Financial Statements
June 30, 2024

# North County Joint Union School District

# North County Joint Union School District
Table of Contents
June 30, 2024


Independent Auditor's Report ..... 1

Management's Discussion and Analysis ..... 5

Government-Wide Financial Statements

Statement of Net Position ..... 14
Statement of Activities ..... 15

Government Fund Financial Statements

Balance Sheet – Governmental Funds ..... 16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position ..... 17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds ..... 18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities ..... 19

Notes to Financial Statements ..... 20

Required Supplementary Information

Budgetary Comparison Schedule – General Fund ..... 58
Schedule of Changes in the District's Total OPEB Liability and Related Ratios ..... 59
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program ..... 61
Schedule of the District's Proportionate Share of the Net Pension Liability ..... 63
Schedule of the District's Contributions ..... 65
Notes to Required Supplementary Information ..... 67

Supplementary Information

Schedule of Expenditures of Federal Awards ..... 69
Schedule of Average Daily Attendance ..... 71
Schedule of Instructional Time ..... 72
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements ..... 73
Schedule of Financial Trends and Analysis ..... 74
Combining Balance Sheet – Non-Major Governmental Funds ..... 75
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds ..... 76
Notes to Supplementary Information ..... 77

Other Information

Local Education Agency Organization Structure (Unaudited) ..... 79

Independent Auditor's Reports

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* ..... 80

Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance ..... 82

Independent Auditor's Report on State Compliance and on Internal Control Over Compliance ..... 85

Schedule of Findings and Questioned Costs

Summary of Auditor's Results ..... 89
Financial Statement Findings ..... 90
Federal Awards Findings and Questioned Costs ..... 92
State Compliance Findings and Questioned Costs ..... 93
Summary Schedule of Prior Audit Findings ..... 94

EideBailly

CPAs & BUSINESS ADVISORS

# Independent Auditor's Report

To the Governing Board
North County Joint Union School District
Hollister, California

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North County Joint Union School District (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North County Joint Union School District, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

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

### *Responsibilities of Management for the Financial Statements*

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Required Supplementary Information***

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the financial statements. The other information comprises the Local Education Agency Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Fresno, California
December 10, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTRODUCTION

This section of North County Joint Union School District's comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2024; with comparative information for the year ended June 30, 2023. It aims to enhance the understanding of the District's financial activities and performance. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### OVERVIEW OF THE SCHOOL DISTRICT

During the 2023-2024 school year, the District served 750 students with an average daily attendance of 95.84%. The District's Mission states that every Spring Grove Student will receive an engaging, enriching, and rigorous educational experience using state standards-based curriculum and consistent measures of growth and support to ensure student success.

### OVERVIEW OF THE FINANCIAL STATEMENTS

#### The Financial Statements

The financial statements presented herein include all of the activities of the North County Joint Union School District (the District) using the integrated approach as prescribed by GASB Statement Number 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the District (including capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities), and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The Fund Financial Statements include statements for the Governmental Funds.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

*Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the North County Joint Union School District.

**REPORTING THE DISTRICT AS A WHOLE**

**The Statement of Net Position and the Statement of Activities**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, the District activities are as follows:

**Governmental Activities** - The District reports all of its services in this category. This includes the education of transitional kindergarten through eighth grade students and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state, and local grants, as well as general obligation bonds, finance these activities.

**REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

**Governmental Funds** - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statements.

**THE DISTRICT AS A WHOLE**

**Net Position**

The District's net position was $8.6 million for the fiscal year ended June 30, 2023, and $9.3 million for the fiscal year ended June 30, 2024. Of this amount, $4.5 million was restricted. Restricted net position is reported separately to show legal constraints from debt covenants grantors, constitutional provisions and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

