

PACIFIC ELEMENTARY SCHOOL DISTRICT
COUNTY OF SANTA CRUZ
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2024



**PACIFIC ELEMENTARY SCHOOL DISTRICT
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JUNE 30, 2024**

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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 Pacific Elementary School District (the "District"), as of and for the year ended June 30, 2024, 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 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, 2024, and the respective changes in financial position 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 on pages 4 through 14, and required supplementary information on pages 50 through 61 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 supplementary information such as the combining and individual nonmajor fund financial statements and all other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of financial trends and analysis, which is the responsibility of management, is presented for the purpose 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 Information

Management is responsible for the other information included in the financial report. The other information comprises the organization schedule but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Information Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 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, 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.

Harshmal & Company LLP

Oakland, California
December 13, 2024

**PACIFIC ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

INTRODUCTION

Our discussion and analysis of Pacific Elementary School District (the "District") financial performance provides an overview of the District's financial activities for the year ended June 30, 2024. It should be read in conjunction with the District's financial statements, which follow this section.

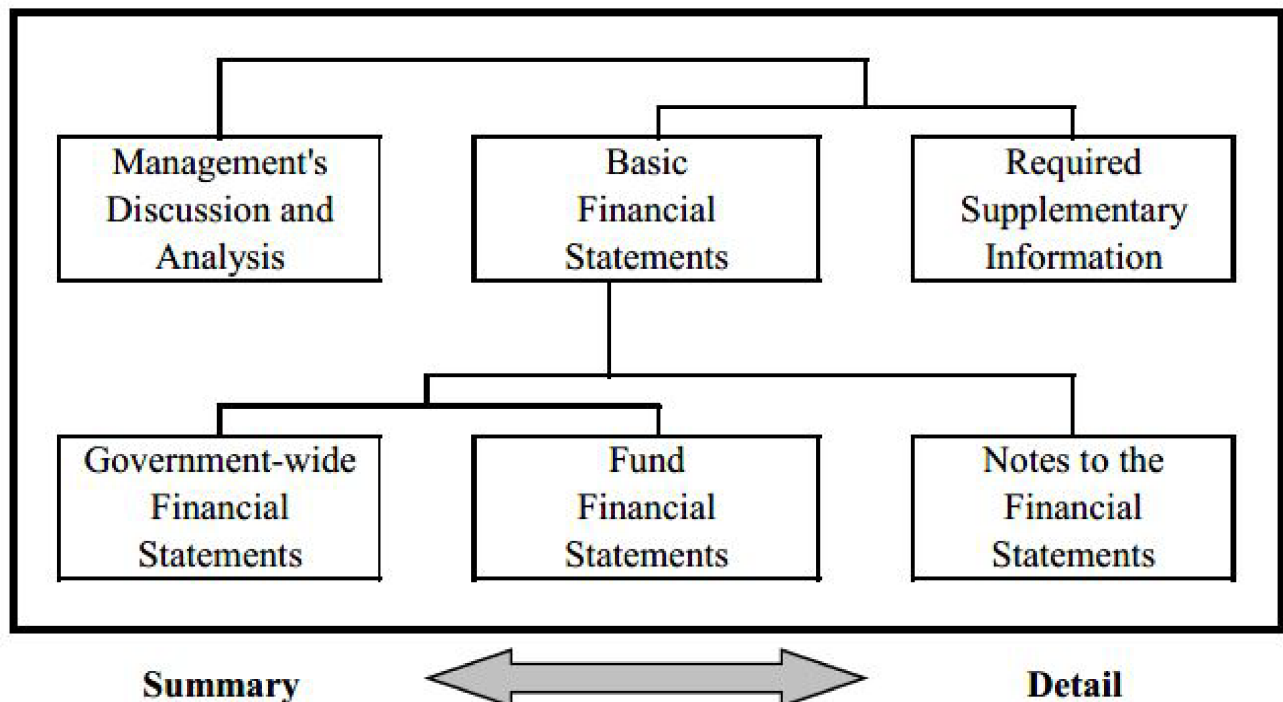
FINANCIAL HIGHLIGHTS

Key financial highlights for FY 2024 are as follows:

- Total net position was \$3,608,503 on June 30, 2024. This was an increase of \$1,469,205 from the prior year.
- Overall revenues were \$4,435,101, overall expenses were \$2,965,896.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



The Financial Statements

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.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

- **Fund financial statements** focus on reporting the individual parts of the 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 explains and supports the financial statements.

Government-wide financial 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 68.68% from the past year.
- The District's ADA had an increase of 12.74, compared to 2022-23, 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. The District spent \$525,936 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 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.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

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 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 explain 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 \$5,130,508 as compared to the prior year's ending fund balance of \$2,815,458.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

Table 1: Statement of Net Position

	<u>Governmental Activities</u>			<u>Percentage Change</u>
	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Net Change</u>	
Assets:				
Cash and equivalents	\$ 5,764,815	\$ 3,217,743	\$ 2,547,072	79.16 %
Other current assets	129,916	149,212	(19,296)	(12.93)%
Capital assets, net of accumulated depreciation	<u>1,944,005</u>	<u>1,483,230</u>	<u>460,775</u>	<u>31.07 %</u>
Total assets	<u>7,838,736</u>	<u>4,850,185</u>	<u>2,988,551</u>	<u>61.62 %</u>
Deferred outflows of resources				
Pensions	<u>1,152,331</u>	<u>1,122,825</u>	<u>29,506</u>	<u>2.63 %</u>
Total deferred outflows of resources	<u>1,152,331</u>	<u>1,122,825</u>	<u>29,506</u>	<u>2.63 %</u>
Liabilities:				
Current liabilities	898,536	564,295	334,241	59.23 %
Long-term liabilities	<u>4,088,021</u>	<u>2,693,717</u>	<u>1,394,304</u>	<u>51.76 %</u>
Total liabilities	<u>4,986,557</u>	<u>3,258,012</u>	<u>1,728,545</u>	<u>53.06 %</u>
Deferred inflows of resources				
Pensions	<u>396,007</u>	<u>575,700</u>	<u>(179,693)</u>	<u>(31.21)%</u>
Total deferred inflows of resources	<u>396,007</u>	<u>575,700</u>	<u>(179,693)</u>	<u>(31.21)%</u>
Net position:				
Invested in capital assets, net of related debt	(361,822)	360,730	(722,552)	(200.30)%
Restricted	2,576,908	857,413	1,719,495	200.54 %
Unrestricted	<u>1,393,417</u>	<u>921,155</u>	<u>472,262</u>	<u>51.27 %</u>
Total net position	<u>\$ 3,608,503</u>	<u>\$ 2,139,298</u>	<u>\$ 1,469,205</u>	<u>68.68 %</u>

**PACIFIC ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

Changes in total net position, as presented in the statement of net position, are based on the activity presented in the statement of activities. The purpose of this statement is to present the revenues earned, whether received or not, by the District, and the expenses incurred, whether paid or not, by the District. Thus, this statement presents the District's results of operations.

The statement of activities is summarized below:

Table 2: Changes in Net Position

	Governmental Activities			Percentage Change
	June 30, 2024	June 30, 2023	Change	
Revenues:				
Program revenues:				
Charges for services	\$ 62,175	\$ 66,183	\$ (4,008)	(6.06)%
Operating grants and contributions	2,185,206	1,161,580	1,023,626	88.12 %
General revenues:				
Property taxes	408,092	386,205	21,887	5.67 %
Unrestricted federal and state aid	1,574,444	1,346,214	228,230	16.95 %
Miscellaneous and other local	<u>205,184</u>	<u>83,738</u>	<u>121,446</u>	<u>145.03 %</u>
Total revenues	<u>4,435,101</u>	<u>3,043,920</u>	<u>1,391,181</u>	<u>45.70 %</u>
Expenses:				
Instruction	1,539,476	1,471,918	67,558	4.59 %
Instruction-related services	367,722	340,505	27,217	7.99 %
Pupil services	505,680	334,256	171,424	51.29 %
General administration	157,378	143,043	14,335	10.02 %
Plant services	149,092	81,582	67,510	82.75 %
Community services	1,427	1,465	(38)	(2.59)%
Transfer between agencies	-	209	(209)	(100.00)%
Interest on long-term liabilities	<u>245,121</u>	<u>70,143</u>	<u>174,978</u>	<u>249.46 %</u>
Total expenses	<u>2,965,896</u>	<u>2,443,121</u>	<u>522,775</u>	<u>21.40 %</u>
Increase (decrease) in net position	1,469,205	600,799	868,406	144.54 %
Net position - beginning of year	<u>2,139,298</u>	<u>1,538,499</u>	<u>600,799</u>	<u>39.05 %</u>
Net position - end of year	<u><u>\$ 3,608,503</u></u>	<u><u>\$ 2,139,298</u></u>	<u><u>\$ 1,469,205</u></u>	<u><u>68.68 %</u></u>

