PETALUMA CITY SCHOOLS

SONOMA COUNTY

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2021

NIGRO & NIGRO PC

PETALUMA CITY SCHOOLS
For the Fiscal Year Ended June 30, 2021
Table of Contents

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Section

(This page intentionally left blank)

NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Education
Petaluma City Schools
Petaluma, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Petaluma City Schools, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Petaluma City Schools, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • *Licensed by the California Board of Accountancy*

Change in Accounting Principle
As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*. Accordingly, the beginning net position on the Statement of Activities and the beginning fund balance on the Statement of Revenues, Expenditures, and Changes in Fund Balances have been restated to adopt this standard. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of the District's proportionate share of the net OPEB liability-MPP Program, and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 56 to 59 and the schedule of expenditures of federal awards on page 61 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on pages 55 and 60 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 it.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated January 26, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Nigro & Nigro, PC

Murrieta, California
January 26, 2022

This discussion and analysis of Petaluma City Schools' financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by $3.5 million, or 92.8%.
- Governmental expenses were about $107.3 million. Revenues were about $110.8 million.
- The District acquired over $4.7 million in new capital assets during the year.
- The District decreased its outstanding long-term debt other than pensions by $6.9 million. This was primarily due to payments on general obligation bonds.
- Governmental funds increased by $3.9 million, or 7.7%.
- Reserves for the General Fund increased by $1.2 million, or 15.6%. Revenues were $98.8 million and expenditures and transfers out were $93.9 million.

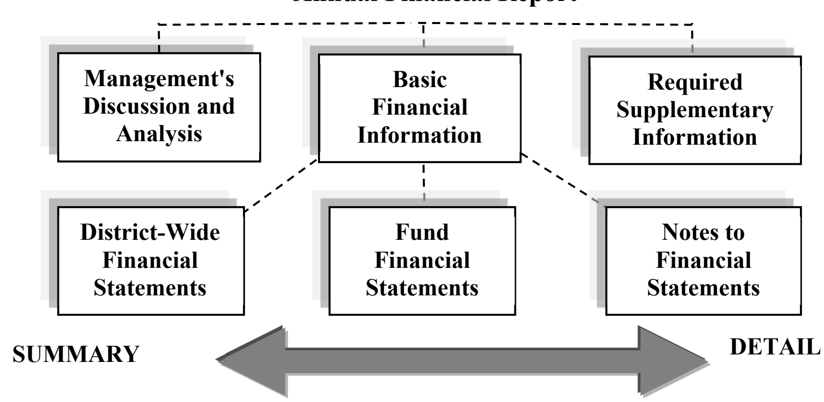
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds* statements.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Petaluma City Schools' Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements
The District-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 District'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 District-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.

- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements
The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that is properly using certain revenues.

The District has two kinds of funds:

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

2) ***Proprietary funds*** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the District-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured programs for workers' compensation claims, health and welfare benefits, and property and liability claims.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2021, than it was the year before increasing 92.8% to $7.4 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase	Business-Type Activities		Variance Increase
	2021	*2020	(Decrease)	2021	2020	(Decrease)
Assets						
Current assets	$ 62,605,250	$ 60,045,420	$ 2,559,830	$ 9,303	$ 9,232	$ 71
Capital assets	88,785,996	91,494,491	(2,708,495)	1,421	1,421	-
Total assets	151,391,246	151,539,911	(148,665)	10,724	10,653	71
Deferred outflows of resources	31,707,921	29,123,424	2,584,497	-	-	-
Liabilities						
Current liabilities	8,520,697	9,999,960	(1,479,263)	-	-	-
Long-term liabilities	61,746,909	68,652,510	(6,905,601)	-	-	-
Net pension liability	97,233,882	86,941,041	10,292,841	-	-	-
Total liabilities	167,501,488	165,593,511	1,907,977	-	-	-
Deferred inflows of resources	8,234,534	11,251,725	(3,017,191)	-	-	-
Net position						
Net investment in capital assets	41,084,463	39,725,227	1,359,236	1,421	1,421	-
Restricted	28,024,406	22,807,622	5,216,784	9,303	9,232	71
Unrestricted	(61,745,724)	(58,714,750)	(3,030,974)	-	-	-
Total net position	$ 7,363,145	$ 3,818,099	$ 3,545,046	$ 10,724	$ 10,653	$ 71

* As restated

Changes in net position, governmental activities. The District's total revenues increased 5.7% to $110.8 million (See Table A-2). The increase is due primarily to increase in restricted operating grants.

The total cost of all programs and services decreased 1.0% to $107.3 million. The District's expenses are predominantly related to educating and caring for students, 81.1%. The purely administrative activities of the District accounted for just 5.1% of total costs. A significant contributor to the decrease in costs was remote learning.

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase	Business-Type Activities		Variance Increase
	2021	2020	(Decrease)	2021	2020	(Decrease)
Revenues						
Program Revenues:						
Charges for services	$ 3,747,646	$ 3,334,860	$ 412,786	$ -	$ -	$ -
Operating grants and contributions	22,413,714	15,606,640	6,807,074	-	-	-
General Revenues:						
Property taxes	55,464,322	56,000,730	(536,408)	-	-	-
Federal and state aid not restricted	28,322,533	28,268,260	54,273	-	-	-
Other general revenues	886,292	1,681,156	(794,864)	71	182	(111)
Total Revenues	110,834,507	104,891,646	5,942,861	71	182	(111)
Expenses						
Instruction-related	75,489,467	73,997,868	1,491,599	-	-	-
Pupil services	11,500,622	12,874,584	(1,373,962)	-	-	-
Administration	5,442,017	5,215,263	226,754	-	-	-
Plant services	11,916,912	12,773,411	(856,499)	-	-	-
All other activities	2,940,443	3,114,886	(174,443)	-	-	-
Total Expenses	107,289,461	107,976,012	(686,551)	-	-	-
Increase (decrease) in net position	$ 3,545,046	$ (3,084,366)	$ 6,629,412	$ 71	$ 182	$ (111)
Total net position	$ 7,363,145	$ 3,818,099		$ 10,724	$ 10,653	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $54.3 million, which is above last year's ending fund balance of $50.4 million. The primary cause of the increased fund balance is an increase in restricted operating grants.

Table A-3: The District's Fund Balances

	Fund Balances				
	* July 1, 2020	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2021
Fund					
General Fund	$ 17,684,151	$ 98,809,004	$ 93,359,055	$ (500,000)	$ 22,634,100
Student Activity Fund	247,616	66,575	89,023	-	225,168
Adult Education Fund	2,198,335	2,461,837	1,966,985	-	2,693,187
Cafeteria Fund	131,877	993,719	1,367,562	500,000	258,034
Deferred Maintenance Fund	4,544	35	-	-	4,579
Building Fund	15,951,325	118,316	2,936,852	-	13,132,789
Capital Facilities Fund	1,945,717	1,601,578	35,607	-	3,511,688
Special Reserve Fund (Capital Outlay)	2,081,870	1,147,044	1,189,279	-	2,039,635
Bond Interest and Redemption Fund	10,085,490	8,569,718	8,915,944	-	9,739,264
Scholarship Fund	116,320	37	8,612	-	107,745
Totals	$ 50,447,245	$ 113,767,863	$ 109,868,919	$ -	$ 54,346,189

* As restated

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by $12.0 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – decreased $238,606 to reflect revised cost estimates.
- Other non-personnel expenses – increased $13.6 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $6.8 million, the actual results for the year show that revenues exceeded expenditures by roughly $5.4 million. Actual revenues were $456,866 less than anticipated, and expenditures were $12.7 million less than budgeted.

That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2021, that will be carried over into the 2021-22 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020-21 the District had acquired $4.7 million in new capital assets, related to construction in progress, site improvements, and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was $7.5 million.

Table A-4: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance Increase
	2021	**2020**	**(Decrease)**
Land	$ 4,266,886	$ 4,266,886	$ -
Improvement of sites	16,203,034	17,806,205	(1,603,171)
Buildings	65,791,620	66,160,302	(368,682)
Equipment	1,514,280	870,995	643,285
Construction in progress	1,010,176	2,390,103	(1,379,927)
Total	$ 88,785,996	$ 91,494,491	$ (2,708,495)

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had $61.7 million in long-term debt other than pensions – a decrease of 10.1% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements)

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities 2021	Governmental Activities 2020	Variance Increase (Decrease)
General obligation bonds	$ 60,834,322	$ 67,720,589	$ (6,886,267)
Compensated absences	455,738	547,713	(91,975)
Other postemployment benefits	456,849	384,208	72,641
Total	$ 61,746,909	$ 68,652,510	$ (6,905,601)

Net pension liability increased during the year by $10.3 million.