| | Governmental Activities | |
|---|---|---|
| | 2024 | 2023 |
| Assets | | |
| Current and other assets | $ 13,272,372 | $ 13,437,646 |
| Capital assets | 5,220,893 | 4,587,549 |
| Total assets | 18,493,265 | 18,025,195 |
| Deferred Outflows of Resources | 2,718,605 | 2,213,048 |
| Liabilities | | |
| Current liabilities | 852,793 | 788,861 |
| Long-term liabilities | 10,227,550 | 9,651,503 |
| Total liabilities | 11,080,343 | 10,440,364 |
| Deferred Inflows of Resources | 859,358 | 1,244,398 |
| Net Position | | |
| Net investment in capital assets | 3,293,964 | 2,444,818 |
| Restricted | 4,458,025 | 4,075,818 |
| Unrestricted | 1,520,180 | 2,032,845 |
| Total net position | $ 9,272,169 | $ 8,553,481 |

The $9.3 million in net position of governmental activities represents the accumulated results of all past years' operations and was greatly impacted by the District's implementation of GASB Statement No. 68, Net Pension Liability.

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

| | Governmental Activities | |
|---|---|---|
| | 2024 | 2023 |
| Revenues | | |
| Program revenues | | |
| Charges for services and sales | $ 41,564 | $ 496,465 |
| Operating grants and contributions | 3,135,488 | 2,725,169 |
| General revenues | | |
| Federal and State aid not restricted | 4,215,500 | 3,756,773 |
| Property taxes | 4,830,031 | 4,598,221 |
| Other general revenues | 775,670 | 1,028,625 |
| Total revenues | 12,998,253 | 12,605,253 |
| Expenses | | |
| Instruction-related | 8,221,361 | 6,562,579 |
| Pupil services | 1,246,046 | 1,042,878 |
| Administration | 804,907 | 792,020 |
| Plant services | 1,009,780 | 890,317 |
| All other services | 997,471 | 869,923 |
| Total expenses | 12,279,565 | 10,157,717 |
| Change in net position | $ 718,688 | $ 2,447,536 |

**Governmental Activities**

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $12.3 million, as compared to $10.2 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $4.8 million because the cost was paid by those who benefited from the programs of $41.6 thousand or by other governments and organizations who subsidized certain programs with grants and contributions of $3.1 million. We paid for the remaining "public benefit" portion of our governmental activities with $4.2 million in unrestricted Federal and State funds and $0.8 million in other revenues, including interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction-related, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Instruction-related | $ 8,221,361 | $ 6,562,579 | $ (6,703,720) | $ (4,931,092) |
| Pupil services | 1,246,046 | 1,042,878 | (440,107) | (347,118) |
| Administration | 804,907 | 792,020 | (643,745) | (642,733) |
| Plant services | 1,009,780 | 890,317 | (828,720) | (742,325) |
| All other services | 997,471 | 869,923 | (486,221) | (272,815) |
| Total | $ 12,279,565 | $ 10,157,717 | $ (9,102,513) | $ (6,936,083) |

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of $12.4 million, as compared to $12.6 million in the prior year, which is a decrease of $0.2 million from last year. The majority of the decrease occurred within the Special Reserve Fund for Capital Outlay Projects of about $1.0 million with the remaining decrease across the other funds.

**General Fund Budgetary Highlights**

The management discussion and analysis of the North County Joint Union School District's financial performance provides an overall review of the District's financial activities for the fiscal year ending June 30, 2024. Over the course of the year, the District revises its budget. As the District revises its budget, it addresses unexpected changes in revenues and expenditures. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the annual report.

**General Fund Financial Highlights**

- Total Revenues: The District reported total general fund revenues $11,718,171, an increase of $394,524 from the prior year, driven by increased state funding, local property taxes and interest earned.
- Total Expenditures: Expenditures increased to $11,118,194, reflecting the District's commitment to enhancing educational programs and addressing inflationary pressures.

**Revenue Sources**- The primary sources of revenue for the District include:

- **LCFF Sources:** $8,489,909.22 contributing approximately73% of total revenue.
- **Federal Sources:** $673,560.08 contributing 5% of total revenue.
- **State Sources:** $1,593,065.73 contributing close to 14% of total revenue.
- **Local Sources:** $961,636 contributing 7.5% of total revenue.