Governmental Activities

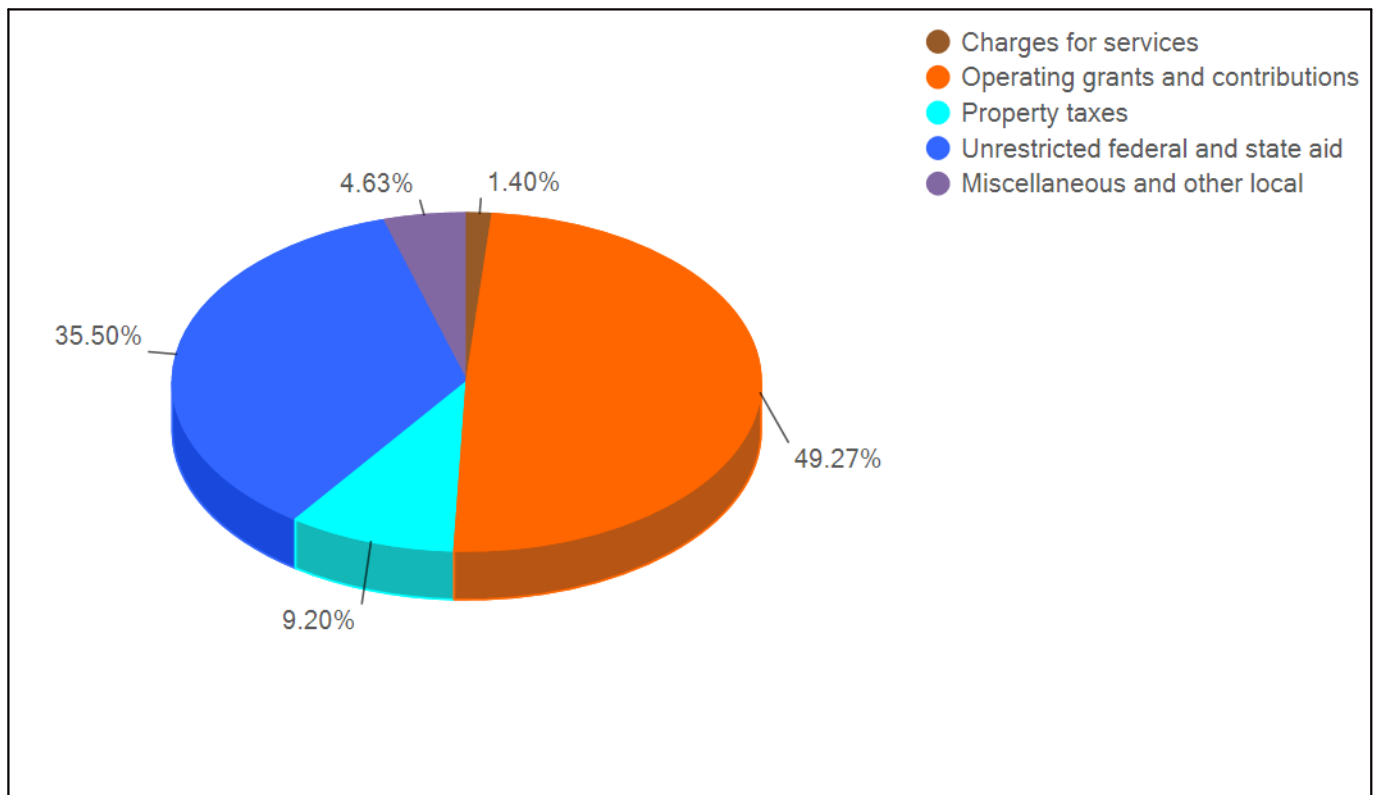
Net cost is the total cost less fees generated by the related activity. The net cost reflects amounts funded by charges for services, operating grants, and capital grants and contributions.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

Table 3: Net Cost of Services

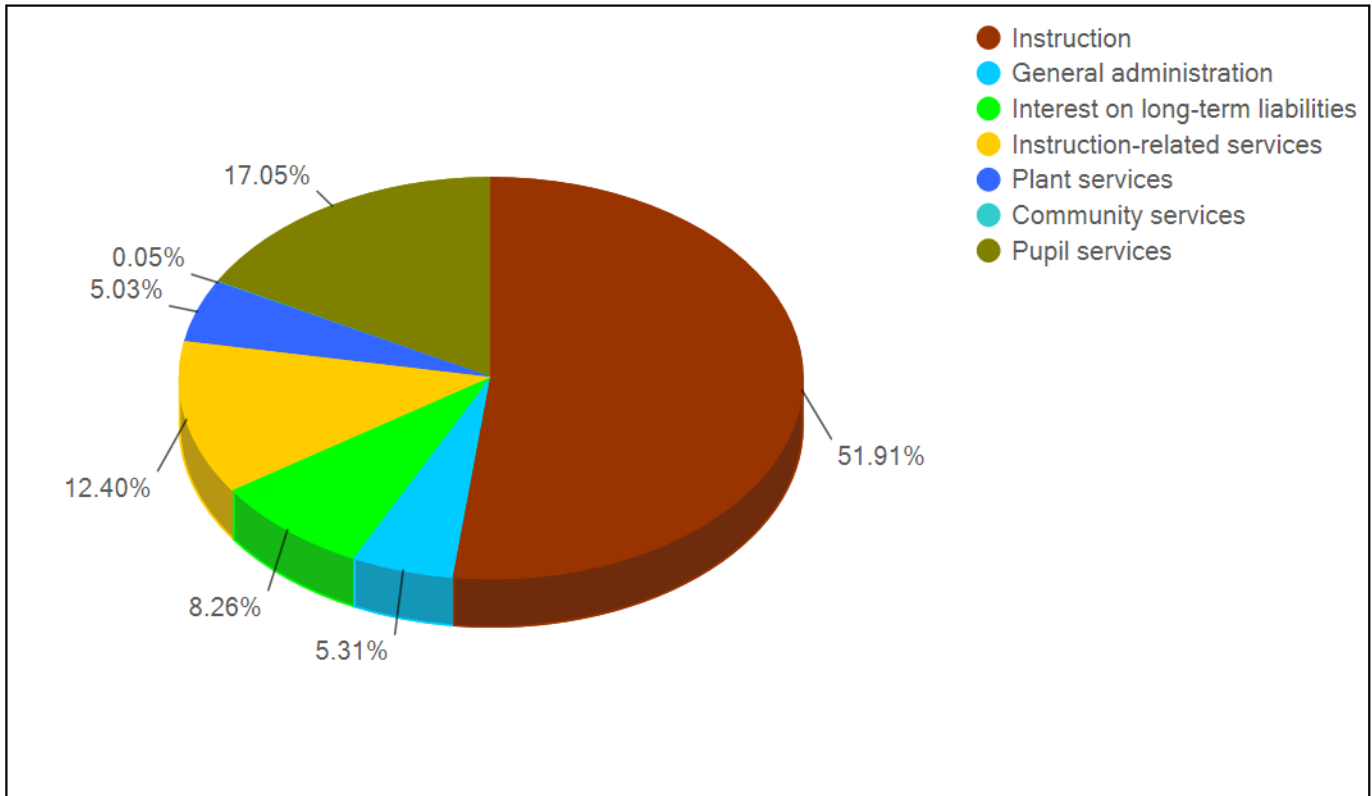
	Net Cost of Services			
	June 30, 2024	June 30, 2023	Change	Percentage Change
Instruction	\$ 879,999	\$ 896,918	\$ (16,919)	(1.89)%
Instruction-related services	285,461	313,538	(28,077)	(8.95)%
Pupil services	79,788	82,582	(2,794)	(3.38)%
General administration	150,690	(124,664)	275,354	220.88 %
Plant services	51,829	71,970	(20,141)	(27.99)%
Facility acquisition and construction	(975,285)	(84,004)	(891,281)	(1,061.00)%
Community services	920	(11,334)	12,254	108.12 %
Transfers between agencies	-	209	(209)	(100.00)%
Interest on long-term liabilities	245,121	70,143	174,978	249.46 %
Other outgo	<u>(8)</u>	<u>-</u>	<u>(8)</u>	<u>(100.00)%</u>
Total	<u>\$ 718,515</u>	<u>\$ 1,215,358</u>	<u>\$ (496,843)</u>	<u>(40.88)%</u>

2023-2024 Summary of Revenues for Governmental Activities



**PACIFIC ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

2023-2024 Summary of Expenses for Governmental Activities



FUND BALANCE COMPARISON

The District currently maintains the following funds:

Table 4: Statement Fund Balance Comparison

Funds	Ending Fund Balance			Percentage Change
	June 30, 2024	June 30, 2023	Net Change	
Governmental:				
General	\$ 3,388,540	\$ 2,627,655	\$ 760,885	28.96 %
Child development	153,310	111,404	41,906	37.62 %
Cafeteria special revenue	139,709	50,075	89,634	179.00 %
Deferred maintenance	7	7	-	-
Building	764,104	374	763,730	204,205.88 %
Capital facilities	7,761	7,465	296	3.97 %
County school facilities	642,514	(14,980)	657,494	4,389.15 %
Bond interest and redemption	34,563	33,458	1,105	3.30 %
Total governmental	<u>\$ 5,130,508</u>	<u>\$ 2,815,458</u>	<u>\$ 2,315,050</u>	<u>82.23 %</u>

**PACIFIC ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

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 and one-time cafeteria funds.

Other Governmental Funds

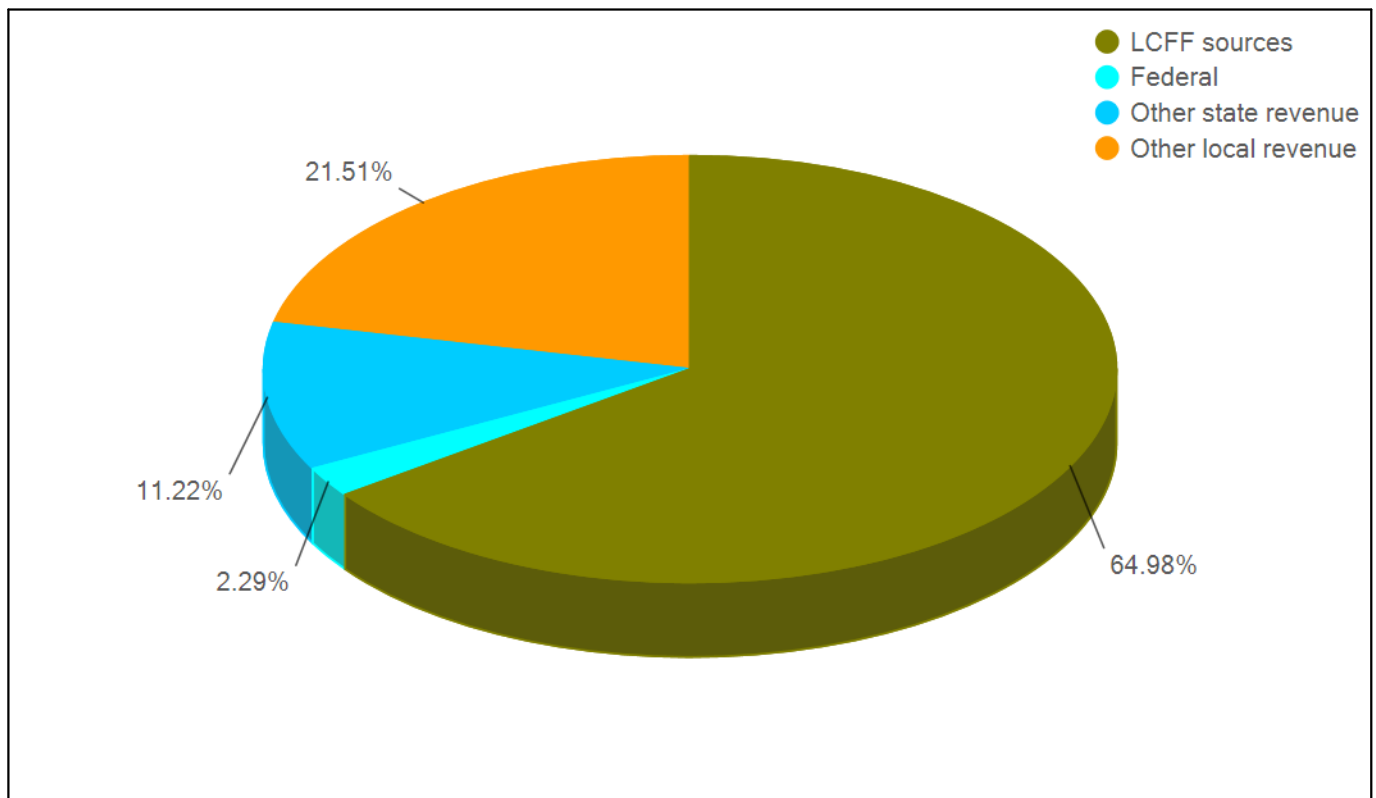
Other governmental funds had the following activity and changes for the year ended June 30, 2024:

- The Child Development Fund’s ending fund balance increased by \$41,906. The state implemented a new revenue stream for the California State Preschool Program.
- The Cafeteria Special Revenue Fund’s ending fund balance increased by \$89,634. State and Federal meal reimbursement rates had increased significantly.
- The Deferred Maintenance Fund’s ending fund balance is \$7. The District has no planned expenditures in this fund through the next three years.
- The Building Fund’s ending fund balance increased by \$763,730 due to issuance of new bonds.
- The Capital Facilities Fund’s ending fund balance increased by \$296 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 \$1,105.