FACTORS BEARING ON THE DISTRICT'S FUTURE

*The State Legislature Passed a Final Budget Package on June 28, 2021. T*he final budget package largely reflected the Legislature's approach on State Appropriations Limit (SAL)-related choices and choices to use funding from the American Rescue Plan (ARP) to offset General Fund costs. The budget package assumes that 2021-22 will end with nearly $21 billion in total reserves. This consists of: (1) $15.8 billion in the Budget Stabilization Account (BSA), (2) $4 billion in Special Fund for Economic Uncertainties, and (3) $900 million in the Safety Net Reserve, which is available for spending on the state's safety net programs, like Medi-Cal. In addition, the Proposition 98 Reserve (dedicated to school and community college spending) would reach $4.5 billion under the spending plan.

Budget Also Commits $27 Billion in ARP Fiscal Relief Funds

The ARP included $350 billion in flexible funding to state and local governments for fiscal recovery in the Coronavirus State Fiscal Recovery Fund. Of this total, California's state government received about $27 billion. The state has until December 31, 2024 to use the funds for any of the following purposes: (1) to respond to the public health emergency or negative economic impacts associated with the emergency; (2) to support essential work; (3) to backfill a reduction in total revenues that have occurred relative to the pre-pandemic trajectory; or (4) for water, sewer, or broadband infrastructure.

Significant Increase in School and Community College Funding

Proposition 98 (1988) established the minimum annual funding level for schools and community colleges. This funding requirement depends upon various formulas that adjust for several factors, including changes in state General Fund revenue. For 2020-21, the minimum requirement is up $22.5 billion (31.8 percent) compared with the estimates made in June 2020. This increase represents the largest upward revision since the passage of Proposition 98 and is due to higher General Fund revenue estimates. For 2021-22, the minimum requirement increases by an additional $309 million (0.3 percent) relative to the revised 2020-21 level.

Makes Required Reserve Deposit, Pays Down Deferrals, and Funds New Programs

When the minimum funding requirement is growing quickly, the Constitution requires the state to deposit some of the available funding into a statewide reserve account for schools and community colleges. Under the June 2021 budget plan, the total required deposit is $4.5 billion—$1.9 billion in 2020-21 and $2.6 billion in 2021-22. The largest discretionary allocation of Proposition 98 funding is $12.5 billion to pay down the deferrals the state adopted as part of the June 2020 budget plan. Beginning in 2021-22, schools and community colleges will receive all of their funding according to the regular monthly payment schedule. The budget allocates the remaining funds for significant one-time and ongoing program increases.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Makes Required Reserve Deposit, Pays Down Deferrals, and Funds New Programs (continued)
For schools, these augmentations focus on providing academic support for disadvantaged students, reopening schools and addressing learning loss, enhancing the education workforce, and implementing new curriculum or instructional practices in certain subjects. The community college augmentations focus on increasing the number of full-time faculty, addressing deferred maintenance at campus facilities, and funding basic student needs (including mental health services). The budget also provides a 5.07 percent baseline increase for the primary school and community college funding formulas.

Eliminates Supplemental Payments but Establishes Multiyear Plan to Fund Universal Transitional Kindergarten
Trailer legislation adopted in June 2020 would have required the state to make payments to schools and community colleges on top of the minimum funding requirement beginning in 2021-22. These supplemental payments were intended to accelerate the recovery of school funding from the decline the state anticipated last June. In recognition of the significant revenue increases (and ensuing increases in the guarantee) that have occurred since that time, the June 2021 budget plan repeals these payments. The budget, however, makes another commitment that will increase funding for schools—above the existing minimum requirement—on an ongoing basis. Specifically, it establishes a plan to make all four-year olds eligible for Transitional Kindergarten by 2025-26. (Currently, only children born between September 2 and December 2 are eligible.) The Legislature and the Governor have reached an agreement to cover the associated costs—approximately $2.7 billion at full implementation—by adjusting the Proposition 98 formulas to increase the share of General Fund revenue allocated to schools.

Meanwhile, new COVID variants continue to wreak havoc on school re-openings throughout California, as infection rates are on the rise. Complicating matters more is the new requirement that quarantined students no longer have the option of distance learning, but must instead be enrolled in independent study. All independent study programs have to demonstrate satisfactory educational progress, provide a plan for synchronous instruction, reflect grade-level standards, develop procedures for re-engaging students who are having trouble participating and provide a plan to transition students back to in-person instruction when their families wish to do so. The trailer bill language also addressed communication with students and families, the requirements of written independent study agreements and resources that must be provided to students. Districts can seek a waiver but only if certain conditions are met.

The State Legislature Passed a Final Budget Package on June 28, 2021. The final budget package largely reflected the Legislature's approach on State Appropriations Limit (SAL)-related choices and choices to use funding from the American Rescue Plan (ARP) to offset General Fund costs. The budget package assumes that 2021-22 will end with nearly $21 billion in total reserves. This consists of: (1) $15.8 billion in the Budget Stabilization Account (BSA), (2) $4 billion in Special Fund for Economic Uncertainties, and (3) $900 million in the Safety Net Reserve, which is available for spending on the state's safety net programs, like Medi-Cal. In addition, the Proposition 98 Reserve (dedicated to school and community college spending) would reach $4.5 billion under the spending plan.

All of these factors were considered in preparing the Petaluma City Schools budget for the 2021-22 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 any questions about this report or need additional financial information, contact the Chief Business Official, Petaluma City Schools, 200 Douglas Street, Petaluma, CA 94952.

PETALUMA CITY SCHOOLS

Statement of Net Position
June 30, 2021

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Deposits and investments	$ 46,075,518	$ 9,303	$ 46,084,821
Accounts receivable	16,445,963	-	16,445,963
Inventories	70,553	-	70,553
Prepaid expenses	13,216	-	13,216
Capital assets:			
Non-depreciable assets	5,277,062	-	5,277,062
Depreciable assets	200,266,823	56,833	200,323,656
Less accumulated depreciation	(116,757,889)	(55,412)	(116,813,301)
Total assets	151,391,246	10,724	151,401,970
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	31,598,772	-	31,598,772
Deferred amounts on refunding	109,149	-	109,149
Total deferred outflows of resources	31,707,921	-	31,707,921
LIABILITIES			
Accounts payable	6,784,608	-	6,784,608
Unearned revenue	1,736,089	-	1,736,089
Long-term liabilities other than pensions:			
Portion due or payable within one year	7,536,267	-	7,536,267
Portion due or payable after one year	54,210,642	-	54,210,642
Net pension liability	97,233,882	-	97,233,882
Total liabilities	167,501,488	-	167,501,488
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	8,234,534	-	8,234,534
NET POSITION			
Net investment in capital assets	41,084,463	1,421	41,085,884
Restricted for:			
Capital projects	5,282,971	-	5,282,971
Debt service	9,739,264	-	9,739,264
Categorical programs	12,072,902	-	12,072,902
Self-insurance program	596,356	-	596,356
Student activity	332,913	-	332,913
Enterprise activities	-	9,303	9,303
Unrestricted	(61,745,724)	-	(61,745,724)
Total net position	$ 7,363,145	$ 10,724	$ 7,373,869

PETALUMA CITY SCHOOLS

Statement of Activities

For the Fiscal Year Ended June 30, 2021

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental Activities						
Instructional services:						
Instruction	$ 64,091,631	$ 1,796,901	$ 14,518,149	$ (47,776,581)	$ -	$ (47,776,581)
Instruction-related services:						
Supervision of instruction	4,010,612	184,848	845,329	(2,980,435)	-	(2,980,435)
Instructional library, media and technology	1,268,576	173,594	215,939	(879,043)	-	(879,043)
School site administration	6,118,648	32,471	1,162,263	(4,923,914)	-	(4,923,914)
Pupil support services:						
Home-to-school transportation	1,566,207	197,105	236,786	(1,132,316)	-	(1,132,316)
Food services	1,394,230	35,882	921,882	(436,466)	-	(436,466)
All other pupil services	8,540,185	232,562	1,390,076	(6,917,547)	-	(6,917,547)
General administration services:						
Data processing services	844,542	-	3,977	(840,565)	-	(840,565)
Other general administration	4,597,475	73,136	386,567	(4,137,772)	-	(4,137,772)
Plant services	11,916,912	929,107	2,609,571	(8,378,234)	-	(8,378,234)
Ancillary services	623,420	28,185	37,700	(557,535)	-	(557,535)
Community services	142,033	19,052	22,862	(100,119)	-	(100,119)
Enterprise activities	81,011	35,966	43,158	(1,887)	-	(1,887)
Interest on long-term debt	2,006,490	-	-	(2,006,490)	-	(2,006,490)
Other outgo	87,489	8,837	19,455	(59,197)	-	(59,197)
Total Governmental Activities	107,289,461	3,747,646	22,413,714	(81,128,101)	-	(81,128,101)
Business-Type Activities						
Enterprise activities	-	-	-	-	-	-
Totals	$ 107,289,461	$ 3,747,646	$ 22,413,714	(81,128,101)	-	(81,128,101)