**Expenditure Overview:** The District's expenditures were primarily allocated as follows:

- **Salary and Benefits:** 77% of total expenditures were dedicated to classroom instruction, including salaries for teachers, administrative and support staff.
- **Books, Supplies and other Operating Expenditures:** 16% was spent on books and supplies, contracted services, including transportation and the Expanded Learning Opportunities Program.
- **Contributions to Restricted Programs:** 8% contributing to Routine Restricted Maintenance along with Special Education.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### Capital Assets

At June 30, 2023 the District had $4.6 million in a broad range of capital assets and right-to-use leased assets (net of depreciation and amortization), including land, buildings, equipment, and right-to-use leased assets. At June 30, 2024, the District's net capital assets were $5.2 million. This amount represents a net increase (including additions, deductions, depreciation, and amortization) of approximately $0.6 million from last year (Table 4).

Table 4

| | Governmental Activities | |
|---|---|---|
| | 2024 | 2023 |
| Land and construction in progress | $ 935,225 | $ 31,999 |
| Buildings and improvements | 3,995,160 | 4,248,107 |
| Equipment | 245,305 | 241,443 |
| Right-to-use leased assets | 45,203 | 66,000 |
| Total | $ 5,220,893 | $ 4,587,549 |

There were minimal capital asset additions this year. We present more detailed information about our capital assets in the Notes to Financial Statements.

### Long-Term Liabilities

At the end of this year, the District had approximately $10.2 million in long-term liabilities outstanding, which include $2.1 million in General Obligation Bonds which are paid for by the taxpayers residing in the District. The District's S&P bond rating as of the most recent bond issuance was "AAA".

Table 5

| | Governmental Activities | |
|---|---|---|
| | 2024 | 2023 |
| Long-Term Liabilities | | |
| General obligation bonds | $ 2,134,281 | $ 2,299,221 |
| Leases | 47,023 | 67,825 |
| Compensated absences | 17,463 | 12,115 |
| Net OPEB liability | 714,485 | 678,129 |
| Aggregate net pension liability | 7,297,478 | 6,594,213 |
| Total | $ 10,210,730 | $ 9,651,503 |

At year-end, the District has a net pension liability of $7.3 million which is an increase of about $0.7 million. The District also reported deferred outflows of resources from pension activities of $2.6 million, and deferred inflows of resources from pension activities of $0.5 million. The net impact of these balances results in a decrease to Net Position of $5.4 million. We present more detailed information regarding our long-term liabilities in the Notes to Financial Statements.

**SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2023-2024 ARE NOTED BELOW**

- Expanded Learning Implementation – Collaboration with the YMCA
- New Science Curriculum- Inspire Science
- Resource Officer on campus all day
- New Teacher Chromebooks and Desks
- Student Chromebooks purchased- 1:1 device for students in first through eighth grade
- TK tables and chairs
- Music Room upgrade, flooring, walls and door
- Primary Restroom upgrade to flooring and boys' urinals

**FUTURE OUTLOOK**

Looking ahead, the District anticipates several changes and opportunities

- **Enrollment Trends:** The District is projecting an increase to enrollment.
- **Revenues:** The District anticipates the reduction to Federal revenues due to the elimination of the Federal Stimulus Dollars.
- **Facilities:** Navigating TK enrollment as well as facility needs and funding.
- **Programs:** Maintaining the level of service for students with the absence of the Federal Stimulus Dollar.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview and accountability of the District's finances. If you have any questions about this report or need any additional financial information, contact the Superintendent at the North County Joint Union School District, 500 Spring Grove Road, Hollister, California 95023.