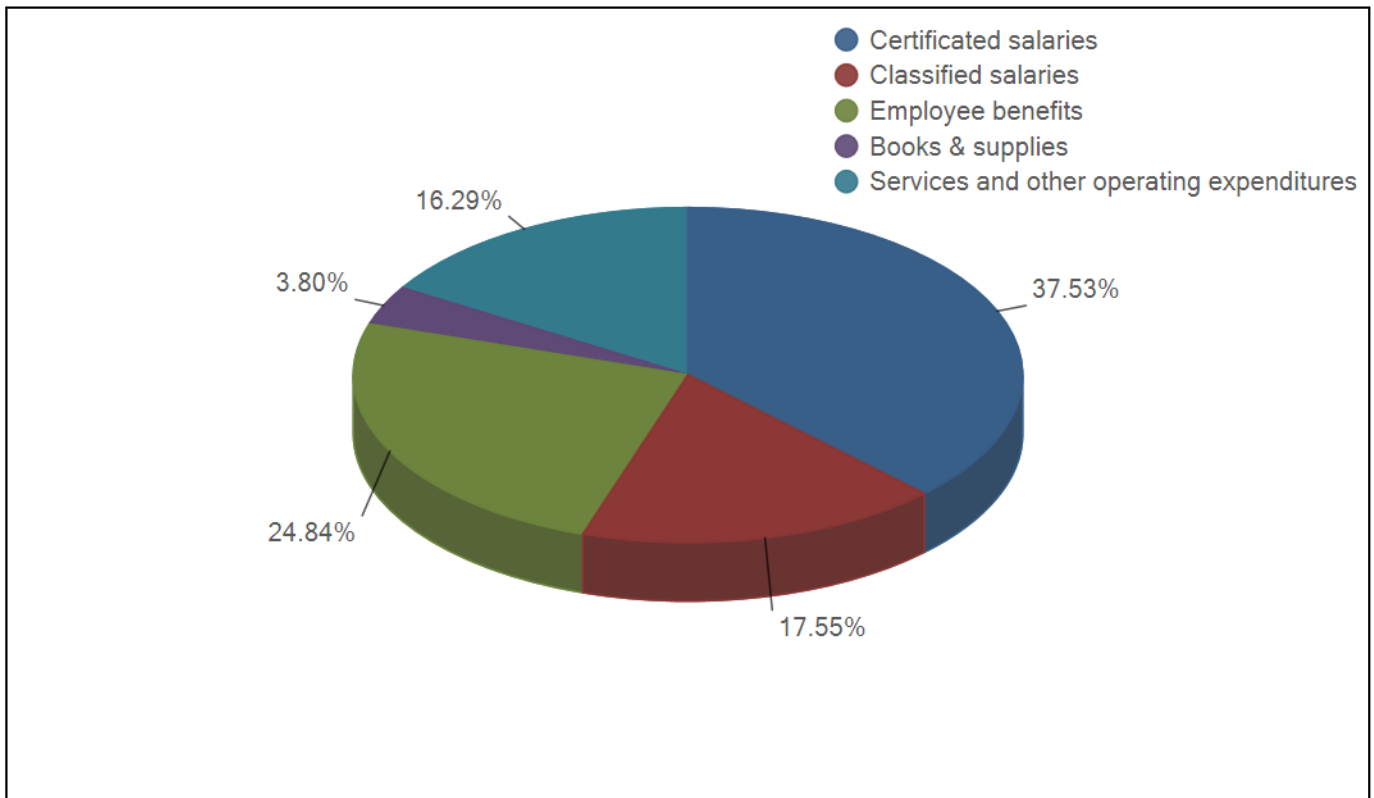
The following charts graphically depict revenues and expenditures, both by major object as well as by function.

2023-2024 General Fund Revenues

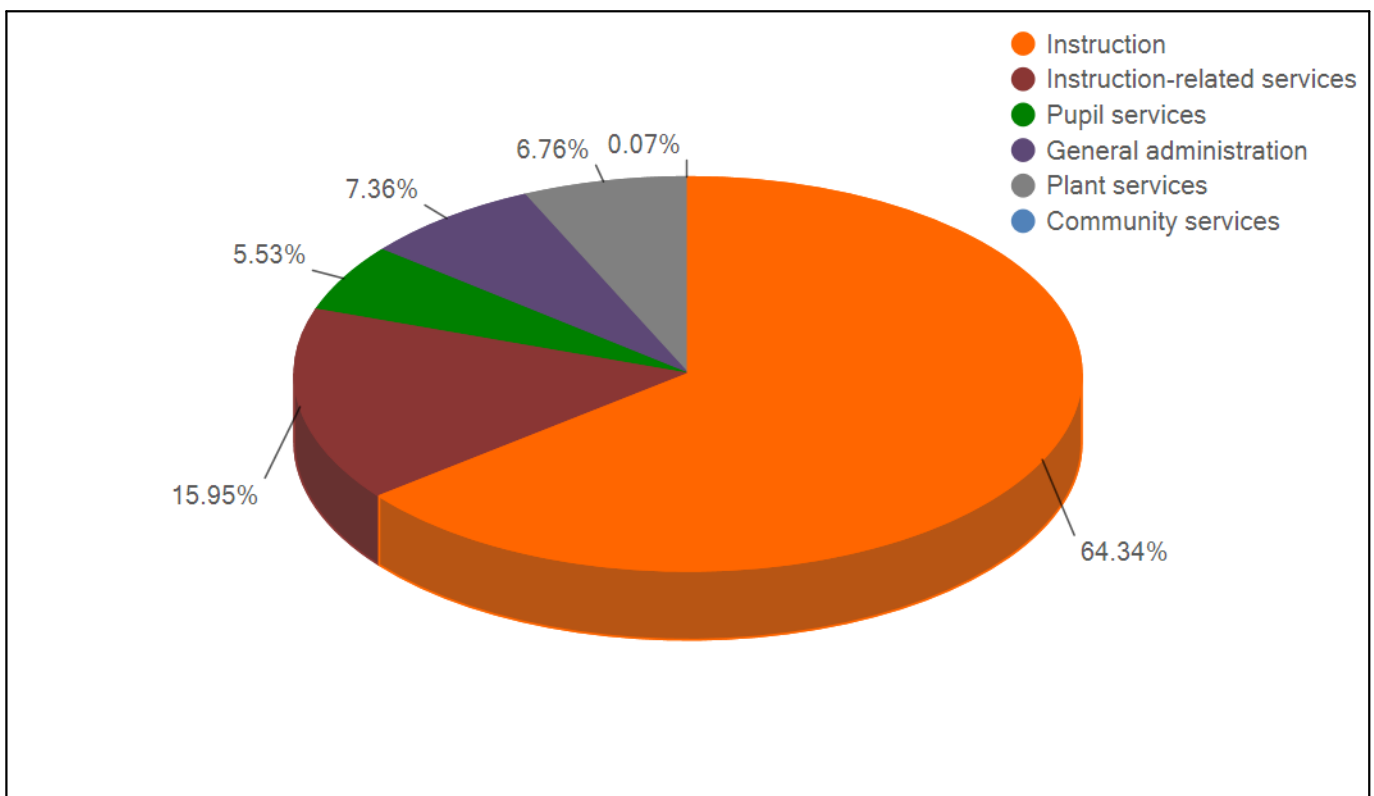


**PACIFIC ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

2023-2024 General Fund Expenditures by Object



2023-2024 General Fund Expenditures by Function



**PACIFIC ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2024, the District had \$1,944,005 invested, net of accumulated depreciation in capital assets. Current year depreciation expenses are \$65,161. The District incurred planning expenses related to modernization and construction projects in the school facilities and building fund. These expenses have been recorded as construction-in-progress costs.

Table 5: Capital Assets

	Governmental Activities			Percentage Change
	June 30, 2024	June 30, 2023	Net Change	
CAPITAL ASSETS				
Construction-in-progress	\$ 1,010,952	\$ 485,016	\$ 525,936	108.44 %
Land improvements	115,548	115,548	-	-
Buildings & improvements	2,020,296	2,020,296	-	-
Less: Accumulated depreciation	(1,202,791)	(1,137,630)	(65,161)	5.73 %
Total Capital Assets, net	\$ 1,944,005	\$ 1,483,230	\$ 460,775	31.07 %

Long-Term Liabilities

On June 30, 2024, the District had \$4,209,536 in long-term liabilities.

The General Obligation Bonds are held in the Bond Interest and Redemption Fund maintained by the Santa Cruz County Treasurer. Changes are associated with the issuance of new bonds, 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 \$1,754,697, which is an increase of \$183,480 from the prior year.

Table 6: Outstanding Long-Term Liabilities

	Governmental Activities			Percentage Change
	June 30, 2024	June 30, 2023	Change	
LONG-TERM LIABILITIES				
General obligation bonds payable	\$ 2,454,839	\$ 1,122,500	\$ 1,332,339	118.69 %
Net pension liability	1,754,697	1,571,217	183,480	11.68 %
Total long-term liabilities	\$ 4,209,536	\$ 2,693,717	\$ 1,515,819	56.27 %

**PACIFIC ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

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 the 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 2023-24 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 on June 19, 2024. A schedule of the District's General Fund's 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 2024-25 due to additional educational options and a positive and improving reputation within the county.
- Employee costs continue to increase due to STRS, PERS, and other statutory benefit rates. Rates have been set at 19.10% and 27.05%, respectively, for 2024-25. 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.