	Governmental Activities	Business-Type Activities	Totals
General Revenues:			
Property taxes	55,464,322	-	55,464,322
Federal and state aid not restricted to specific purpose	28,322,533	-	28,322,533
Interest and investment earnings	233,024	71	233,095
Interagency revenues	83,270	-	83,270
Miscellaneous	569,998	-	569,998
Total general revenues	84,673,147	71	84,673,218
Change in net position	3,545,046	71	3,545,117
Net position, July 1, 2020, as originally stated	3,454,163	10,653	3,464,816
Adjustments for restatement (Note 12)	363,936	-	363,936
Net position, July 1, 2020, as restated	3,818,099	10,653	3,828,752
Net position, June 30, 2021	$ 7,363,145	$ 10,724	$ 7,373,869

PETALUMA CITY SCHOOLS

Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	$ 14,689,041	$ 13,684,290	$ 9,739,264	$ 7,397,246	$ 45,509,841
Accounts receivable	16,032,431	-	-	413,488	16,445,919
Due from other funds	116,673	52,402	-	1,409,555	1,578,630
Inventories	41,386	-	-	29,167	70,553
Prepaid expenditures	13,216	-	-	-	13,216
Total Assets	$ 30,892,747	$ 13,736,692	$ 9,739,264	$ 9,249,456	$ 63,618,159
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 5,099,220	$ 603,902	$ -	$ 217,326	$ 5,920,448
Due to other funds	1,498,759	1	-	116,673	1,615,433
Unearned revenue	1,656,089	-	-	80,000	1,736,089
Total Liabilities	8,254,068	603,903	-	413,999	9,271,970
Fund Balances					
Nonspendable	84,802	-	-	30,167	114,969
Restricted	10,604,117	13,132,789	9,739,264	7,084,669	40,560,839
Assigned	3,220,019	-	-	1,720,621	4,940,640
Unassigned	8,729,741	-	-	-	8,729,741
Total Fund Balances	22,638,679	13,132,789	9,739,264	8,835,457	54,346,189
Total Liabilities and Fund Balances	$ 30,892,747	$ 13,736,692	$ 9,739,264	$ 9,249,456	$ 63,618,159

Total fund balances - governmental funds			$ 54,346,189
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:			
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.			
	Capital assets at historical cost	205,543,885	
	Accumulated depreciation	(116,757,889)	
	Net:		88,785,996
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:			109,149
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(857,992)
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.			
	Deferred outflows of resources from pensions	31,598,772	
	Deferred inflows of resources from pensions	(8,234,534)	
	Net:		23,364,238
In governmental funds, only current liabilities are reported. In the statements of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to government-wide statements, consist of:			
	General obligation bonds	60,834,322	
	Compensated absences	455,738	
	Other postemployment benefits	456,849	
	Total:		(61,746,909)
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.			(97,233,882)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:			596,356
Total net position - governmental activities			$ 7,363,145

PETALUMA CITY SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2021

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 70,210,780	$ -	$ -	$ -	$ 70,210,780
Federal sources	7,776,551	-	-	987,621	8,764,172
Other state sources	10,340,441	-	49,053	2,076,667	12,466,161
Other local sources	10,481,267	118,316	8,520,665	3,206,502	22,326,750
Total Revenues	98,809,039	118,316	8,569,718	6,270,790	113,767,863
EXPENDITURES					
Current:					
Instruction	58,137,204	-	-	893,863	59,031,067
Instruction-Related Services:					
Supervision of instruction	3,038,798	-	-	98,476	3,137,274
Instructional library, media and technology	1,193,082	-	-	-	1,193,082
School site administration	5,353,597	-	-	614,825	5,968,422
Pupil Support Services:					
Home-to-school transportation	2,021,808	-	-	-	2,021,808
Food services	43,807	-	-	1,314,179	1,357,986
All other pupil services	7,139,871	-	-	222,715	7,362,586
Ancillary services	534,009	-	-	89,023	623,032
Community services	135,913	-	-	3,060	138,973
Enterprise activities	171,063	-	-	-	171,063
General Administration Services:					
Data processing services	803,602	-	-	-	803,602
Other general administration	4,154,268	-	-	-	4,154,268
Plant services	10,549,538	11,544	-	230,433	10,791,515
Transfers of indirect costs	(115,994)	-	-	115,994	-
Intergovernmental Transfers	87,489	-	-	-	87,489
Capital Outlay	111,000	2,925,308	-	1,074,500	4,110,808
Debt Service:					
Principal	-	-	6,680,000	-	6,680,000
Interest	-	-	2,235,944	-	2,235,944
Total Expenditures	93,359,055	2,936,852	8,915,944	4,657,068	109,868,919
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,449,984	(2,818,536)	(346,226)	1,613,722	3,898,944
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	-	-	-	500,000	500,000
Interfund transfers out	(500,000)	-	-	-	(500,000)
Total Other Financing Sources and (Uses)	(500,000)	-	-	500,000	-
Net Change in Fund Balances	4,949,984	(2,818,536)	(346,226)	2,113,722	3,898,944
Fund Balances, July 1, 2020, as originally stated	17,688,695	15,951,325	10,085,490	6,357,799	50,083,309
Adjustments for restatement (Note 12)	-	-	-	363,936	363,936
Fund Balances, July 1, 2020, as restated	17,688,695	15,951,325	10,085,490	6,721,735	50,447,245
Fund Balances, June 30, 2021	$ 22,638,679	$ 13,132,789	$ 9,739,264	$ 8,835,457	$ 54,346,189

PETALUMA CITY SCHOOLS

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2021

Total net change in fund balances - governmental funds		$ 3,898,944
Amounts reported for governmental activities in the statement of activities are different because:		
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay	4,741,905	
Depreciation expense	(7,450,400)	
Net:		(2,708,495)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long term debt were:		6,680,000
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium and discount for the period is:		206,267
In governmental funds, interest on long-term debt is recognized in the period it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:		50,096
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pensions costs are recognized on the accrual basis. This year, differences between accrual-basis pension costs and actual employer contributions was:		(4,664,244)
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, differences between accrual-basis OPEB costs and actual employer contributions was:		(72,641)
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities these amounts are amortized over the shorter of the life of the refunded bonds or the refunding bonds. The difference between current year amounts and the current year amortization was:		(26,910)
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and earned was:		91,975
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:		90,054
Change in net position - governmental activities		$ 3,545,046

PETALUMA CITY SCHOOLS
Statement of Net Position – Proprietary Fund
June 30, 2021

	Governmental Activities Self-Insurance Fund	Business-Type Activities Enterprise Fund
ASSETS		
Deposits and investments	$ 565,677	$ 9,303
Accounts receivable	44	-
Due from other funds	36,803	-
Capital assets:		
Equipment	-	56,833
Less accumulated depreciation	-	(55,412)
Total assets	602,524	10,724
LIABILITIES		
Accounts payable	6,168	-
NET POSITION		
Net investment in capital assets	-	1,421
Restricted	596,356	9,303
Total Net Position	$ 596,356	$ 10,724

PETALUMA CITY SCHOOLS

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2021

	Governmental Activities	Business-Type Activities
	Self-Insurance Fund	Enterprise Fund
OPERATING REVENUES		
In-district premiums/contributions	$ 150,795	$ -
Total operating revenues	150,795	-
OPERATING EXPENSES		
Payments for claims and other operating expenses	64,588	-
Operating Income	86,207	-
NON-OPERATING REVENUE		
Interest income	3,846	71
Change in net position	90,053	71
Net position, July 1, 2020	506,303	10,653
Net position, June 30, 2021	$ 596,356	$ 10,724

PETALUMA CITY SCHOOLS
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2021

	Governmental Activities Self-Insurance Fund	Business-Type Activities Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from self-insurance premiums	$ 153,084	$ -
Cash paid for operating expenses	(58,420)	-
Net cash provided by operating activities	94,664	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	3,802	71
Net increase in cash	98,466	71
Cash, July 1, 2020	467,211	9,232
Cash, June 30, 2021	$ 565,677	$ 9,303
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 86,207	$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	6,759	
Due from other funds	(633)	-
Accounts payable	2,331	-
Net cash provided (used) by operating activities	$ 94,664	$ -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Petaluma City Schools (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. Pursuant to the provisions of *Education Code* Section 35110, the Petaluma Joint Union High School District and the Petaluma City Elementary School District are organized and operated under a common Board of Education and administration with combined financial management and reporting, but are legally separate governmental entities. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds (and blended component units). Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds
The District maintains the following major governmental funds:

General Fund: This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The District also maintains a Deferred Maintenance Fund. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in this fund is being reported within the General Fund.

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

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code* sections 15125-15262).

Non-Major Governmental Funds
The District maintains the following non-major governmental funds:

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

Student Activity Fund: The District maintains a separate fund for each school that operates an ASB fund, whether it is organized or not.