| | Governmental Activities |
|---|---|
| Assets | |
| Deposits and investments | $ 12,539,446 |
| Receivables | 641,193 |
| Prepaid expense | 87,293 |
| Stores inventories | 4,440 |
| Capital assets not depreciated or amortized | 935,225 |
| Capital assets, net of accumulated depreciation and amortization | 4,285,668 |
| Total assets | 18,493,265 |
| Deferred Outflows of Resources | |
| Deferred outflows of resources related to OPEB | 98,057 |
| Deferred outflows of resources related to pensions | 2,620,548 |
| Total deferred outflows of resources | 2,718,605 |
| Liabilities | |
| Accounts payable | 834,762 |
| Unearned revenue | 18,031 |
| Long-term liabilities | |
| Long-term liabilities other than OPEB and pensions due within one year | 232,770 |
| OPEB liability due in one year | 16,820 |
| Long-term liabilities other than OPEB and pensions due in more than one year | 1,965,997 |
| Net other postemployment benefits liability (OPEB) | 714,485 |
| Aggregate net pension liabilities | 7,297,478 |
| Total liabilities | 11,080,343 |
| Deferred Inflows of Resources | |
| Deferred inflows of resources related to OPEB | 371,203 |
| Deferred inflows of resources related to pensions | 488,155 |
| Total deferred inflows of resources | 859,358 |
| Net Position | |
| Net investment in capital assets | 3,293,964 |
| Restricted for | |
| Debt service | 710,303 |
| Capital projects | 972,730 |
| Educational programs | 2,308,243 |
| Cafeteria | 463,288 |
| Student activities | 3,461 |
| Unrestricted | 1,520,180 |
| Total net position | $ 9,272,169 |

| Functions/Programs | Expenses | Program Revenues: Charges for Services and Sales | Program Revenues: Operating Grants and Contributions | Net (Expenses) Revenues and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Instruction | $ 7,206,867 | $ 33,387 | $ 1,303,309 | $ (5,870,171) |
| Instruction-related activities | | | | |
| Supervision of instruction | 223,669 | - | 6,819 | (216,850) |
| Instructional library, media, and technology | 105,321 | - | 101,226 | (4,095) |
| School site administration | 685,504 | - | 72,900 | (612,604) |
| Pupil services | | | | |
| Home-to-school transportation | 270,535 | - | 14,682 | (255,853) |
| Food services | 651,008 | 2,050 | 710,009 | 61,051 |
| All other pupil services | 324,503 | - | 79,198 | (245,305) |
| Administration | | | | |
| Data processing | 12,469 | - | - | (12,469) |
| All other administration | 792,438 | 1,813 | 159,349 | (631,276) |
| Plant services | 1,009,780 | 2,970 | 178,090 | (828,720) |
| Ancillary services | 267,414 | 1,344 | 181,484 | (84,586) |
| Interest on long-term liabilities | 112,928 | - | - | (112,928) |
| Other outgo | 617,129 | - | 328,422 | (288,707) |
| Total governmental activities | $ 12,279,565 | $ 41,564 | $ 3,135,488 | (9,102,513) |
| General Revenues and Subventions | | | | |
| Property taxes, levied for general purposes | | | | 4,519,345 |
| Property taxes, levied for debt service | | | | 310,686 |
| Federal and State aid not restricted to specific purposes | | | | 4,215,500 |
| Interest and investment earnings | | | | 489,459 |
| Interagency revenues | | | | 98,255 |
| Miscellaneous | | | | 187,956 |
| Subtotal, general revenues and subventions | | | | 9,821,201 |
| Change in Net Position | | | | 718,688 |
| Net Position - Beginning | | | | 8,553,481 |
| Net Position - Ending | | | | $ 9,272,169 |