BASIC FINANCIAL STATEMENTS

GOVERNMENT - WIDE FINANCIAL STATEMENTS

**PACIFIC ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024**

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and equivalents	\$ 5,764,815
Accounts receivable	129,916
Total current assets	<u>5,894,731</u>
Noncurrent assets	
Capital assets, not being depreciated	1,010,952
Capital assets, net of accumulated depreciation	<u>933,053</u>
Total noncurrent assets	<u>1,944,005</u>
Total assets	<u>7,838,736</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>1,152,331</u>
Total deferred outflows of resources	<u>1,152,331</u>
Total assets and deferred outflows of resources	<u>8,991,067</u>
LIABILITIES	
Current liabilities	
Accounts payable	634,428
Interest payable	12,798
Unearned revenue	129,795
Long-term liabilities, due within one year	<u>121,515</u>
Total current liabilities	<u>898,536</u>
Noncurrent liabilities	
Long-term liabilities, net of current	<u>4,088,021</u>
Total noncurrent liabilities	<u>4,088,021</u>
Total liabilities	<u>4,986,557</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>396,007</u>
Total deferred inflows of resources	<u>396,007</u>
Total liabilities and deferred inflows of resources	<u>5,382,564</u>
NET POSITION	
Net investment in capital assets	(361,822)
Restricted for:	
Capital projects	1,414,379
Debt service	34,563
Educational programs	153,310
Child nutrition services	139,709
Other purpose (expendable)	834,947
Unrestricted	<u>1,393,417</u>
Total net position	<u>3,608,503</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,991,067</u>

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

**PACIFIC ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Function/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue and Changes in Net Position
		Charges for Services and sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction	\$ 1,539,476	\$ 4,320	\$ 655,157	\$ (879,999)
Instruction-related services:				
Instructional, supervision and administration	859	-	859	-
Instructional library, media, and technology	19,823	532	13,988	(5,303)
School site administration	347,040	1,703	65,179	(280,158)
Pupil services:				
Food services	420,413	16,441	378,651	(25,321)
All other pupil services	85,267	-	30,800	(54,467)
General administration:				
Data processing	6,424	-	-	(6,424)
All other general administration	150,954	-	6,688	(144,266)
Plant services	149,092	3,471	93,792	(51,829)
Facilities acquisition and construction	-	35,708	939,577	975,285
Community services	1,427	-	507	(920)
Interest on long-term obligations	245,121	-	-	(245,121)
Other outgo	-	-	8	8
Total governmental activities	<u>\$ 2,965,896</u>	<u>\$ 62,175</u>	<u>\$ 2,185,206</u>	<u>(718,515)</u>
General revenues:				
Taxes and subventions:				
Property taxes, levied for general purposes				360,673
Property taxes, levied for debt service				47,389
Property taxes, levied for other specific purposes				30
Federal and state aid not restricted for specific purposes				1,574,444
Interest and investment earnings				125,271
Interagency revenue				6,676
Miscellaneous				<u>73,237</u>
Total general revenues				<u>2,187,720</u>
Change in net position				1,469,205
Net position - beginning of year				<u>2,139,298</u>
Net position - end of year				<u>\$ 3,608,503</u>

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

FUND FINANCIAL STATEMENTS

**PACIFIC ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2024**

	<u>General Fund</u>	<u>Cafeteria Special Revenue Fund</u>	<u>Building Fund</u>
ASSETS			
Cash and equivalents	\$ 3,553,988	\$ 108,167	\$ 1,135,015
Accounts receivable	94,606	35,310	-
Due from other funds	<u>-</u>	<u>3,000</u>	<u>-</u>
Total assets	<u>3,648,594</u>	<u>146,477</u>	<u>1,135,015</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	132,054	1,973	370,911
Due to other funds	3,000	-	-
Unearned revenue	<u>125,000</u>	<u>4,795</u>	<u>-</u>
Total liabilities	<u>260,054</u>	<u>6,768</u>	<u>370,911</u>
FUND BALANCES			
Restricted	834,947	139,709	764,104
Assigned	437,942	-	-
Unassigned	<u>2,115,651</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>3,388,540</u>	<u>139,709</u>	<u>764,104</u>
Total liabilities and fund balances	<u>\$ 3,648,594</u>	<u>\$ 146,477</u>	<u>\$ 1,135,015</u>

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

**PACIFIC ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2024**

	County School Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and equivalents	\$ 772,004	\$ 195,641	\$ 5,764,815
Accounts receivable	-	-	129,916
Due from other funds	-	-	3,000
Total assets	772,004	195,641	5,897,731
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	129,490	-	634,428
Due to other funds	-	-	3,000
Unearned revenue	-	-	129,795
Total liabilities	129,490	-	767,223
FUND BALANCES			
Restricted	642,514	195,634	2,576,908
Assigned	-	7	437,949
Unassigned	-	-	2,115,651
Total fund balances	642,514	195,641	5,130,508
Total liabilities and fund balances	\$ 772,004	\$ 195,641	\$ 5,897,731

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

**PACIFIC ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024**

Total fund balances - governmental funds		\$ 5,130,508
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. These assets consist of:		
Construction-in-progress	1,010,952	
Depreciable assets, net	933,053	1,944,005
In governmental funds, deferred outflows and inflows of resources related to pension are not reported because they are applicable to future periods. Deferred outflows and inflows of resources at year-end consist of:		
Deferred outflows of resources related to pension	1,152,331	
Deferred inflows of resources related to pension	(396,007)	756,324
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 at year-end consist of:		
General obligation bonds payable	(2,305,827)	
Premium on issuance	(149,012)	
Net pension liability	(1,754,697)	(4,209,536)
In governmental funds, unmatured interest on long-term obligations are recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations are recognized when it is incurred		
		(12,798)
Total net position - governmental activities		\$ 3,608,503

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

PACIFIC ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	<u>General Fund</u>	Cafeteria Special <u>Revenue Fund</u>	<u>Building Fund</u>
REVENUES			
LCFF sources	\$ 1,892,466	\$ -	\$ -
Federal	66,566	165,734	-
Other state revenue	326,648	171,685	-
Other local revenue	626,541	128,742	561
Total revenues	<u>2,912,221</u>	<u>466,161</u>	<u>561</u>
EXPENDITURES			
Current:			
Instruction	1,375,879	-	-
Instruction-related services			
Instructional supervision and administration	859	-	-
Instructional library, media, and technology	19,823	-	-
School site administration	320,361	-	-
Pupil services			
Food services	32,886	379,527	-
All other pupil services	85,267	-	-
General administration			
Data processing	6,424	-	-
All other general administration	150,954	-	-
Plant services	144,456	-	-
Facility acquisition and construction	-	-	370,911
Community services	1,427	-	-
Debt services			
Principal	-	-	-
Interest	-	-	-
Cost of issuance	-	-	174,300
Total expenditures	<u>2,138,336</u>	<u>379,527</u>	<u>545,211</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>773,885</u>	<u>86,634</u>	<u>(544,650)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfer in	-	3,000	-
Operating transfer out	(13,000)	-	-
Proceeds from bonds	-	-	1,308,380
Total other financing sources (uses)	<u>(13,000)</u>	<u>3,000</u>	<u>1,308,380</u>
Net change in fund balances	760,885	89,634	763,730
Fund balances - beginning of year	2,627,655	50,075	374
Fund balances - end of year	<u>\$ 3,388,540</u>	<u>\$ 139,709</u>	<u>\$ 764,104</u>

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

PACIFIC ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	County School Facilities Fund	Non major Governmental Funds	Total Governmental Funds
REVENUES			
LCFF sources	\$ -	\$ -	\$ 1,892,466
Federal	-	-	232,300
Other state revenue	796,700	146,378	1,441,411
Other local revenue	5,819	107,261	868,924
Total revenues	802,519	253,639	4,435,101
EXPENDITURES			
Current:			
Instruction	-	124,155	1,500,034
Instruction-related services			
Instructional supervision and administration	-	-	859
Instructional library, media, and technology	-	-	19,823
School site administration	-	26,679	347,040
Pupil services			
Food services	-	8,000	420,413
All other pupil services	-	-	85,267
General administration			
Data processing	-	-	6,424
All other general administration	-	-	150,954
Plant services	-	4,636	149,092
Facility acquisition and construction	155,025	-	525,936
Community services	-	-	1,427
Debt services			
Principal	-	6,670	6,670
Interest	-	40,192	40,192
Cost of issuance	-	-	174,300
Total expenditures	155,025	210,332	3,428,431
Excess/(deficiency) of revenues over/(under) expenditures	647,494	43,307	1,006,670
OTHER FINANCING SOURCES (USES)			
Operating transfer in	10,000	-	13,000
Operating transfer out	-	-	(13,000)
Proceeds from bonds	-	-	1,308,380
Total other financing sources (uses)	10,000	-	1,308,380
Net change in fund balances	657,494	43,307	2,315,050
Fund balances - beginning of year	(14,980)	152,334	2,815,458
Fund balances - end of year	\$ 642,514	\$ 195,641	\$ 5,130,508

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

**PACIFIC ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Total net change in fund balances - governmental funds		\$ 2,315,050
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities		
This is the amount by which capital outlay exceeds depreciation in the period:		
Capital outlay	525,936	
Depreciation expense	<u>(65,161)</u>	460,775
In governmental funds, pension costs are recognized when the employer contribution is made, but in the statement of activities, pension costs are recognized on an accrual basis. The difference between accrual basis pension costs and actual employer contributions were		
		25,719
Payment of principal on long-term obligations is reported as an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities		
		6,670
Accreted interest on capital appreciation bonds is accrued as long-term liabilities in the government-wide financials, increasing interest expense		
		(35,335)
Debts proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position		
		(1,308,380)
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		
		<u>4,706</u>
Changes in net position of governmental activities		<u>\$ 1,469,205</u>

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

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Pacific Elementary School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a 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 in preschool 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 the 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, 2024, 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. 100, Accounting Changes and Error Corrections

As of July 1, 2023, the District adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*. The implementation of this standard requires additional presentation and disclosure requirements for accounting changes and error corrections. The financial statements have been updated to conform to the presentation requirements related to the accounting change in the financial statements for the year ended June 30, 2024. The implementation of the standard did not have a material impact on the financial statements as of June 30, 2024.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

D. Governmental Accounting Standards Board Statements Issued, Not Yet Effective - Cont'd

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.

Statement No. 102, *Certain Risk Disclosures*

In December of 2023, GASB issued Statement No. 102, *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.