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs.

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090 and 38093).

Scholarship Fund: This fund is a private-purpose trust fund, which is used to account for assets held by the District as trustee. The Scholarship Fund consists of the Schwobeda Memorial Trust Fund and the At-Risk Youth Trust Fund, which are both used to provide financial assistance to students of the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Projects Funds: Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund: This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* sections 17620-17626 and *Government Code* Section 65995 et seq.).

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 21, 25, 30, 35, or 49.

Proprietary Funds
Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds in the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code* Section 17566).

Other Enterprise Fund: This is an enterprise fund that was established to account for transactions of the Downtown Project, which is financed and operated in a manner similar to a business enterprise, where the intent is to recover the cost of providing services through user charges.

2. Measurement Focus, Basis of Accounting
The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting (continued)
Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District's proprietary funds and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

C. Budgetary Data
The budgetary process is prescribed by provisions of the California *Education Code* and requires the Board of Education to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District Board of Education satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have been included as revenue and expenditures as required under generally accepted accounting principles.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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 as of June 30.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Sites and Improvements	10-30 years
Buildings and Improvements	25-40 years
Furniture and Equipment	5-15 years

4. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net 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 that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

6. Compensated Absences
The liability for compensated absences reported in the District-wide statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

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

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

9. Fund Balances
The fund balance for Governmental Funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Fund Balances (continued)

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

10. Net Position
Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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.

F. Minimum Fund Balance Policy
This Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the General Fund financial statements. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the District against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy also authorizes and directs the Chief Financial Officer to prepare financial reports which accurately categorize fund balance as per Governmental Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. Use of 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 the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

I. New GASB Pronouncements

The following Statements have been implemented as of June 30, 2021:

1. In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

   This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

2. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

   For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

   This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements

GASB pronouncements which will be effective in future periods, are as follows:

1. In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

   The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

2. In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) to simplify accounting for interest cost incurred before the end of a construction period.

   This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

   As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

   This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

4. In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

   - The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
   - Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
   - The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74*, Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, as amended, to reporting assets accumulated for postemployment benefits
   - The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
   - Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
   - Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
   - Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
   - Terminology used to refer to derivative instruments

   The requirements of this Statement are effective as follows:

   - The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
   - The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
   - The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
   - The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

   Earlier application is encouraged and is permitted by topic.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

5. In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates.* Some governments have entered into agreements in which variable payments made or received depending on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

   The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

6. In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

   The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Governmental funds	$ 45,509,841
Proprietary funds	565,677
Governmental activities	46,075,518
Business-type activities	9,303
Total deposits and investments	$ 46,084,821

Deposits and investments as of June 30, 2021 consist of the following:

Cash on hand and in banks	$ 333,881
Cash in revolving fund	31,200
Investments	45,719,740
Total deposits and investments	$ 46,084,821

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Pooled Funds
In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2021, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2020, $56,211 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments – Interest Rate Risk
The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2021, consist of the following:

			Maturity		
	Rating	Reported Amount	Less Than One Year	One Year Through Five Years	Fair Value Measurement
Investment maturities:					
Certificates of deposit	AA	$ 97,262	$ 97,262	$ -	Level 1
County pool	N/A	45,622,478	45,622,478	-	Uncategorized
Total Investments		$ 45,719,740	$ 45,719,740	$ -	

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments – Credit Risk
The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2021, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments – Concentration of Credit Risk
The District does not place limits on the amount it may invest in any one issuer. At June 30, 2021, the District had the following investments that represents more than five percent of the District's net investments outside the County treasury.

Certificates of deposit	100%

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

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized – Investments in the Sonoma County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

All assets have been valued using a market approach, with quoted market prices.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2021, consisted of the following:

	Governmental Funds			Proprietary Fund
	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Fund
Federal Government:				
Categorical aid programs	$ 4,129,597	$ 336,411	$ 4,466,008	$ -
State Government:				
LCFF	7,827,274	-	7,827,274	-
Lottery	488,588	-	488,588	-
Categorical aid programs	280,267	27,842	308,109	-
Local:				
Interagency services	576,323	-	576,323	-
Special Education	1,621,163	-	1,621,163	-
VW Mitigation Grant	799,994	-	799,994	-
Other local resources	309,225	49,235	358,460	44
Total	$ 16,032,431	$ 413,488	$ 16,445,919	$ 44

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2021, consisted of the following:

	Due from other funds				
	General Fund	Building Fund	Non-Major Governmental Funds	Self-Insurance Funds	Total Governmental Funds
General Fund	$ -	$ 52,402	$ 1,409,554	$ 36,803	$ 1,498,759
Building Fund	1	-	-	-	1
Non-Major Governmental Funds	116,672	-	1	-	116,673
Totals	$ 116,673	$ 52,402	$ 1,409,555	$ 36,803	$ 1,615,433

General Fund due to Cafeteria Fund for write-off of negative student meal accounts	$ 23,772
General Fund due to Adult Education Fund for Zellerback Family Grant	80,850
General Fund due to Building Fund for McNear yard repairs	52,402
General Fund due to Capital Facilities Fund for portable lease	89,830
General Fund due to Special Reserve Fund for Capital Outlay Proejcts for RDA facilities portion	1,215,102
General Fund due to Self-Insurance Fund for VSP clearing account transfer	36,803
Adult Education Fund due to General Fund for indirect costs and expenditure transfers	65,182
Cafeteria Fund due to General Fund for indirect costs and expenditure transfers	50,192
Special Reserve Fund for Capital Outlay Projects due to General Fund for sales tax	1,298
Building Fund due to General Fund for sales tax	1
Other rounding	1
Total	$ 1,615,433

NOTE 4 – INTERFUND TRANSACTIONS (continued)

B. Transfers To/From Other Funds

Transfers to/from other funds during the year ended June 30, 2021, consisted of the following:

General Fund transfer to Cafeteria Fund for expenditure transfers	$ 500,000

NOTE 5 – FUND BALANCES

At June 30, 2021, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	$ 30,200	$ -	$ -	$ 1,000	$ 31,200
Stores inventories	41,386	-	-	29,167	70,553
Prepaid expenditures	13,216	-	-	-	13,216
Total Nonspendable	84,802	-	-	30,167	114,969
Restricted:					
Categorical programs	10,604,117	-	-	-	10,604,117
Adult education program	-	-	-	1,239,918	1,239,918
Food service program	-	-	-	228,867	228,867
Capital projects	-	13,132,789	-	5,282,971	18,415,760
Student activity	-	-	-	332,913	332,913
Debt service	-	-	9,739,264	-	9,739,264
Total Restricted	10,604,117	13,132,789	9,739,264	7,084,669	40,560,839
Assigned:					
2% Reserve for economic uncertainty	1,877,181	-	-	-	1,877,181
South County Consortium reserve	949,166	-	-	-	949,166
Local site donations	389,093	-	-	-	389,093
Deferred maintenance program	4,579	-	-	-	4,579
Adult education program	-	-	-	1,452,269	1,452,269
Capital projects	-	-	-	268,352	268,352
Total Assigned	3,220,019	-	-	1,720,621	4,940,640
Unassigned:					
Reserve for economic uncertainties	2,815,772	-	-	-	2,815,772
Remaining unassigned balances	5,913,969	-	-	-	5,913,969
Total Unassigned	8,729,741	-	-	-	8,729,741
Total	$ 22,638,679	$ 13,132,789	$ 9,739,264	$ 8,835,457	$ 54,346,189

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2021, was as follows:

Governmental Activities	Balance, July 1, 2020	Additions	Retirements	Balance, June 30, 2021
Capital assets not being depreciated:				
Land	$ 4,266,886	$ -	$ -	$ 4,266,886
Construction in progress	2,390,103	3,932,672	5,312,599	1,010,176
Total capital assets not being depreciated	6,656,989	3,932,672	5,312,599	5,277,062
Capital assets being depreciated:				
Improvement of sites	36,025,251	1,073,642	-	37,098,893
Buildings	150,852,769	4,238,957	-	155,091,726
Equipment	7,560,498	809,233	293,527	8,076,204
Total capital assets being depreciated	194,438,518	6,121,832	293,527	200,266,823
Accumulated depreciation for:				
Improvement of sites	(18,219,046)	(2,676,813)	-	(20,895,859)
Buildings	(84,692,467)	(4,607,639)	-	(89,300,106)
Equipment	(6,689,503)	(165,948)	(293,527)	(6,561,924)
Total accumulated depreciation	(109,601,016)	(7,450,400)	(293,527)	(116,757,889)
Total capital assets being depreciated, net	84,837,502	(1,328,568)	-	83,508,934
Governmental activity capital assets, net	$ 91,494,491	$ 2,604,104	$ 5,312,599	$ 88,785,996