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| Assets | | | | |
| Deposits and investments | $ 8,683,819 | $ 1,237,387 | $ 2,618,240 | $ 12,539,446 |
| Receivables | 620,817 | - | 20,376 | 641,193 |
| Due from other funds | 15,914 | - | 25,000 | 40,914 |
| Prepaid expenditures | 87,293 | - | - | 87,293 |
| Stores inventories | - | - | 4,440 | 4,440 |
| Total assets | $ 9,407,843 | $ 1,237,387 | $ 2,668,056 | $ 13,313,286 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | $ 693,726 | $ 138,958 | $ 2,078 | $ 834,762 |
| Due to other funds | 25,000 | - | 15,914 | 40,914 |
| Unearned revenue | 16,426 | - | 1,605 | 18,031 |
| Total liabilities | 735,152 | 138,958 | 19,597 | 893,707 |
| Fund Balances | | | | |
| Nonspendable | 92,293 | - | 4,440 | 96,733 |
| Restricted | 2,308,243 | - | 2,317,904 | 4,626,147 |
| Committed | - | - | 255,598 | 255,598 |
| Assigned | 3,836,070 | 1,098,429 | 70,517 | 5,005,016 |
| Unassigned | 2,436,085 | - | - | 2,436,085 |
| Total fund balances | 8,672,691 | 1,098,429 | 2,648,459 | 12,419,579 |
| Total liabilities and fund balances | $ 9,407,843 | $ 1,237,387 | $ 2,668,056 | $ 13,313,286 |

| | | |
|---|---|---|
| Total Fund Balance - Governmental Funds | | $ 12,419,579 |
| Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. | | |
| The cost of capital assets is | $ 14,362,729 | |
| Accumulated depreciation and amortization is | (9,141,836) | |
| Net capital assets | | 5,220,893 |
| Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to | | |
| Other postemployment benefits (OPEB) | 98,057 | |
| Net pension liability | 2,620,548 | |
| Total deferred outflows of resources | | 2,718,605 |
| Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to | | |
| Other postemployment benefits (OPEB) | (371,203) | |
| Net pension liability | (488,155) | |
| Total deferred inflows of resources | | (859,358) |
| Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. | | (7,297,478) |
| The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds. | | (731,305) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of | | |
| General obligation bonds | (1,879,906) | |
| Leases | (47,023) | |
| Compensated absences | (17,463) | |
| In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is | (254,375) | |
| Total long-term liabilities | | (2,198,767) |
| Total net position - governmental activities | | $ 9,272,169 |

# North County Joint Union School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2024

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| Revenues | | | | |
| Local Control Funding Formula (LCFF) | $ 8,489,909 | $ - | $ - | $ 8,489,909 |
| Federal sources | 673,560 | - | 350,674 | 1,024,234 |
| Other State sources | 1,593,066 | - | 424,672 | 2,017,738 |
| Other local sources | 961,636 | 69,087 | 491,187 | 1,521,910 |
| Total revenues | 11,718,171 | 69,087 | 1,266,533 | 13,053,791 |
| Expenditures | | | | |
| Current | | | | |
| Instruction | 6,861,264 | - | 137,914 | 6,999,178 |
| Instruction-related activities | | | | |
| Supervision of instruction | 227,604 | - | - | 227,604 |
| Instructional library, media, and technology | 106,923 | - | - | 106,923 |
| School site administration | 668,600 | - | - | 668,600 |
| Pupil services | | | | |
| Home-to-school transportation | 260,508 | - | - | 260,508 |
| Food services | 34,801 | - | 606,305 | 641,106 |
| All other pupil services | 331,009 | - | - | 331,009 |
| Administration | | | | |
| Data processing | 12,469 | - | - | 12,469 |
| All other administration | 727,372 | - | 15,914 | 743,286 |
| Plant services | 843,260 | 103,483 | 50,773 | 997,516 |
| Ancillary services | 262,851 | - | 439 | 263,290 |
| Other outgo | 617,129 | - | - | 617,129 |
| Facility acquisition and construction | 142,852 | 972,857 | - | 1,115,709 |
| Debt service | | | | |
| Principal | 20,802 | - | 195,000 | 215,802 |
| Interest and other | 750 | - | 82,118 | 82,868 |
| Total expenditures | 11,118,194 | 1,076,340 | 1,088,463 | 13,282,997 |
| Excess (Deficiency) of Revenues Over Expenditures | 599,977 | (1,007,253) | 178,070 | (229,206) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 25,000 | 25,000 |
| Transfers out | (25,000) | - | - | (25,000) |
| Net Financing Sources (Uses) | (25,000) | - | 25,000 | - |
| Net Change in Fund Balances | 574,977 | (1,007,253) | 203,070 | (229,206) |
| Fund Balance - Beginning | 8,097,714 | 2,105,682 | 2,445,389 | 12,648,785 |
| Fund Balance - Ending | $ 8,672,691 | $ 1,098,429 | $ 2,648,459 | $ 12,419,579 |