Statement No. 103, *Financial Reporting Model Improvements*

On May 28, 2024, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103 or Statement). GASB 103 addresses improvements to key components of the financial reporting model, the purposes of which are to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and addressing certain application issues identified through pre-agenda research conducted by the GASB. The requirements of GASB 103 are effective for fiscal years beginning after June 15, 2025.

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.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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.

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 *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 *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.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

E. Basis of Presentation - Cont'd

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 the acquisition and construction of all major governmental capital assets. The District maintains the following non-major capital projects fund:

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

Debt Service Funds are used to account for the 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

The 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 on an 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.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

F. Basis of Accounting - Cont'd

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.

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 nonexchange 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 and the Cafeteria 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 objects 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.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

1. 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.

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 benefiting period. The District has chosen to report the expenditure when paid, and therefore, no asset has been 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:

<u>Assets Class</u>	<u>Estimated Useful Life</u>
Land improvements	20 Years
Buildings and improvements	20 - 50 Years

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

I. Assets, Liabilities, and Equity - Cont'd

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, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

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.

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 actions as approved by the governing board.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

I. Assets, Liabilities, and Equity - Cont'd

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.

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 the district's 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.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

I. Assets, Liabilities, and Equity - Cont'd

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's 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 - CASH AND EQUIVALENTS

Summary of Cash and Equivalents

Cash and equivalents as of June 30, 2024, are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>
Cash and equivalents	
Pooled funds:	
Cash in county treasury	\$ 5,930,236
Fair value adjustment to cash in county treasury	<u>(165,421)</u>
Net cash in county treasury	<u><u>\$ 5,764,815</u></u>

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 - CASH AND EQUIVALENTS - CONT'D

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.

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2024, the weighted average maturity of the investments contained in the Treasury investment pool was 425 days.

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 assigning 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.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 - CASH AND EQUIVALENTS - CONT'D

Custodial Credit Risk - Deposits

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 inputs - quoted prices in active markets for identical assets.
- Level 2 inputs - quoted prices in active or inactive for the same or similar assets.
- Level 3 inputs - estimates using the best information available when there is little or no market.

As of June 30, 2024, the District's investments in the Santa Cruz County Investment Pool and State Investment Pools are uncategorized.

NOTE 4 - 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, 2024, interfund receivables and payables were as follows:

Due from	Due to	Amount	Purpose
General Fund	Cafeteria Fund	\$ 3,000	Reimbursement
Total		\$ 3,000	

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

B. Interfund Transfers

Permanent reallocations of resources between funds of the reporting District are classified as interfund transfers. As of June 30, 2024, interfund transfers are as follows:

Transfer In	Transfer Out	Amount	Purpose
Cafeteria Fund	General Fund	\$ 3,000	For excess operating costs
County School Facilities Fund	General Fund	10,000	For excess operating costs
Total		\$ 13,000	

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 - CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2024, are as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2024</u>
Capital assets not being depreciated:				
Construction in progress	\$ 485,016	\$ 525,936	\$ -	\$ 1,010,952
Total capital assets not being depreciated	<u>485,016</u>	<u>525,936</u>	<u>-</u>	<u>1,010,952</u>
Capital assets being depreciated:				
Land improvements	115,548	-	-	115,548
Buildings and improvements	<u>2,020,296</u>	<u>-</u>	<u>-</u>	<u>2,020,296</u>
Total capital assets being depreciated	<u>2,135,844</u>	<u>-</u>	<u>-</u>	<u>2,135,844</u>
Accumulated depreciation				
Land improvements	(115,548)	-	-	(115,548)
Buildings and improvements	<u>(1,022,082)</u>	<u>(65,161)</u>	<u>-</u>	<u>(1,087,243)</u>
Total accumulated depreciation	<u>(1,137,630)</u>	<u>(65,161)</u>	<u>-</u>	<u>(1,202,791)</u>
Depreciable assets, net	<u>998,214</u>	<u>(65,161)</u>	<u>-</u>	<u>933,053</u>
Governmental activities capital assets, net	<u>\$ 1,483,230</u>	<u>\$ 460,775</u>	<u>\$ -</u>	<u>\$ 1,944,005</u>

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

Governmental Activities

Instruction	\$ <u>65,161</u>
Total depreciation expenses governmental activities	<u>\$ 65,161</u>

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 - FUND BALANCES

The following amounts were nonspendable, restricted, committed, assigned, or unassigned as shown below:

	<u>General Fund</u>	<u>Cafeteria Special Revenue Fund</u>	<u>Building Fund</u>	<u>County School Facilities Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted:						
Legally Restricted Programs	\$ 834,947	\$ -	\$ -	\$ -	\$ -	\$ 834,947
Child Development Program	-	-	-	-	140,562	140,562
Early Education: ARP California State Preschool Program	-	-	-	-	12,748	12,748
Child Nutrition: School Programs	-	139,709	-	-	-	139,709
Capital Projects	-	-	764,104	642,514	7,761	1,414,379
Debt Service	-	-	-	-	34,563	34,563
Total Restricted	<u>834,947</u>	<u>139,709</u>	<u>764,104</u>	<u>642,514</u>	<u>195,634</u>	<u>2,576,908</u>
Assigned:						
Other	437,942	-	-	-	-	437,942
Deferred Maintenance	-	-	-	-	7	7
Total Assigned	<u>437,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>437,949</u>
Unassigned	<u>2,115,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,115,651</u>
Total Fund Balances	<u>\$ 3,388,540</u>	<u>\$ 139,709</u>	<u>\$ 764,104</u>	<u>\$ 642,514</u>	<u>\$ 195,641</u>	<u>\$ 5,130,508</u>

NOTE 7 - LONG TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2024, is shown below:

	<u>Balance July 01, 2023</u>	<u>Additions</u>	<u>Accreted Interest Current year</u>	<u>Deductions</u>	<u>Balance June 30, 2024</u>	<u>Due in One Year</u>
General obligation (GO) bonds	\$ 1,062,162	\$ 1,215,000	\$ 35,335	\$ 6,670	\$ 2,305,827	\$121,515
Premium on GO bonds	60,338	93,380	-	4,706	149,012	-
Total GO bonds	<u>1,122,500</u>	<u>1,308,380</u>	<u>35,335</u>	<u>11,376</u>	<u>2,454,839</u>	<u>121,515</u>
Net Pension Liability	<u>1,571,217</u>	<u>183,480</u>	<u>-</u>	<u>-</u>	<u>1,754,697</u>	<u>-</u>
Total	<u>\$ 2,693,717</u>	<u>\$ 1,491,860</u>	<u>\$ 35,335</u>	<u>\$ 11,376</u>	<u>\$ 4,209,536</u>	<u>\$121,515</u>

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 - GENERAL OBLIGATION BONDS

Election of 2012, Series A-1

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.

Election of 2024, Series A-1 (Measure I) and Series A-2 (Measure J)

The District issued two sets of General Obligation Bonds in 2024: The Series A-1 (Measure I), with \$540,000 issued from a \$1,300,000 authorization, and the Series A-2 (Measure J), with the full authorized amount of \$675,000 issued. Both sets of bonds were approved by voters on March 5, 2024, to fund the renovation, construction, and improvement of school facilities. These bonds are also supported by ad valorem property taxes and structured for semiannual payments starting on August 1, 2024, with provisions for early redemption.

Below are the details of General Obligation Bonds issued by the District.

<u>General Obligation Bonds</u>	<u>Date of Issuance</u>	<u>Interest Rate %</u>	<u>Maturity Date August 1</u>	<u>Amount of Original Issue</u>
2012 Series A-1				
2012 Current Interest	2013	5.25	2052	\$ 585,000
2012 Capital Appreciation	2013	8.00 - 12.00	2047	\$ 1,635,000
2024 Series A-1 Measure I	2024	5.00	2054	\$ 540,000
2024 Series A-2 Measure J	2024	5.00	2054	\$ 675,000

The outstanding bonded debt of the District as of June 30, 2024 is as follows:

<u>General Obligation Bonds</u>	<u>Outstanding Principal and Accreted Interest June 30, 2023</u>	<u>Current Year Additions</u>	<u>Accreted Interest Current Year</u>	<u>Redeemed Current Year</u>	<u>Balance June 30, 2024</u>
2012 Current Interest	\$ 585,000	\$ -	\$ -	\$ -	\$ 585,000
2012 Capital Appreciation	477,162	-	35,336	6,670	505,828
2024 Series A-1 Measure I	-	540,000	-	-	540,000
2024 Series A-2 Measure J	-	675,000	-	-	675,000
Total	\$ 1,062,162	\$ 1,215,000	\$ 35,336	\$ 6,670	\$ 2,305,828

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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:

Debt Service Schedule - Election of 2012, Series A-1

<u>For the Year Ended June 30:</u>	<u>Principal</u>	<u>Future Interest</u>	<u>Total</u>
2025	\$ 46,515	\$ 67,663	\$ 114,178
2026	7,642	70,590	78,232
2027	7,642	73,748	81,390
2028	7,642	77,155	84,797
2029	62,649	73,488	136,137
2030-2034	102,520	414,302	516,822
2035- 2039	102,633	417,014	519,647
2040 - 2044	97,334	390,460	487,794
2045 - 2049	186,251	258,457	444,708
2050 - 2053	470,000	43,840	513,840
Total	<u>\$ 1,090,828</u>	<u>\$ 1,886,717</u>	<u>\$ 2,977,545</u>

Debt Service Schedule - Election of 2024, Series A-1 (Measure I)

<u>For the Year Ended June 30:</u>	<u>Principal</u>	<u>Future Interest</u>	<u>Total</u>
2025	\$ 45,000	\$ 27,000	\$ 72,000
2026	25,000	24,750	49,750
2027	-	23,500	23,500
2028	-	23,500	23,500
2029	-	23,500	23,500
2030 - 2034	-	117,500	117,500
2035 - 2039	35,000	114,750	149,750
2040 - 2044	75,000	102,250	177,250
2045 - 2049	135,000	78,250	213,250
2050 - 2054	225,000	36,250	261,250
Total	<u>\$ 540,000</u>	<u>\$ 571,250</u>	<u>\$ 1,111,250</u>

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

Debt Service Schedule - Election of 2024, Series A-2 (Measure J)

<u>For the Year Ended June 30:</u>	<u>Principal</u>	<u>Future Interest</u>	<u>Total</u>
2025	\$ 30,000	\$ 33,750	\$ 63,750
2026	-	32,250	32,250
2027	-	32,250	32,250
2028	-	32,250	32,250
2029	-	32,250	32,250
2030 - 2034	5,000	161,250	166,250
2035 - 2039	40,000	156,750	196,750
2040 - 2044	100,000	141,500	241,500
2045 - 2049	190,000	107,750	297,750
2050 - 2054	310,000	49,750	359,750
Total	<u>\$ 675,000</u>	<u>\$ 779,750</u>	<u>\$ 1,454,750</u>

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS

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

As of June 30, 2024, the District's net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the retirement plans are as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense (income)</u>
CalSTRS	\$ 921,761	\$ 643,452	\$ 245,344	\$ (59,603)
CalPERS	832,936	508,879	150,663	33,884
Total	<u>\$ 1,754,697</u>	<u>\$ 1,152,331</u>	<u>\$ 396,007</u>	<u>\$ (25,719)</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS - CONT'D

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 01, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

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

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

The STRP provisions and benefits in effect as of June 30, 2024, are summarized as follows:

<u>Provisions and Benefits</u>	<u>STRP Defined Benefit Program and Supplement Program</u>	
	On or before December 31, 2012	On or after January 01, 2013
Hire date	December 31, 2012	January 01, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payrolls using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS - CONT'D

For the year ended June 30, 2024, the contributions reported as deferred outflows of resources related to pensions recognized as part of pension expense for each Plan were as follows:

For the year ended June 30, 2024, the contributions recognized as part of pension expense for the Plan were as follows:

Contributions - employer	\$	150,498
Contributions - state on behalf		70,635
Total		<u>\$ 221,133</u>

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 amount have been recorded as revenue in government-wide financial statements. For the year ended June 30, 2024, the district has recorded \$70,635 of State behalf payments as revenue.