Business-Type Activities	Balance, July 1, 2020	Additions	Retirements	Balance, June 30, 2021
Capital Assets being depreciated				
Equipment	$ 56,833	$ -	$ -	$ 56,833
Accumulated depreciation for:				
Equipment	(55,412)	-	-	(55,412)
Business-type activity capital assets, net	$ 1,421	$ -	$ -	$ 1,421

Depreciation expense was charged to governmental activities as follows:

Depreciation Allocation	
Instruction	$ 4,641,956
Instruction-Related Services	808,386
Pupil Services	959,511
General Administration	386,006
Plant Services	654,541
Total Depreciation	$ 7,450,400

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the fiscal year ended June 30, 2021, were as follows:

	Balance, July 1, 2020	Additions	Deductions	Balance, June 30, 2021	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	$ 65,450,000	$ -	$ 6,680,000	$ 58,770,000	$ 7,330,000
Bond issuance premiums	2,270,589	-	206,267	2,064,322	206,267
Total - Bonds	67,720,589	-	6,886,267	60,834,322	7,536,267
Compensated Absences	547,713	-	91,975	455,738	-
Other Postemployment Benefits	384,208	72,641	-	456,849	-
Totals	$ 68,652,510	$ 72,641	$ 6,978,242	$ 61,746,909	$ 7,536,267

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local property tax revenues. Compensated absences liabilities and OPEB are primarily obligations of the fund for which the employee worked.

A. General Obligation Bonds

Election of 1992
On April 14, 1992, the voters of the District approved a measure authorizing the District to issue up to $45 million of general obligation bonds for the purpose of renovating and modernizing school facilities. All bonds authorized by this election have been issued, but only the Series G bonds remain outstanding at June 30, 2021.

Election of 2014 (Elementary District, Measure E)
On June 3, 2014, the voters of the District approved a measure by more than a 55% affirmative vote authorizing the District to issue up to $21 million of general obligation bonds. The Bonds are being issued to finance the renovation, construction, and improvement of school facilities.

Election of 2014 (High School District, Measure C)
On June 3, 2014, the voters of the District approved a measure by more than a 55% affirmative vote authorizing the District to issue up to $68 million of general obligation bonds. The Bonds are being issued to finance the renovation, construction, and improvement of school facilities.

Prior-Year Defeasance of Debt
In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2021, none of the defeased debt remains outstanding.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2021, deferred amounts on refunding were $109,149.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

A. General Obligation Bonds (continued)

Below is a schedule of bonds issued and outstanding as of June 30, 2021.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2020	Issuances	Redemptions	Balance, June 30, 2021
Elementary District								
Election of 2014								
Series A	8/27/2014	8/1/2039	3.0% - 5.0%	$ 7,000,000	$ 5,170,000	$ -	$ 60,000	$ 5,110,000
Series B	5/24/2018	8/1/2042	2.0% - 5.0%	9,000,000	8,305,000	-	835,000	7,470,000
Refunding Issues								
2011 Refunding	11/1/2011	8/1/2027	3.0% - 4.0%	8,470,000	1,890,000	-	435,000	1,455,000
2013 Refunding	5/7/2013	8/1/2028	2.0% - 4.0%	1,880,000	1,245,000	-	120,000	1,125,000
2015 Refunding	11/17/2015	8/1/2023	2.0% - 4.0%	3,260,000	1,025,000	-	300,000	725,000
Total Elementary District					$ 17,635,000	$ -	$ 1,750,000	$ 15,885,000
High School District								
Election of 1992								
Series G	6/17/2010	8/1/2024	2.0% - 4.5%	$ 2,418,791	$ 2,415,000	$ -	$ -	$ 2,415,000
Election of 2014								
Series A	8/17/2014	8/1/2039	2.0% - 4.0%	23,000,000	16,780,000	-	190,000	16,590,000
Series B	2/8/2017	8/1/2041	3.0% - 5.0%	20,000,000	16,930,000	-	180,000	16,750,000
Refunding Issues								
2010 Refunding	6/16/2010	8/1/2020	2.0% - 4.0%	9,095,000	3,765,000	-	3,765,000	-
2012 Refunding	8/9/2012	8/1/2024	2.0% - 4.0%	12,845,000	7,925,000	-	795,000	7,130,000
Total High School District					$ 47,815,000	$ -	$ 4,930,000	$ 42,885,000
Total General Obligation Bonds					$ 65,450,000	$ -	$ 6,680,000	$ 58,770,000

The annual requirements to amortize general obligation bonds payable are as follows:

Fiscal Year	Principal	Interest	Totals
2021-2022	$ 7,330,000	$ 2,030,100	$ 9,360,100
2022-2023	2,565,000	1,892,281	4,457,281
2023-2024	2,735,000	1,795,456	4,530,456
2024-2025	2,525,000	1,695,738	4,220,738
2025-2026	1,330,000	1,619,050	2,949,050
2026-2031	8,015,000	7,232,131	15,247,131
2031-2036	11,530,000	5,508,169	17,038,169
2036-2041	17,245,000	2,938,388	20,183,388
2041-2043	5,495,000	176,813	5,671,813
	$ 58,770,000	$ 24,888,125	$ 83,658,125

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2021, the District did not offer any retiree benefits other than pensions, but reported a net OPEB liability related to the Medicare Premium Payment Program.

Medicare Premium Payment (MPP) Program

Plan Description

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/general-information/gasb-6768.

Benefits Provided

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2020, 5,443 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with Education Code section 25930, contributions that would otherwise be credited to the Defined Benefit Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Total OPEB Liability

At June 30, 2021, the District reported a liability of $456,849 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2020, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	Percentage Share of MPP Program		
	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	Change Increase/ (Decrease)
Measurement Date	June 30, 2020	June 30, 2019	
Proportion of the Net OPEB Liability	0.107802%	0.103172%	0.004630%

For the year ended June 30, 2021, the District reported OPEB expense of $72,641.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs
The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2020
Valuation Date	June 30, 2019
Experience Study	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.21%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

Assumptions were made about future participation (enrollment) into the MPP Program as CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population of 159,339.

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.

Discount Rate
The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2020, was 2.21%, which is a decrease of 1.29% from 3.50% as of June 30, 2019.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate	MPP OPEB Liability
1% decrease	$ 505,173
Current discount rate	$ 456,849
1% increase	$ 415,728

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates
The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	$ 414,240
Current trend rate	$ 456,849
1% increase	$ 505,899

NOTE 8 – PENSION PLANS

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

For the fiscal year ended June 30, 2021, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 68,934,305	$ 25,625,334	$ 7,065,038	$ 10,268,112
CalPERS	28,299,577	5,973,438	1,169,496	4,445,015
Total	$ 97,233,882	$ 31,598,772	$ 8,234,534	$ 14,713,127

NOTE 8 – PENSION PLANS (continued)

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, 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: https://www.calstrs.com/general-information/gasb-6768.

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and non-employer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.15%	16.15%
Required State Contribution Rate	10.328%	10.328%

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately $2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution, approximately $1.6 billion, was allocated to reduce the employers' share of the unfunded actuarial obligation of the Defined Benefit Program.

The contribution rates for each program for the year ended June 30, 2021, are presented above, and the District's total contributions were $6,175,031.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	$	68,934,305
State's proportionate share of the net pension liability associated with the District		35,535,643
Total	$	104,469,948

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	Change Increase/ (Decrease)
Measurement Date	June 30, 2020	June 30, 2019	
Proportion of the Net Pension Liability	0.071133%	0.066753%	0.004380%

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
For the year ended June 30, 2021, the District recognized pension expense of $10,268,112. In addition, the District recognized pension expense and revenue of $1,111,067 for support provided by the State. At June 30, 2021, 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	$ 6,175,031	$ -
Net change in proportionate share of net pension liability	9,968,982	4,120,842
Difference between projected and actual earnings on pension plan investments	2,637,613	1,000,130
Changes of assumptions	6,722,071	-
Differences between expected and actual experience	121,637	1,944,066
Total	$ 25,625,334	$ 7,065,038

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	$ 4,473,098	$ 2,932,338
2023	5,030,781	1,795,633
2024	5,589,176	936,284
2025	2,022,828	978,964
2026	1,056,841	305,516
Thereafter	1,277,579	116,303
Total	$ 19,450,303	$ 7,065,038

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price of Inflation	2.75%
Wage Growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among 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.

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, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	42%	4.8%
Fixed Income	15%	3.6%
Real Estate	13%	6.3%
Private Equity	12%	1.3%
Risk Mitigating Strategies	10%	1.8%
Inflation Sensitive	6%	3.3%
Cash/Liquidity	2%	(0.4%)

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Discount Rate
The discount rate used to measure the total pension liability was 7.10%, which was unchanged from 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 assume 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 following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 104,150,133
Current discount rate (7.10%)	68,934,305
1% increase (8.10%)	39,858,681

On Behalf Payments
The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $4,021,576.