| | | |
|---|---|---|
| Total Net Change in Fund Balances - Governmental Funds | | $ (229,206) |
| Amounts Reported for Governmental Activities in the Statement of Activities are Different Because | | |
| Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expense in the Statement of Activities. | | |
| This is the amount by which capital outlay exceed depreciation and amortization expense for the period. | | |
| Depreciation and amortization expense | $ (533,583) | |
| Capital outlay | 1,166,927 | |
| Net expense adjustment | | 633,344 |
| The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was | | (30,060) |
| In the Statement of Activities, certain operating expenses, such as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used. | | (5,348) |
| In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. | | 175,063 |
| In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year. | | (40,907) |
| Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. | | |
| General obligation bonds | | 195,000 |
| Leases | | 20,802 |
| Change in net position of governmental activities | | $ 718,688 |

## Note 1 - Summary of Significant Accounting Policies

### Financial Reporting Entity

The North County Joint Union School District (the District) was organized under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades TK - 8 as mandated by the State and/or Federal agencies. The District operates one school.

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For North County Joint Union School District, this includes general operations, food service, and student related activities of the District.

### Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into the category of governmental activities.

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

### Major Governmental Funds

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

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Non-Capital Fund, and Fund 20, Special Reserve Postemployment Benefits Fund, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been consolidated with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase in fund balance of $2,063,070.

**Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

**Non-Major Governmental Funds**

**Special Revenue Funds** The Special Revenue funds are used 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 Activities Fund** The Student Activities Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

- **Pupil Transportation Equipment Fund** The Pupil Transportation Equipment Fund is used to account separately for State and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (*Education Code* Section 41852[b]).

- **Foundation Special Revenue Fund** The Foundation Special Revenue Fund is used to account for revenues donated to the District by the PTO for specific uses. The District has categorized those purposes as campus improvements and beautification.

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

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term liabilities.

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

**Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

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

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for

property taxes, which are considered available if collected within 60 days. 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.

**Unearned Revenue** Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization expenses, are not recognized in the governmental funds but are recognized in the government-wide statements.

**Investments**

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county investment pools are determined by the program sponsor.

The District's investment in the county treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool are not required to be categorized within the fair value hierarchy.

**Prepaid Expenditures (Expenses)**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds.

**Capital Assets, Depreciation, and Amortization**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2024.

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract or useful life of the underlying asset.

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position.

**Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position as long-term liabilities.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

**Accrued Liabilities and Long-Term Liabilities**

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full, from current financial resources are reported as liabilities of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources related for pension and OPEB related items.

**Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the fund in which the employee worked.

**Postemployment Benefits Other Than Pensions (OPEB)**

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

purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

**Leases**

The District recognizes a lease liability and an intangible right-to-use leased asset (leased asset) in the government-wide financial statements. At the commencement of the lease term, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight-line basis over the lease term or useful life of the underlying asset.

**Fund Balances - Governmental Funds**

As of June 30, 2024, fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Superintendent or the Director, Fiscal Services and Operations may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

**Spending Order Policy**

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

**Minimum Fund Balance Policy**

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 17% of General Fund expenditures and other financing uses.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $4,458,025 of restricted net position.

**Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the Statement of Activities.

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Benito bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

## Note 2 - Deposits and Investments

### Summary of Deposits and Investments

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

| | |
|---|---|
| Governmental funds | $ 12,539,446 |

Deposits and investments as of June 30, 2024, consist of the following:

| | |
|---|---|
| Cash on hand and in banks | $ 4,123 |
| Cash in revolving | 5,000 |
| Investments | 12,530,323 |
| Total deposits and investments | $ 12,539,446 |

### Policies and Practices

The District is authorized under California *Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**Investment in County Treasury -** The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**General Authorizations**

Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of $12,530,323 in the San Benito County Treasury Investment Pool that has an average weighted maturity of 1,099 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County Pool is not required to be rated, nor has it been rated as of June 30, 2024.

## Note 3 - Receivables

Receivables at June 30, 2024, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

| | General Fund | Non-Major Governmental Funds | Total |
|---|---|---|---|
| Federal Government | | | |
| Categorical aid | $ 464,723 | $ 10,671 | $ 475,394 |
| State Government | | | |
| State grants and entitlements | 156,094 | 9,705 | 165,799 |
| Total | $ 620,817 | $ 20,376 | $ 641,193 |

## Note 4 - Capital Assets

Capital assets activity for the fiscal year ended June 30, 2024, was as follows:

| | Balance July 1, 2023 | Additions | Deductions | Balance June 30, 2024 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital assets not being depreciated or amortized | | | | |
| Land | $ 31,999 | $ - | $ - | $ 31,999 |
| Construction in progress | - | 903,226 | - | 903,226 |
| Total capital assets not being depreciated or amortized | 31,999 | 903,226 | - | 935,225 |
| Capital assets being depreciated and amortized | | | | |
| Land improvements | 1,100,637 | 165,839 | - | 1,266,476 |
| Buildings and improvements | 10,844,448 | 12,207 | - | 10,856,655 |
| Furniture and equipment | 1,136,527 | 85,655 | (9,700) | 1,212,482 |
| Right-to-use leased furniture and equipment | 141,604 | - | (49,713) | 91,891 |
| Total capital assets being depreciated and amortized | 13,223,216 | 263,701 | (59,413) | 13,427,504 |
| Total capital assets | 13,255,215 | 1,166,927 | (59,413) | 14,362,729 |
| Accumulated depreciation and amortization | | | | |
| Land improvements | (755,113) | (53,827) | - | (808,940) |
| Buildings and improvements | (6,941,865) | (377,166) | - | (7,319,031) |
| Furniture and equipment | (895,084) | (81,793) | 9,700 | (967,177) |
| Right-to-use leased furniture and equipment | (75,604) | (20,797) | 49,713 | (46,688) |
| Total accumulated depreciation and amortization | (8,667,666) | (533,583) | 59,413 | (9,141,836) |
| Net depreciable and amortizable capital assets | 4,555,550 | (269,882) | - | 4,285,668 |
| Governmental activities capital assets, net | $ 4,587,549 | $ 633,344 | $ - | $ 5,220,893 |

Depreciation and amortization expense were charged to functional expenses as follows:

| | | |
|---|---|---|
| Governmental Activities | | |
| Instruction | $ | 364,363 |
| School site administration | | 30,767 |
| Home-to-school transportation | | 10,256 |
| Food services | | 15,384 |
| Ancillary services | | 5,128 |
| All other administration | | 56,406 |
| Plant services | | 51,279 |
| Total depreciation and amortization expense - governmental activities | $ | 533,583 |

## Note 5 - Interfund Transactions

### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2024, between major and non-major governmental funds are as follows:

| Funds | Due from Other Funds | Due to Other Funds |
|---|---|---|
| Major Governmental Fund | | |
| General | $ 15,914 | $ 25,000 |
| Non-Major Governmental Funds | | |
| Cafeteria | - | 15,914 |
| Deferred Maintenance | 25,000 | - |
| Total | $ 40,914 | $ 40,914 |

| | |
|---|---|
| The General Fund owes the Deferred Maintenance Non-Major Governmental Fund for maintenance projects. | $ 25,000 |
| The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs. | 15,914 |
| Total | $ 40,914 |