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

As of June 30, 2024, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction in State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including state share:

District's proportionate share of the net pension liability	\$	921,761
State's proportionate share of the net pension liability associated with the District		441,650
Total		<u>\$ 1,363,411</u>

The net pension liability was measured as of June 30, 2023. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share for the measurement period June 30, 2023, and June 30, 2022, was as follows:

Measurement Dates	Fiscal Year	CalSTRS
June 30, 2022	2022-23	0.000011
June 30, 2023	2023-24	<u>0.000012</u>
Change - Increase (Decrease)		<u>0.000001</u>

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS - CONT'D

For the year ended June 30, 2024, the District recognized pension expense (income) of \$(59,603). On June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 221,133	\$ -
Differences between expected and actual experience	72,435	(49,319)
Changes of assumptions	5,337	-
Changes in proportion	340,602	(196,025)
Net differences between projected and actual earnings on pension plan investments	3,945	-
Total	\$ 643,452	\$ (245,344)

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

The remaining amount will be recognized to pension expenses as follows:

Year Ended June 30,	Total Deferred Outflows (Inflows) of Resources
2025	\$ 7,206
2026	(9,011)
2027	114,352
2028	43,200
2029	9,186
Thereafter	12,042
Total	\$ 176,975

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023. In determining the total pension liability, the financial reporting actuarial valuation, used the following methods and assumptions:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Experience study	July 01, 2015 through June 30, 2018
Actuarial cost method	Individual Entry Age
Investment rate of return*	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%
Postretirement benefit increases	2% simple for DB (annually) maintain 85% purchasing power level for DB, Not applicable for DBS/CBB

*Net of investment expenses but gross of administrative expenses.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS - CONT'D

Discount Rate

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assumed that contributions, benefit payments, and administrative expenses occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process.

The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return**</u>
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.05%

**20-year average, real return is net of assumed 2.75% inflation.

Mortality

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS - CONT'D

Uses of assumptions and methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (salaries, credited service, etc.) and assumptions about the probability of occurrence of events far into the future (mortality, disabilities, retirements, employment terminations, etc.). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 1,546,180
Current discount rate (7.10%)	\$ 921,761
1% increase (8.10%)	\$ 403,108

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 01, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed.

An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 01, 2013), and has at least five years of credited service. The cost of living adjustments for each plan is applied as specified by the Public Employees' Retirement Law.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS - CONT'D

The CalPERS provisions and benefits in effect as of June 30, 2024, are summarized as follows:

<u>Provisions and Benefits</u>	<u>School Employer Pool (CalPERS)</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	26.68%	26.68%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The contributions rates are expressed as a percentage of the annual payroll. The contribution rates for each plan for the year ended June 30, 2024, are presented above, and the total District contributions were \$123,328.

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

As of June 30, 2024, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$832,936. The net pension liability was measured as of June 30, 2023. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined.

The District's proportionate share for the measurement period June 30, 2023, and June 30, 2022, was as follows:

<u>Measurement Dates</u>	<u>Fiscal Year</u>	<u>CalPERS</u>
June 30, 2022	2022-23	0.000023
June 30, 2023	2023-24	0.000023
Change - Increase (Decrease)		<u><u>-</u></u>

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS - CONT'D

For the year ended June 30, 2024, the District recognized pension expense (income) of \$33,884. As of June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 123,328	\$ -
Differences Between Expected and Actual Experience	30,396	(12,793)
Changes of Assumptions	38,373	-
Changes in Proportion	227,812	(137,870)
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	<u>88,970</u>	<u>-</u>
Total	<u>\$ 508,879</u>	<u>\$ (150,663)</u>

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

The remaining amount will be recognized in pension expenses as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2025	\$ 63,390
2026	55,374
2027	90,870
2028	<u>25,254</u>
Total	<u>\$ 234,888</u>

Actuarial Assumptions

The total pension liability for the June 30, 2023 measurement period was determined by an actuarial valuation as of June 30, 2022, with updated procedures used to roll forward the total pension liability to June 30, 2023.

The total pension liability was based on the following assumptions:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Investment rate of return	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and service
Mortality rate table*	Derived using CalPERS' membership data for all funds
Post-retirement benefit increase	2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

* - The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS - CONT'D

Long-term Expected Rate of Return

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was determined by the long-term projected portfolio return.

The expected real rates of return by asset class are as follows:

<u>Asset Class*</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10*, **</u>
Global equity -cap weighted	30 %	4.54 %
Global equity -non cap weighted	12 %	3.84 %
Private equity	13 %	7.28 %
Treasury	5 %	0.27 %
Mortgage -backed securities	5 %	0.50 %
Investment grade corporates	10 %	1.56 %
High yield	5 %	2.27 %
Emerging market debt	5 %	2.48 %
Private debt	5 %	3.57 %
Real assets	15 %	3.21 %
Leverage	(5)%	(0.59)%

*An expected inflation of 2.30% was used for this period.

**Figures are based on the 2021-22 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members would be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actually determined. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90% percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90% percent) or 1-percentage-point higher (7.90% percent) than the current rate:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (5.90%)	\$ 1,204,211
Current discount rate (6.90%)	\$ 832,936
1% increase (7.90%)	\$ 526,087

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS - CONT'D

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan.

Pension Plan Fiduciary Net Position

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

NOTE 10 - 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, 2024, PSF provided support in the amount of \$30,000 to support the Library, FoodLab, LifeLab Garden, Drama and other programs.

NOTE 11 - 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, 2024, 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) arranges for and provides 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 JPA 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11 - JOINT POWERS AGREEMENTS - CONT'D

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 12 - STATE TEACHERS' RETIREMENT SYSTEM EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2023-2024, pursuant to California Education Code, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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, 2024.

Litigation

As of June 30, 2024, the District is not currently involved in any litigation.

Commitments

As of June 30, 2024, the District had no material commitments outstanding.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 13, 2024, the date at which the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**PACIFIC ELEMENTARY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Revenues				
LCFF sources	\$ 1,790,978	\$ 1,852,318	\$ 1,892,466	\$ 40,148
Federal	55,727	64,546	66,566	2,020
Other state revenue	231,489	252,851	326,648	73,797
Other local revenue	<u>247,837</u>	<u>245,851</u>	<u>626,541</u>	<u>380,690</u>
Total revenues	<u>2,326,031</u>	<u>2,415,566</u>	<u>2,912,221</u>	<u>496,655</u>
Expenditures				
Current				
Certificated salaries	826,565	795,384	802,470	(7,086)
Classified salaries	337,472	380,608	375,271	5,337
Employee benefits	532,817	546,593	531,127	15,466
Books & supplies	59,330	70,316	81,219	(10,903)
Services and other operating expenditures	288,930	306,696	348,249	(41,553)
Other outgo	<u>250</u>	<u>250</u>	<u>-</u>	<u>250</u>
Total expenditures	<u>2,045,364</u>	<u>2,099,847</u>	<u>2,138,336</u>	<u>(38,489)</u>
Excess/(deficiency) of revenues over/(under) expenditures before other financing sources (uses)	<u>280,667</u>	<u>315,719</u>	<u>773,885</u>	<u>458,166</u>
Other Financing Sources/(Uses)				
Transfers out	<u>(79,796)</u>	<u>(79,796)</u>	<u>(13,000)</u>	<u>66,796</u>
Total other financing sources/(uses)	<u>(79,796)</u>	<u>(79,796)</u>	<u>(13,000)</u>	<u>66,796</u>
Net change in fund balances	200,871	235,923	760,885	524,962
Fund balances - beginning of year	<u>2,627,655</u>	<u>2,627,655</u>	<u>2,627,655</u>	<u>-</u>
Fund balances - end of year	<u>\$ 2,828,526</u>	<u>\$ 2,863,578</u>	<u>\$ 3,388,540</u>	<u>\$ 524,962</u>

See accompanying notes to required supplementary information.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CAFETERIA FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Revenues				
Federal	\$ 57,729	\$ 57,729	\$ 165,734	\$ 108,005
Other state revenue	98,013	98,013	171,685	73,672
Other local revenue	19,540	19,540	128,742	109,202
Total revenues	<u>175,282</u>	<u>175,282</u>	<u>466,161</u>	<u>290,879</u>
Expenditures				
Classified salaries	116,026	116,150	134,662	(18,512)
Employee benefits	67,694	67,240	69,283	(2,043)
Books & supplies	66,850	66,950	82,203	(15,253)
Services and other operating expenditures	359	5,359	10,529	(5,170)
Capital outlay	-	-	82,850	(82,850)
Total expenditures	<u>250,929</u>	<u>255,699</u>	<u>379,527</u>	<u>(123,828)</u>
Excess/(deficiency) of revenues over/(under) expenditures before other financing sources (uses)	<u>(75,647)</u>	<u>(80,417)</u>	<u>86,634</u>	<u>167,051</u>
Other Financing Sources/(Uses)				
Transfers in	<u>79,796</u>	<u>79,796</u>	<u>3,000</u>	<u>(76,796)</u>
Total other financing sources/(uses)	<u>79,796</u>	<u>79,796</u>	<u>3,000</u>	<u>(76,796)</u>
Net change in fund balances	4,149	(621)	89,634	90,255
Fund balances - beginning of year	<u>50,075</u>	<u>50,075</u>	<u>50,075</u>	<u>-</u>
Fund balances - end of year	<u>\$ 54,224</u>	<u>\$ 49,454</u>	<u>\$ 139,709</u>	<u>\$ 90,255</u>