B. California Public Employees Retirement System (CalPERS)

Plan Description
Qualified employees are eligible to participate in the Schools Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer 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, 2019 annual actuarial valuation report, Schools Pool Accounting Report. 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.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

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

The CalPERS provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Schools Pool (CalPERS)	
	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
Monthly Benefits as a Percentage of Eligible Compensation	2.0 – 2.5%	2.0 – 2.5%
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	20.70%	20.70%

Contributions
The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021 are presented above, and the total District contributions were $2,762,786.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $28,299,577. The net pension liability was measured as of June 30, 2020. 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 proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	Change Increase/ (Decrease)
Measurement Date	June 30, 2020	June 30, 2019	
Proportion of the Net Pension Liability	0.092232%	0.091449%	0.000783%

For the year ended June 30, 2021, the District recognized pension expense of $4,445,015. At June 30, 2021, 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	$ 2,762,786	$ -
Net change in proportionate share of net pension liability	406,797	462,097
Difference between projected and actual earnings on pension plan investments	1,296,506	707,399
Changes of assumptions	103,776	-
Differences between expected and actual experience	1,403,573	-
Total	$ 5,973,438	$ 1,169,496

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	$ 1,404,522	$ 914,410
2022	873,504	255,086
2023	590,304	-
2024	337,373	-
2025	4,949	-
Thereafter	-	-
Total	$ 3,210,652	$ 1,169,496

Actuarial Methods and Assumptions
Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.50%
Wage Growth	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long- term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)
The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92%)

Discount Rate
The discount rate used to measure the total pension liability was 7.15%. The discount rate is not adjusted for administrative expenses. The 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 for the pension plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 40,685,803
Current discount rate (7.15%)	28,299,577
1% increase (8.15%)	18,019,631

C. 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. The District has elected to use the Social Security as its alternative plan.

D. Payables to the Pension Plans
At June 30, 2021, the District reported payables of $281 and $0 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2021.

NOTE 9 – JOINT VENTURES

The District participates in three joint ventures under joint powers agreements (JPAs); the Redwood Empire Schools Insurance Group (RESIG) for workers' compensation, property and liability, and dental coverage, the Schools Excess Liability Fund public entity risk pools for excess liability, and the School Project for Utility Rate Reduction joint powers authority (JPA) for direct purchase of gas, electricity, and other utility services. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for its members. Each JPA is governed by a Board, which controls the operations of the JPA, including selection of management and approval of operating budgets 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 proportionately to their participation in the JPA.

The JPAs are audited on an annual basis. Financial information can be obtained by contacting each JPA's management.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants
The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. Construction Commitments
As of June 30, 2021, the District had commitments with respect to unfinished capital projects of $1.5 million.

C. Litigation
The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2021.

NOTE 11 – RISK MANAGEMENT

Property and Liability
The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, the District contracted with Redwood Empire Schools Insurance Group (RESIG). Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. In addition, property and liability claims for which the District retains the risk of loss (claims below the District's retained limits), are administered by the Self- Insurance Fund.

NOTE 11 – RISK MANAGEMENT (continued)

Workers' Compensation
For fiscal year 2019-20, the District participated in the Redwood Empire School Insurance Group (RESIG), an insurance purchasing pool. The intent of the RESIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the RESIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the RESIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage.

A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the RESIG. Participation in the RESIG is limited to districts that can meet the RESIG selection criteria.

NOTE 12 – ADJUSTMENT FOR RESTATEMENT

The result of the implementation of GASB No. 84 was to increase the beginning fund balance in the Student Activity Special Revenue Fund by $247,616 and in the Foundation Trust (Special Reserve) Fund by $116,320, for a total of $363,936 which were amounts previously recorded in Fiduciary Funds at July 1, 2020. The restatement also affects the net position on the District-wide Statement of Activities at July 1, 2020.

(This page intentionally left blank)

Required Supplementary Information

(This page intentionally left blank)

PETALUMA CITY SCHOOLS

Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF Sources	$ 64,884,104	$ 70,456,560	$ 70,210,780	$ (245,780)
Federal Sources	3,485,837	8,785,145	7,776,551	(1,008,594)
Other State Sources	9,155,352	10,283,525	10,340,441	56,916
Other Local Sources	9,770,547	9,740,640	10,481,232	740,592
Total Revenues	87,295,840	99,265,870	98,809,004	(456,866)
Expenditures				
Current:				
Certificated Salaries	38,280,130	38,071,618	37,861,059	210,559
Classified Salaries	14,031,888	14,246,042	13,295,019	951,023
Employee Benefits	27,896,521	27,652,273	24,470,447	3,181,826
Books and Supplies	3,640,025	15,706,108	7,407,240	8,298,868
Services and Other Operating	8,869,140	10,280,009	9,251,905	1,028,104
Capital Outlay	42,000	125,642	1,101,890	(976,248)
Other Outgo	(65,616)	(39,268)	(28,505)	(10,763)
Total Expenditures	92,694,088	106,042,424	93,359,055	12,683,369
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,398,248)	(6,776,554)	5,449,949	12,226,503
Other Financing Sources and Uses				
Interfund Transfers Out	(275,000)	(500,000)	(500,000)	-
Total Other Financing Sources and Uses	(275,000)	(500,000)	(500,000)	-
Net Change in Fund Balances	(5,673,248)	(7,276,554)	4,949,949	12,226,503
Fund Balances, July 1, 2020	10,052,733	17,684,151	17,684,151	-
Fund Balances, June 30, 2021	$ 4,379,485	$ 10,407,597	22,634,100	$ 12,226,503

Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:

Deferred Maintenance Fund	4,579

Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances: $ 22,638,679

PETALUMA CITY SCHOOLS

Schedule of Proportionate Share of the Net Pension Liability

For the Fiscal Year Ended June 30, 2021

*Last Ten Fiscal Years**

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
CalSTRS							
District's proportion of the net pension liability	0.0711%	0.0668%	0.0660%	0.0632%	0.0693%	0.0561%	0.0639%
District's proportionate share of the net pension liability	$ 68,934,305	$ 60,288,959	$ 60,623,309	$ 58,470,686	$ 56,036,666	$ 37,738,597	$ 37,339,236
State's proportionate share of the net pension liability associated with the District	35,535,643	32,891,652	34,709,680	34,590,764	31,905,371	19,959,504	22,547,269
Totals	$ 104,469,948	$ 93,180,611	$ 95,332,989	$ 93,061,450	$ 87,942,037	$ 57,698,101	$ 59,886,505
District's covered-employee payroll	$ 38,673,922	$ 36,199,017	$ 35,536,979	$ 33,722,901	$ 34,528,621	$ 26,017,838	$ 28,459,709
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	178.24%	166.55%	170.59%	173.39%	162.29%	145.05%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
CalPERS							
District's proportion of the net pension liability	0.0922%	0.0914%	0.0902%	0.0925%	0.0984%	0.1040%	0.1038%
District's proportionate share of the net pension liability	$ 28,299,577	$ 26,652,082	$ 24,056,795	$ 22,091,986	$ 19,441,662	$ 15,329,711	$ 11,782,491
District's covered-employee payroll	$ 13,295,086	$ 12,705,725	$ 11,915,852	$ 11,828,859	$ 11,809,699	$ 11,513,797	$ 10,895,176
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	212.86%	209.76%	201.89%	186.76%	164.62%	133.14%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

PETALUMA CITY SCHOOLS
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2021

*Last Ten Fiscal Years**

	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
CalSTRS							
Contractually required contribution	$ 6,175,031	$ 6,613,241	$ 5,893,200	$ 5,127,986	$ 4,242,341	$ 3,622,620	$ 2,871,580
Contributions in relation to the contractually required contribution	6,175,031	6,613,241	5,893,200	5,127,986	4,242,341	3,622,620	2,871,580
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 38,235,484	$ 38,673,922	$ 36,199,016	$ 35,536,980	$ 33,722,901	$ 33,761,603	$ 32,337,613
Contributions as a percentage of covered-employee payroll	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS							
Contractually required contribution	$ 2,762,786	$ 2,621,924	$ 2,294,908	$ 1,850,651	$ 1,642,792	$ 1,400,218	$ 1,354,896
Contributions in relation to the contractually required contribution	2,762,786	2,621,924	2,294,908	1,850,651	1,642,792	1,400,218	1,354,896
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 13,346,792	$ 13,295,086	$ 12,705,725	$ 11,915,852	$ 11,828,859	$ 11,819,178	$ 11,510,458
Contributions as a percentage of covered-employee payroll	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

PETALUMA CITY SCHOOLS

Schedule of the District's Proportionate Share of the Net OPEB Liability-MPP Program

For the Fiscal Year Ended June 30, 2021

Last Ten Fiscal Years*

	2019-20	2018-19	2017-18	2016-17
District's proportion of net OPEB liability	0.1078%	0.1032%	0.1037%	0.1006%
District's proportionate share of net OPEB liability	$ 456,849	$ 384,208	$ 397,037	$ 423,353
Covered-employee payroll	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	(0.81%)	0.40%	0.01%

Notes to Schedule:

As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

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

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

Change of assumptions **-** There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

Schedule of District Contributions

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

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program

This schedule presents information on the District's proportionate share of the net OPEB liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – The discount rate was changed from 3.50 percent to 2.21 percent since the previous valuation.

