118.77)</u> | <u>\$ (8,177.40)</u> | <u>\$ (22,296.17)</u> |

Repeat Finding

This is a repeat finding. See finding 2022-002.

Recommendation

Revise the P-2 report of attendance for June 30, 2023.

District Response and Action Plan

Prior year P-2 corrections will be completed when submitting 2023-24 P-2. After discussion with all staff involved the reporting of attendance, we are aware of what line the 10% greater than ADA needs to reported on and have taken steps to make sure proper reporting is completed in future years

PACIFIC ELEMENTARY SCHOOL DISTRICT
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

**2023-002 School Accountability Report Card
State Code 72000 School Accountability Report Card**

Criteria

Per Education Code §35186, (d) A school district shall report summarized data on the nature and resolution of all complaints on a quarterly basis to the county superintendent of schools and the governing board of the school district. The summaries shall be publicly reported on a quarterly basis at a regularly scheduled meeting of the governing board of the school district. The report shall include the number of complaints by general subject area with the number of resolved and unresolved complaints. The complaints and written responses shall be available as public records.

Per Education Code §33126 (6)(A) Quality and currency of textbooks and other instructional materials, including whether textbooks and other materials meet state standards and are adopted by the state board for kindergarten and grades 1 to 8, inclusive, and adopted by the governing boards of school districts for grades 9 to 12, inclusive, and the ratio of textbooks per pupil and the year the textbooks were adopted.

Condition

We noted the following relating to the SARC:

1. The District Williams Uniform Complaints for 2022/23 and the SARC did not match for Teacher Misassignments. The Williams Uniform Compliant forms reflected no teacher misassignments while the SARC identified one teacher misassignment at 0.80 FTE.
2. The District did not update the SARC for current information regarding the Sufficiency of Instructional Materials. The SARC stated that data was collected January 2021 for the quality, currency, availability of textbooks and other instructional materials. This date should have been updated to September 2022 per board minutes.

Effect

The District is out of compliance with Education Code §35186 and 33126.

Cause

District procedures focused on reporting complaints received for teacher misassignments on the Williams Report; the teacher misassignment was unintentionally omitted since no complaints had been received. In addition, the District overlooked the updates needed to the SARC for Sufficiency of Instructional Materials.

Questioned Cost

There are no applicable questioned costs associated with this finding.

PACIFIC ELEMENTARY SCHOOL DISTRICT
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

2023-002 **School Accountability Report Card** (Continued)
State Code 72000 School Accountability Report Card

Repeat Finding

This is not a repeat finding.

Recommendation

Develop written procedures regarding how to compile complaint data to ensure it is included on the School Accountability Report Card. Include in the written procedures the positions responsible for preparing, reviewing and reconciling the SARC to underlying complaint data and ensuring all required information is reported. Additionally, develop an internal checklist of items that are required to be updated and presented to the Board of Trustees. Review the checklist monthly to ensure those items are updated and approved within the specific time frame.

District Response and Action Plan

The Superintendent mistakenly assumed the state's Williams Uniform Compliant forms should be followed, but now understands that the Williams directions should be ignored and that it should be made to match the SARC data instead. Furthermore, the Superintendent will be sure to update the date on the SARC in the future. The District has created a board calendar to ensure that items needing approval are on the appropriate board agendas.

PACIFIC ELEMENTARY SCHOOL DISTRICT
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

2023-003 **Comprehensive School Safety Plan**
State Code 40000 State Compliance

Criteria

Per Education Code §32286, each School shall adopt its comprehensive school safety plan by March 1, 2000 and shall review and update its plan my March 1, every year thereafter.

Condition

The District approved the final comprehensive school safety plan on March 21, 2023, after the March 1 deadline.

Effect

The District is out of compliance with Education Code §32286.

Cause

Oversight by District staff resulted in missing the March 1 deadline to present the revised Comprehensive School Safety Plan to the Board for approval and adoption.

Questioned Cost

There are no applicable questioned costs associated with this finding.

Repeat Finding

This is not a repeat finding.

Recommendation

Develop an internal checklist of items that are required to be presented to the Board of Education. Review the checklist monthly to ensure each month's Board agenda includes those items requiring Board approval and adoption within the specific time frame.

District Response and Action Plan

The District has created a board calendar to ensure that items needing board approval are placed on the appropriate board agendas.

PACIFIC ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

2022-001 **Recordkeeping of Capital Assets**
State Code 20000 Inventory of Equipment

Finding

The District did not properly reconcile and record the construction in progress on the schedule of capital assets and depreciation at year end.

Recommendation

The District should review year-end closing procedures for completing all components of the Unaudited actuals.

Current Status

Improvement Noted – Finding not repeated for the fiscal year 2021-22.

PACIFIC ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

2022-002 Independent Study-Course Based – 10 Percent Reduction
State Code 10000 Attendance and 40000 State Compliance

Finding

The District did not compute if the CBIS ADA was greater than 10 percent of the total LEA ADA and reduce by the statewide absence rate.

Recommendation

All LEAs with CBIS programs must compute ADA for each student enrolled. If the total CBIS ADA is greater than 10 percent of total LEA ADA, any CBIS ADA above 10 percent must be reduced by the statewide absence rate.

Current Status

Repeat finding. See finding 2023-001.