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, 2024

<u>CalSTRS</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
District's proportion of the net pension liability	0.0012%	0.0011%	0.0010%	0.0010%	0.0010%
District's proportionate share of the net pension liability	\$ 921,761	\$ 783,249	\$ 470,169	\$ 928,485	\$ 867,937
State's proportionate share of the net pension liability associated with the District	<u>441,650</u>	<u>392,248</u>	<u>236,571</u>	<u>478,634</u>	<u>473,425</u>
Total	<u>\$ 1,363,411</u>	<u>\$ 1,175,497</u>	<u>\$ 706,740</u>	<u>\$ 1,407,119</u>	<u>\$ 1,341,362</u>
District's covered payroll	\$ 432,837	\$ 414,480	\$ 346,023	\$ 309,962	\$ 270,922
District's proportionate share of the net pension liability as a percentage of its covered payroll	213%	189%	136%	300%	320%
Plan fiduciary net position as a percentage of the total pension liability	81%	81%	87%	72%	73%

Note: Historical information is required only for measurement for which GASB 68 is applicable. The fiscal year 2024 was the tenth year of implementation, therefore only ten years are shown.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2024**

<u>CalSTRS</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.0016%	0.0014%	0.0014%	0.0015%	0.0013%
District's proportionate share of the net pension liability	\$ 1,511,125	\$ 1,324,802	\$ 1,133,833	\$ 1,009,860	\$ 759,681
State's proportionate share of the net pension liability associated with the District	<u>865,190</u>	<u>783,742</u>	<u>645,499</u>	<u>534,057</u>	<u>458,733</u>
Total	<u>\$ 2,376,315</u>	<u>\$ 2,108,544</u>	<u>\$ 1,779,332</u>	<u>\$ 1,543,917</u>	<u>\$ 1,218,414</u>
District's covered payroll	\$ 541,532	\$ 499,308	\$ 469,180	\$ 462,633	\$ 375,265
District's proportionate share of the net pension liability as a percentage of its covered payroll	279%	265%	242%	218%	202%
Plan fiduciary net position as a percentage of the total pension liability	71%	70%	70%	74%	77%

Note: Historical information is required only for measurement for which GASB 68 is applicable. The fiscal year 2024 was the tenth year of implementation, therefore only ten years are shown.

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, 2024**

<u>CalPERS</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
District's proportion of the net pension liability	0.0023%	0.0023%	0.0012%	0.0014%	0.0014%
District's proportionate share of the net pension liability	\$ 832,936	\$ 787,968	\$ 244,217	\$ 416,180	\$ 416,180
District's covered payroll	\$ 370,588	\$ 313,798	\$ 152,240	\$ 138,698	\$ 135,333
District's proportionate share of the net pension liability as a percentage of its covered payroll	225%	251%	160%	300%	308%
Plan fiduciary net position as a percentage of the total pension liability	70 %	70%	81%	70%	70%

Note: Historical information is required only for measurement for which GASB 68 is applicable. The fiscal year 2024 was the tenth year of implementation, therefore only ten years are shown.

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, 2024**

<u>CalPERS</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.0021%	0.0021%	0.0019%	0.0020%	0.0022%
District's proportionate share of the net pension liability	\$ 559,169	\$ 503,713	\$ 375,251	\$ 294,802	\$ 249,754
District's covered payroll	\$ 162,214	\$ 160,675	\$ 107,338	\$ 106,725	\$ 116,309
District's proportionate share of the net pension liability as a percentage of its covered payroll	345%	313%	350%	276%	215%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	84%

Note: Historical information is required only for measurement for which GASB 68 is applicable. The fiscal year 2024 was the tenth year of implementation, therefore only ten years are shown.

See accompanying notes to required supplementary information.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS - PENSION
FOR THE YEAR ENDED JUNE 30, 2024**

<u>CalSTRS</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Contractually required contribution	\$ 138,985	\$ 110,615	\$ 105,994	\$ 93,751	\$ 84,073
Contributions in relation to the contractually required contribution	<u>(85,253)</u>	<u>(111,495)</u>	<u>(89,274)</u>	<u>(88,649)</u>	<u>(82,902)</u>
Contribution deficiency (excess)	<u>\$ 53,732</u>	<u>\$ (880)</u>	<u>\$ 16,720</u>	<u>\$ 5,102</u>	<u>\$ 1,171</u>
 District's covered payroll	 \$ 432,837	 \$ 414,480	 \$ 346,023	 \$ 309,962	 \$ 270,922
Contributions as a percentage of covered payroll	20%	27%	26%	29%	31%

Note: Historical information is required only for measurement for which GASB 68 is applicable. The fiscal year 2024 was the tenth year of implementation, therefore only ten years are shown.

See accompanying notes to required supplementary information.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS - PENSION
FOR THE YEAR ENDED JUNE 30, 2024**

<u>CalSTRS</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 126,295	\$ 95,275	\$ 76,614	\$ 59,919	\$ 48,929
Contributions in relation to the contractually required contribution	<u>(119,137)</u>	<u>(97,365)</u>	<u>(78,353)</u>	<u>(59,217)</u>	<u>(49,535)</u>
Contribution deficiency (excess)	<u>\$ 7,158</u>	<u>\$ (2,090)</u>	<u>\$ (1,739)</u>	<u>\$ 702</u>	<u>\$ (606)</u>
 District's covered payroll	 \$ 541,532	 \$ 499,308	 \$ 469,180	 \$ 462,633	 \$ 375,265
Contributions as a percentage of covered payroll	22%	19%	17%	13%	13%

Note: Historical information is required only for measurement for which GASB 68 is applicable. The fiscal year 2024 was the tenth year of implementation, therefore only ten years are shown.

See accompanying notes to required supplementary information.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS - PENSION
FOR THE YEAR ENDED JUNE 30, 2024**

<u>CalPERS</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Contractually required contribution	\$ 101,056	\$ 80,396	\$ 35,666	\$ 47,248	\$ 35,728
Contributions in relation to the contractually required contribution	<u>(102,003)</u>	<u>(80,646)</u>	<u>(35,472)</u>	<u>(35,784)</u>	<u>(35,728)</u>
Contribution deficiency (excess)	<u>\$ (947)</u>	<u>\$ (250)</u>	<u>\$ 194</u>	<u>\$ 11,464</u>	<u>\$ -</u>
 District's covered payroll	 \$ 370,588	 \$ 313,798	 \$ 152,240	 \$ 138,698	 \$ 135,333
Contributions as a percentage of covered payroll	28%	26%	23%	26%	26%

Note: Historical information is required only for measurement for which GASB 68 is applicable. The fiscal year 2024 was the tenth year of implementation, therefore only ten years are shown.

See accompanying notes to required supplementary information.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS - PENSION
FOR THE YEAR ENDED JUNE 30, 2024**

<u>CalPERS</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 42,961	\$ 37,318	\$ 27,095	\$ 25,765	\$ 26,048
Contributions in relation to the contractually required contribution	<u>(43,149)</u>	<u>(37,116)</u>	<u>(25,117)</u>	<u>(26,041)</u>	<u>(25,937)</u>
Contribution deficiency (excess)	<u>\$ (188)</u>	<u>\$ 202</u>	<u>\$ 1,978</u>	<u>\$ (276)</u>	<u>\$ 111</u>
 District's covered payroll	 \$ 162,214	 \$ 160,675	 \$ 107,338	 \$ 106,725	 \$ 116,309
Contributions as a percentage of covered payroll	27%	23%	23%	24%	22%

Note: Historical information is required only for measurement for which GASB 68 is applicable. The fiscal year 2024 was the tenth year of implementation, therefore only ten years are shown.

See accompanying notes to required supplementary information.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 - PURPOSE OF REQUIRED SUPPLEMENTARY INFORMATION

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 the 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.

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:

2021-22

No changes noted.

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. The Assumption for the 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. The Assumption for the inflation rate was reduced from 3.00% to 2.75%; the assumption for the 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%.

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.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2024, expenditures exceeded by the following amounts:

	<u>Excess Expenditures</u>
General Fund:	
Certificated salaries	\$ 7,086
Books & supplies	\$ 10,903
Services and other operating expenditures	\$ 41,553
Cafeteria Fund:	
Classified salaries	\$ 18,512
Employee benefits	\$ 2,043
Books & supplies	\$ 15,253
Services and other operating expenditures	\$ 5,170
Capital outlay	\$ 82,850

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

SUPPLEMENTARY INFORMATION

**PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2024**

	Second Period Report	Annual Report
	<u>Original</u>	<u>Original</u>
Certification Numbers	<u>5663BFD</u>	<u>40F3B446</u>
Grades Transitional Kindergarten through Third:		
Regular Average Daily Attendance	87.73	88.35
Grades Four through Six:		
Regular Average Daily Attendance	65.84	66.19
Total ADA	153.57	154.54

Note: There were no audit findings resulting in necessary revisions to attendance.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2024**

Grade Level	Required Minutes	2023-24 Actual Minutes	Number of Days			Total Days Offered	Status
			Traditional Calendar	Multitrack Calendar	Number of Days Credited Form J-13A		
Kindergarten	36000	37,800	180	N/A	-	180	In Compliance
Grade 1	50400	51,060	180	N/A	-	180	In Compliance
Grade 2	50400	51,060	180	N/A	-	180	In Compliance
Grade 3	50400	51,060	180	N/A	-	180	In Compliance
Grade 4	54000	55,120	180	N/A	-	180	In Compliance
Grade 5	54000	55,120	180	N/A	-	180	In Compliance
Grade 6	54000	55,120	180	N/A	-	180	In Compliance

The District did not utilize a multitrack calendar during the 2023/2024 year.