(This page intentionally left blank)

Supplementary Information

(This page intentionally left blank)

The Petaluma City Schools was established in 1857 and is comprised of the Petaluma Joint Union High School District and the Petaluma City Elementary School District. The District operates five elementary schools, two junior high schools, two comprehensive high schools, three continuation schools, a community day school, and four charter schools. The District also operates an independent study school and an adult school. There were no boundary changes during the year.

BOARD OF EDUCATION

Member	Office	Term Expires
Joanna Paun	President	November 2022
Sheldon Gen	Clerk	November 2024
Mady Cloud	Member	November 2022
Caitlin Quinn	Member	November 2022
Ellen Webster	Member	November 2024

DISTRICT ADMINISTRATORS

Matthew Harris,
Superintendent

Liz Chacon,
Assistant Superintendent, Student Services

Tony Hua,
Assistant Superintendent, Educational Services

Jason Sutter,
Assistant Superintendent, Human Resources

Chris Thomas,
Chief Business Official

PETALUMA CITY SCHOOLS
Schedule of Instructional Time - District
For the Fiscal Year Ended June 30, 2021

Petaluma City Schools

	Number of Instructional Days			
		Number of Days form J-13A		
Grade Level	Actual	Waiver	Total	Status
Kindergarten	180	0	180	Complied
Grade 1	180	0	180	Complied
Grade 2	180	0	180	Complied
Grade 3	180	0	180	Complied
Grade 4	180	0	180	Complied
Grade 5	180	0	180	Complied
Grade 6	180	0	180	Complied
Grade 7	180	0	180	Complied
Grade 8	180	0	180	Complied
Grade 9	180	0	180	Complied
Grade 10	180	0	180	Complied
Grade 11	180	0	180	Complied
Grade 12	180	0	180	Complied

Mary Collins School at Cherry Valley

	Number of Instructional Days			
		Number of Days form J-13A		
Grade Level	Actual	Waiver	Total	Status
Kindergarten	180	0	180	Complied
Grade 1	180	0	180	Complied
Grade 2	180	0	180	Complied
Grade 3	180	0	180	Complied
Grade 4	180	0	180	Complied
Grade 5	180	0	180	Complied
Grade 6	180	0	180	Complied
Grade 7	180	0	180	Complied
Grade 8	180	0	180	Complied

Penngrove Elementary

	Number of Instructional Days			
		Number of Days form J-13A		
Grade Level	Actual	Waiver	Total	Status
Kindergarten	180	0	180	Complied
Grade 1	180	0	180	Complied
Grade 2	180	0	180	Complied
Grade 3	180	0	180	Complied
Grade 4	180	0	180	Complied
Grade 5	180	0	180	Complied
Grade 6	180	0	180	Complied

Petaluma Accelerated

	Number of Instructional Days			
		Number of Days form J-13A		
Grade Level	Actual	Waiver	Total	Status
Grade 7	180	0	180	Complied
Grade 8	180	0	180	Complied

PETALUMA CITY SCHOOLS

Schedule of Financial Trends and Analysis

For the Fiscal Year Ended June 30, 2021

General Fund	(Budget) 2022 [3]	2021	2020	2019
Revenues and other financing sources	$ 101,404,222	$ 98,809,004	$ 93,503,444	$ 92,065,187
Expenditures	100,819,367	93,359,055	93,234,564	89,745,651
Other uses and transfers out	300,000	500,000	154,614	97,597
Total outgo	101,119,367	93,859,055	93,389,178	89,843,248
Change in fund balance (deficit)	284,855	4,949,949	114,266	2,221,939
Ending fund balance	$ 22,918,955	$ 22,634,100	$ 17,684,151	$ 17,569,885
Available reserves [1]	$ 9,337,303	$ 8,729,741	$ 7,553,444	$ 7,223,692
Available reserves as a percentage of total outgo	9.2%	9.3%	8.1%	8.0%
Total long-term debt	$ 151,444,524	$ 158,980,791	$ 155,593,551	$ 161,780,916
Average daily attendance at P-2 [2]	6,217	N/A	7,138	7,154

The General Fund balance has increased by $5.1 million over the past two years. The fiscal year 2021-22 adopted budget projects an increase of $284,855. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred operating deficits in any of the past three years, and does not anticipates incurring an operating deficit during the 2021-22 fiscal year. Long-term debt has decreased by $2.8 million over the past two years.

Average daily attendance decreased by 16 ADA in 2019-20 compared to the previous year. The District did not report ADA in fiscal year 2020-21 and was funded on its fiscal year 2019-20 ADA. Budgeted ADA for fiscal year 2021-22 is 6,217.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] Average daily attendance includes District and charter school ADA.

[3] Revised Final Budget August, 2021.

[4] The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

PETALUMA CITY SCHOOLS
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2021

There were no differences between the Annual Financial and Budget Report and the Audited Financial Statements in any funds.

Charter School		
Name	Number	Inclusion of Financial Statements
Live Oak Charter	0382	Not included
Mary Collins School at Cherry Valley	0480	Included
Penngrove Elementary	1512	Included
Petaluma Accelerated Charter	1726	Included

PETALUMA CITY SCHOOLS

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Grantor/Program or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S.Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Basic	10.553	13525	$ 24,956	
School Breakfast Program - Especially Needy	10.553	13526	286,247	
National School Lunch Program	10.555	13523	528,048	
USDA Donated Foods	10.555	13391	22,845	
Total U.S.Department of Agriculture				862,096
U.S. Deparment of Treasury:				
Passed through California Dept. of Edcuation (CDE):				
COVID-19-Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	25516		3,367,771
U.S.Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A Grants:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	501,461	
School Improvement Funding for LEAs	84.010	15438	403,540	
Subtotal Title I, Part A Grants				905,001
Title II, Part A, Supporting Effective Instruction	84.367	14341		55,844
Title III, Limited English Proficiency	84.365	14346		70,848
Title IV, Part A Student Support & Academic Enrichment Grants	84.424	15396		53,744
Adult Education Cluster:				
Adult Basic Education & ELA	84.002A	14508	55,280	
Adult Secondary Education	84.002	13978	70,245	
Total Adult Education Cluster				125,525
COVID-19 Education Stabilization Funds:				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	335,422	
Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	544,707	
Total COVID-19 Education Stablization Funds				880,129
Passed through Sonoma County SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B	84.027	13379	1,794,199	
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	83,797	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	80,797	
Total Special Education (IDEA) Cluster				1,958,793
Total U.S.Department of Education				4,049,884
Total Expenditures of Federal Awards				$ 8,279,751

Of the Federal expenditures presented in this schedule, the District provided no federal awards to subrecipients.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Instructional Time
This schedule presents information on the number of instructional days offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*.

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

Schedule of Charter Schools
This schedule lists all charter schools chartered by the District, and displays information for each charter school and whether or not the charter school is included in the District audit.

Schedule of Expenditures of Federal Awards
The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have that been recorded as revenues during the 2020-21 fiscal year but were expended during the 2019-20 fiscal year.

	Assistance Listing	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 8,764,172
Differences between Federal Revenues and Expenditures:		
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	(110,877)
COVID-19-Coronavirus Relief Fund(CRF): Learning Loss Mitigation	21.019	(373,544)
Total Schedule of Expenditures of Federal Awards		$ 8,279,751

Other Independent Auditors' Reports

(This page intentionally left blank)

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

Board of Education
Petaluma City Schools
Petaluma, 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 Petaluma City Schools as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Petaluma City Schools' basic financial statements, and have issued our report thereon dated January 26, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Petaluma City Schools' 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 Petaluma City Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Petaluma City Schools' internal control.

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • *Licensed by the California Board of Accountancy*

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

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

Nigro & Nigro, PC

Murrieta, California
January 26, 2022

NIGRO & NIGRO PC
A Professional Accountancy Corporation

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

Board of Education
Petaluma City Schools
Petaluma, California

Report on Compliance for Each Major Federal Program
We have audited Petaluma City Schools' compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Petaluma City Schools' major federal programs for the year ended June 30, 2021. Petaluma City Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Petaluma City Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Petaluma City Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Petaluma City Schools' compliance.

Opinion on Each Major Federal Program
In our opinion, Petaluma City Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • *Licensed by the California Board of Accountancy*

Other Matters
The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings 2021-001 through 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

Petaluma City Schools' responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Petaluma City Schools' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings 2021-001 through 2021-003 that we consider to be significant deficiencies.

Petaluma City Schools' responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Petaluma City Schools' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Nigro & Nigro, PC

Murrieta, California
January 26, 2022

NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Petaluma City Schools
Petaluma, California

Report on State Compliance
We have audited Petaluma City Schools' compliance with the types of compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Petaluma City Schools' state government programs as noted on the following page for the fiscal year ended June 30, 2021.

Management's Responsibility
Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Petaluma City Schools' state programs based on our audit of the types of compliance requirements referred to on the following page. 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 *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Petaluma City Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of Petaluma City Schools' compliance.

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • *Licensed by the California Board of Accountancy*

Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Yes
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools:	
Independent Study - Course Based	Not Applicable
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Charter School Facility Grant Program	Not Applicable

Unmodified Opinion on Compliance with State Programs

In our opinion, Petaluma City Schools complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2021.

Nigro & Nigro, PC

Murrieta, California
January 26, 2022

Schedule of Findings and Questioned Costs

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516(a)?	Yes
Identification of major programs:	

Assistance Listing Numbers	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
21.019	COVID-19: Coronavirus Relief Fund (CRF)
84.425D. 84.425C	COVID-19: Education Stabilization Funds

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

State Awards

Type of auditors' report issued on compliance for state programs:	Unmodified

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2020-21.

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

FINDING 2021-001: Equitable Services to Private Schools (50000)
Program Identification:
Federal Agency: U.S. Department of Education
Pass-through Entity: California Department of Education
Program Names: Title I, Part A State Grants (84.010)

Criteria: LEAs that receive funds under ESSER I and/or GEER programs must provide equitable services in the same manner as provided under section 1117 of Title I, Part A of the ESEA (20 USC 6320) to students and teachers in private schools as determined in consultation with private school officials (section 18005(a)) of the CARES Act. To meet this requirement, an LEA must determine the proportional share of funds available for equitable services.

Condition: The District was unable to provide adequate documentation to demonstrate that adequate services were made available to private schools.

Context: This finding is limited to the 2020-21 fiscal year. Subsequent ESSER and GEER funding to the LEA does not have this requirement as private schools are directly funded.

Cause: The District experienced turnover in management positions within its Educational Services Department, which resulted in a lack of oversight to ensure all compliance areas were met.

Effect: The District did not offer equitable services to private schools.

Questioned Costs: Unknown.

Recommendation: We recommend that the District make equitable services available to private schools during the 2021-2022 fiscal year.

District Response: The District has implemented oversight procedures in Education Services with monthly checks for time sensitive deadlines and compliances for all Federal and State requirements.

FINDING 2021-002: Title I, Participation of Private School (50000)
Program Identification:
Federal Agency: U.S. Department of Education
Pass-through Entity: California Department of Education
Program Names: Title I, Part A State Grants (84.010)

Criteria: LEAs or other eligible entities receiving financial assistance under an applicable program must provide eligible private school children and their teachers or other educational personnel with equitable services or other benefits under the program. Before an agency or consortium makes any decision that affects the opportunity of eligible private school children, teachers, and other educational personnel to participate, the agency or consortium must engage in timely and meaningful consultation with private school officials. Expenditures for services and benefits to eligible private school children and their teachers and other educational personnel must be equal on a per-pupil basis to the expenditures for participating public school children and their teachers and other educational personnel, taking into account the number and educational needs of the children, teachers and other educational personnel to be served (Sections 8501 of ESEA (20 USC 7881); 34 CFR sections 299.6 through 299.9).

FINDING 2021-002: Title I, Participation of Private School (50000) - continued

Condition: The District was unable to provide adequate documentation that timely consultation occurred with eligible private schools. In addition, with the lack of consultation documentation there was no allocation ca0lculation. As a result, we were unable to verify that planned expenses were actually made, or to verify allocated method.

Context: The problem appears to be systemic.

Cause: The District experienced turnover in management positions within its Educational Services Department, which resulted in a lack of oversight to ensure all compliance areas were met.

Effect: The District did not offer equitable services to private schools.

Questioned Costs: Unknown.

Recommendation: The District should implement oversight procedures and ensure the consultation documentation as well as allocation calculations are maintained on file to demonstrate upon request. In addition, maintaining allocation calculations will allow the District to track and ensure that the allocations amounts were actually expensed during the course of the year.

District Response: The District has implemented oversight procedures in Education Services with monthly meetings to review all Federal and State time sensitive deadlines and compliance requirements. The regular compliance requirements will also be stored on a shared document in the event that there continues to be turnover within the district. This will ensure new administration and new officials can easily inquire and implement any compliance requirements in a timely manner.

FINDING 2021-003: Title I, Part A School Allocations (50000)
Program Identification:

Federal Agency: U.S. Department of Education
Pass-through Entity: California Department of Education
Program Names: Title I, Part A State Grants (84.010)

Criteria: LEAs are required to report Title I, Part A School Student Counts data collection on their Consolidated Application and Reporting System (CARS). The purpose of the Title I, Part A School Student Counts is to report low-income measurement, student enrollment counts, and low-income student enrollment counts. School allocations are reported in the CARS, which is used to distribute funds to school sites and eligible private schools by the LEA.

Condition: The District was unable to provide documentation used to populate student enrollment counts and low-income student enrollment counts on the CARS reports.

Context: This affects all school district school sites.

Cause: The District experienced turnover in management positions within its Educational Services Department, which resulted in a lack of oversight to ensure all compliance areas were met.

Effect: We are unable to determine whether the school allocations are accurate, so that some schools may have been overfunded, while others may have been underfunded.

Questioned Costs: None

FINDING 2021-003: Title I, Part A School Allocations (50000) (continued)

Recommendation: The District may elect to keep the pre-populated figures in this section of the CARS. Pre-populated figures are derived from the California Longitudinal Pupil Achievement Data System (CALPADS) Fall 1 data collection (CALPADS 1.17 with Title I Age Eligibility Filter). Second, the District may elect to revise pre-populated figures with CALPADS 1.17 reports from prior year or current year. Most importantly, if the District elects to revise the pre-populated figures it must be consistent in terms of using the same CALPADS 1.17 for all sites' student enrollment counts as well as low-income enrollment counts.

District Response: The District plans to provide ongoing and updated training on best practices in Education Services for data collection and CARS in general. The District elects to keep the pre-populated figures in CARS, however moving forward, the district will implement a process to verify all figures derived from CALPADS 1.17.

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs in 2020-21.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2020-001: Unduplicated Pupil Counts	California Education Code section 42238.01 states, in part: "Eligible for free or reduced-price meals" means determined to meet federal income eligibility criteria, either through completing an application for the federal National School Lunch Program or through an alternative household income data collection form, or deemed to be categorically eligible for free or reduced-price meals under the federal National School Lunch Program, as described in Part 245 of Title 7 of the Code of Federal Regulations. "Pupils of limited English proficiency" means pupils who do not have the clearly developed English language skills of comprehension, speaking, reading, and writing necessary to receive instruction only in English at a level substantially equivalent to pupils of the same age or grade whose primary language is English. "English learner" shall have the same meaning as provided for in subdivision (a) of Section 306 and as "pupils of limited English proficiency." California Education Code section 42238.02(b)(1) states: For purposes of this section "unduplicated pupil" means a pupil enrolled in a school district or a charter school who is either classified as an English learner, eligible for a free or reduced-price meal, or is a foster youth. A pupil shall be counted only once for purposes of this section if any of the following apply: (A) The pupil is classified as an English learner and is eligible for a free or reduced-price meal. (B) The pupil is classified as an English learner and is a foster youth. (C) The pupil is eligible for a free or reduced-price meal and is classified as a foster youth.	40000	We recommend that the District implement controls to ensure that contemporaneous supporting documentation is maintained to support all students reported for the unduplicated pupil counts and implement policies and procedures to ensure that the CALPADS is updated with changes in students' FRPM and EL designations.	Implemented

Original Finding No.	Finding	Code	Recommendation	Current Status
	(D) The pupil is classified as an English learner, is eligible for a free or reduced-price meal, and is a foster youth. California Education Code section 42238.02(b)(2) states: Under procedures and timeframes established by the Superintendent, commencing with the 2013-14 fiscal year, a school district or charter school shall annually submit its enrolled free and reduced-price meal eligibility, foster youth, and English learner pupil-level records for enrolled pupils to the Superintendent using the California Longitudinal Pupil Achievement Data System. California Education Code section 42238.02(b)(4) states: The Superintendent shall make the calculations pursuant to this section using the data submitted by local educational agencies, including charter schools, through the California Longitudinal Pupil Achievement Data System. Under timeframes and procedures established by the Superintendent, school districts and charter schools may review and revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System. During our review of the District's Unduplicated Local Control Funding Formula (LCFF) Pupil Counts, we noted an error with one student who was improperly reported as free or reduced meal program eligible.			