The District did not file J-13A during the year 2023-2024.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

<u>General fund:</u>	(Budget)* <u>2024/2025</u>	<u>2023/2024</u>	<u>2022/2023</u>	<u>2021/2022</u>
Revenues and other financing sources	\$ 2,441,829	\$ 2,912,221	\$ 2,628,229	\$ 2,098,358
Total revenues and other sources	<u>2,441,829</u>	<u>2,912,221</u>	<u>2,628,229</u>	<u>2,098,358</u>
Expenditures	2,194,461	2,138,336	1,882,874	1,700,675
Other uses and transfer out	<u>76,521</u>	<u>13,000</u>	<u>37,753</u>	<u>24,000</u>
Total Outgo	<u>2,270,982</u>	<u>2,151,336</u>	<u>1,920,627</u>	<u>1,724,675</u>
Changes in fund balance	<u>170,847</u>	<u>760,885</u>	<u>707,602</u>	<u>373,683</u>
Ending fund balance	<u>\$ 3,559,387</u>	<u>\$ 3,388,540</u>	<u>\$ 2,627,655</u>	<u>\$ 1,920,053</u>
Available reserves**	\$ 2,740,854	\$ 2,115,651	\$ 1,353,525	\$ 1,253,133
Reserve for economic uncertainties	<u>447,942</u>	<u>-</u>	<u>-</u>	<u>86,234</u>
Unassigned fund balance	<u>\$ 2,292,912</u>	<u>\$ 2,115,651</u>	<u>\$ 1,353,525</u>	<u>\$ 1,166,899</u>
Available reserves as a percentage of total outgo	120.70 %	98.35 %	70.47 %	72.66 %
Total long-term liabilities	<u>\$ 4,088,021</u>	<u>\$ 4,209,536</u>	<u>\$ 2,693,717</u>	<u>\$ 1,812,439</u>
Average daily attendance at P-2	<u>150</u>	<u>154</u>	<u>141</u>	<u>130</u>

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 \$1,468,487 over the past two years. The District has not incurred an operating deficit in any of the past three years. The 2024/2025 General Fund budget projects an increase of \$170,847 (4.8%).

For a District of this size, the state recommends available reserves of greater than 5% of total General Fund expenditures, transfers out, and other uses (other outgo) or \$87,000.

Total long-term liabilities have increased by \$2,397,097 over the past two years.

Average daily attendance has increased by 24 ADA over the past two years. The ADA is anticipated to decrease by 4 ADA during the fiscal year 2024/2025.

* The 2024-2025 budget is included for analytical purposes only and has not been subjected to audit.

**Available reserves consist 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 WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>General Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects *</u>	<u>Building Fund</u>
June 30, 2024, annual financial and budget report (SACS) fund balance	\$ 2,950,598	\$ 437,942	\$ 695,024
Adjustments and reclassifications:			
Reclassifications for financial statement presentation	437,942	(437,942)	-
Cash and equivalents	<u>-</u>	<u>-</u>	<u>69,080</u>
June 30, 2024, audited financial statement fund balance	<u>\$ 3,388,540</u>	<u>\$ -</u>	<u>\$ 764,104</u>

* 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
 COMBINING STATEMENT OF BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2024**

	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS			
Cash and investments	\$ 153,310	\$ 7	\$ 7,761
Total assets	153,310	7	7,761
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Total liabilities	-	-	-
FUND BALANCES:			
Restricted	153,310	-	7,761
Assigned	-	7	-
Total fund balances	153,310	7	7,761
Total liabilities and fund balances	\$ 153,310	\$ 7	\$ 7,761

See accompanying notes to supplementary information.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
 COMBINING STATEMENT OF BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2024**

	<u>Bond Interest and Redemption Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS		
Cash and investments	\$ 34,563	\$ 195,641
Total assets	<u>34,563</u>	<u>195,641</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Total liabilities	-	-
FUND BALANCES:		
Restricted	34,563	195,634
Assigned	<u>-</u>	<u>7</u>
Total fund balances	<u>34,563</u>	<u>195,641</u>
Total liabilities and fund balances	<u>\$ 34,563</u>	<u>\$ 195,641</u>

See accompanying notes to supplementary information.

PACIFIC ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES			
Other state revenue	\$ 146,223	\$ -	\$ -
Other local revenue	59,153	-	296
Total revenues	205,376	-	296
EXPENDITURES			
Current:			
Instruction	124,155	-	-
Instruction-related services			
School site administration	26,679	-	-
Plant Services	4,636	-	-
Pupil services			
Food services	8,000	-	-
Debt services			
Principal	-	-	-
Interest	-	-	-
Cost of issuance	-	-	-
Total expenditures	163,470	-	-
Excess (deficiency) of revenues over/(under) expenditures	41,906	-	296
OTHER FINANCING SOURCES (USES)			
Proceeds from bonds	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	41,906	-	296
Fund balances - beginning of year	111,404	7	7,465
Fund balances - end of year	\$ 153,310	\$ 7	\$ 7,761

See accompanying notes to supplementary information.

PACIFIC ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Bond Interest and Redemption Fund	Total Nonmajor Governmental Funds
REVENUES		
Other state revenue	\$ 155	\$ 146,378
Other local revenue	47,812	107,261
Total revenues	47,967	253,639
EXPENDITURES		
Current:		
Instruction	-	124,155
Instruction-related services		
School site administration	-	26,679
Plant Services	-	4,636
Pupil services		
Food services	-	8,000
Debt services		
Principal	6,670	6,670
Interest	40,192	40,192
Cost of issuance	-	-
Total expenditures	46,862	210,332
Excess (deficiency) of revenues over/(under) expenditures	1,105	43,307
OTHER FINANCING SOURCES (USES)		
Proceeds from bonds	-	-
Total other financing sources (uses)	-	-
Net change in fund balances	1,105	43,307
Fund balances - beginning of year	33,458	152,334
Fund balances - end of year	\$ 34,563	\$ 195,641

See accompanying notes to supplementary information.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2024

NOTE 1 - PURPOSE OF SUPPLEMENTARY INFORMATION

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

The District must maintain its instructional minutes at 1986-87 requirements, as required by *Education Code* Section 46201.

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.

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

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

OTHER INFORMATION

**PACIFIC ELEMENTARY SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY AND ORGANIZATION STRUCTURE
 JUNE 30, 2024**

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 and one preschool.

BOARD OF TRUSTEES

Name	Office	Term Expires
Mr. Gwyn Rhabyt	President	December, 2024
Ms. Cari Napoles	Vice President	December, 2026
Ms. Diana Conner	Trustee	December, 2026

ADMINISTRATION

Name	Title	Tenure
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

OTHER INDEPENDENT AUDITOR'S REPORT

**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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pacific Elementary School District (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 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 and therefore, material weakness or significant deficiencies may exist that were not identified. 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 deficiency may exist that were not 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Harshmal & Company LLP

Oakland, California
December 13, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN
ACCORDANCE WITH *2023-24 GUIDE FOR ANNUAL AUDIT OF K-12 LOCAL EDUCATION
AGENCIES AND STATE COMPLIANCE REPORTING***

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

Report on State Compliance

Opinion on State Compliance

We have audited Pacific Elementary School District's (the "District") compliance with the types of compliance requirements described in the *2023-24 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 program requirements for the year ended June 30, 2024, as identified below.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2024.

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 *2023-24 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 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 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 Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District’s compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District’s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

2023-24 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies other than Charter Schools	
A. Attendance	Yes
B. Teacher Certification and Misassignments	Yes
C. Kindergarten Continuance	Yes
D. Independent Study	No, see below
E. Continuation Education	Not Applicable
F. Instructional Time	Yes
G. Instructional Materials	Yes
H. Ratios of Administrative Employees to Teachers	No, see below
I. Classroom Teacher Salaries	Yes
J. Early Retirement Incentive	No, see below
K. GANN Limit Calculation	Yes
L. School Accountability Report Card	Yes
M. Juvenile Court Schools	Not Applicable
N. Middle or Early College High Schools	Not Applicable
O. K-3 Grade Span Adjustment	Yes
Q. Apprenticeship: Related and Supplemental Instruction	Not Applicable
R. Comprehensive School Safety Plan	Yes
S. District of Choice	No, see below
TT. Home to School Transportation Reimbursement	No, see below

2023-24 K-12 Audit Guide Procedures	Procedures Performed
School Districts, County Offices of Education, and Charter Schools	
T. Proposition 28 Arts and Music in Schools	Yes
U. After/Before School Education and Safety Program	No, see below
V. Proper Expenditure of Education Protection Account Funds	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts	Yes
X. Local Control Accountability Plan	Yes
Y. Independent Study-Course Based	Yes
Z. Immunizations	Yes
AZ. Educator Effectiveness	Yes
BZ. Expanded Learning Opportunities Grant (ELO-G)	Yes
CZ. Career Technical Education Incentive Grant	Not Applicable
DZ. Expanded Learning Opportunities Program	Yes
EZ. Transitional Kindergarten Grant	Yes
Charter Schools	
AA. Attendance	Not Applicable
BB. Mode of Instruction	Not Applicable
CC. Nonclassroom-Based Instruction/Independent Study	Not Applicable
DD. Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
EE. Annual Instructional Minutes - Classroom Based	Not Applicable
FF. 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.

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.

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 2024-001. 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 2024-001, 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>
2024-001	L.	School Accountability Report Card

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.

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.

Harshmal & Company LLP

Oakland, California
December 13, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
• Noncompliance material to financial statements noted?	No

Federal Awards

The District was not subject to Uniform Guidance Single Audit for the year ended June 30, 2024 because federal award expenditures did not exceed \$750,000.

State Awards

Internal control over state programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	Yes
Type of auditor's report issued on compliance for state programs:	Unmodified

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS

There were no findings or questions costs related to the financial statements for the fiscal year ended June 30, 2024.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The District was not subject to *Uniform Guidance Single Audit* for the year ended June 30, 2024, because federal award expenditures did not exceed \$750,000.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

**2024-001 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.

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.

Effect

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

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.

Questioned Cost

There are no applicable questioned costs associated with this finding.

Repeat Finding

This is 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.

District Response and Action Plan

The SARC includes two previous years of teacher assignment/misassignment data, with a publication lag of approximately a year and a half, the same error from 2022-23 is still showing up now, during the 2023-24 audit. However, this observation by the auditors does not reflect a new or second error made by the district, instead it is the same error being observed in two subsequent years.

For the 2023-24 school year, the district had 0 teacher misassignments, which was reflected on the William's Reports, and will be reflected on the SARC published during the 2025-26 school year, for the 2024-25 school year, and including the teacher misassignment data from 2023-24.

**PACIFIC ELEMENTARY SCHOOL DISTRICT
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

<u>Prior Year Audit Findings</u>		<u>Status</u>
2023-001	<u>Attendance Accounting and Reporting</u> <ul style="list-style-type: none"> • Independent Study - Course Based 10% ADA Reduction, State Code 10000 Attendance, State Code 40000 State Compliance 	Resolved
2023-002	<u>School Accountability Report Card</u> <ul style="list-style-type: none"> • State Code 72000 School Accountability Report Card 	Repeated and Modified
2023-003	<u>Comprehensive School Safety Plan</u> <ul style="list-style-type: none"> • State Code 40000 State Compliance 	Resolved