**Operating Transfers**

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2024, consisted of the following:

| | |
|---|---|
| The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for future maintenance projects. | $ 25,000 |

## Note 6 - Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) at June 30, 2024, consists of the following:

| | General Fund |
|---|---|
| Professional staff development and curriculum | $ 87,293 |

## Note 7 - Accounts Payable

Accounts payable at June 30, 2024, consist of the following:

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total |
|---|---|---|---|---|
| Vendor payables | $ 332,511 | $ 138,958 | $ 1,060 | $ 472,529 |
| State apportionment | 88,484 | - | - | 88,484 |
| Salaries and benefits | 11,271 | - | 1,018 | 12,289 |
| Deferred payroll | 261,460 | - | - | 261,460 |
| Total | $ 693,726 | $ 138,958 | $ 2,078 | $ 834,762 |

## Note 8 - Unearned Revenue

Unearned revenue at June 30, 2024, consisted of the following:

| | General Fund | Non-Major Governmental Funds | Total |
|---|---|---|---|
| Federal financial assistance | $ - | $ 1,605 | $ 1,605 |
| State categorical aid | 8,026 | - | 8,026 |
| Local sources | 8,400 | - | 8,400 |
| Total | $ 16,426 | $ 1,605 | $ 18,031 |

## Note 9 - Long-Term Liabilities Other than OPEB and Pensions

### Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

| | Balance July 1, 2023 | Additions | Deductions | Balance June 30, 2024 | Due in One Year |
|---|---|---|---|---|---|
| Long-Term Liabilities | | | | | |
| General obligation bonds | | | | | |
| Current interest | $ 2,030,000 | $ - | $ (195,000) | $ 1,835,000 | $ 215,000 |
| Capital appreciation | | | | | |
| Initial denomination | 44,906 | - | - | 44,906 | - |
| Accreted interest | 224,315 | 30,060 | - | 254,375 | - |
| Leases | 67,825 | - | (20,802) | 47,023 | 17,770 |
| Compensated absences | 12,115 | 34,581 | (29,233) | 17,463 | - |
| Total | $ 2,379,161 | $ 64,641 | $ (245,035) | $ 2,198,767 | $ 232,770 |

The General Obligation Bonds are paid by the Bond Interest and Redemption Fund utilizing local property tax revenue. The leases are paid by the fund using the right-to-use asset. The compensated absences obligation is paid by the fund from which the employee worked.

**General Obligation Bonds**

The voters of the District passed a $3,349,906 bond on June 6, 2006. On August 15, 2006, the District issued $3,305,000 of Series 2006 Current Interest bonds and $44,906 Series 2006 Capital Appreciation bonds totaling $3,349,906. The bonds were issued for the purpose of funding improvements to the District's school facilities and to pay costs of issuance of the bonds. The bonds yield interest ranging from 3.75% to 5.00%. The bonds mature incrementally on a yearly basis from August 1, 2007, through August 1, 2030. Interest payments are due on the bonds semiannually on February 1 and August 1 commencing on February 1, 2007. The Capital Appreciation bonds will not bear current interest; each Capital Appreciation bond will accrete in value daily over the term to its maturity.

The outstanding general obligation bonded debt is as follows:

| Fiscal Year Issued | Final Maturity Date | Interest Rate | Original Issue | Bonds Outstanding July 1, 2023 | Interest Accreted | Redeemed | Bonds Outstanding June 30, 2024 |
|---|---|---|---|---|---|---|---|
| 2007 | 8/2031 | 3.80-4.30% | $ 3,305,000 | $ 2,030,000 | $ - | $ (195,000) | $ 1,835,000 |
| 2007 | 8/2032 | 4.98-5.00% | 44,906 | 269,221 | 30,060 | - | 299,281 |
| Total | | | | $ 2,299,221 | $ 30,060 | $ (195,000) | $ 2,134,281 |

**Current Interest Bond Portion – 2006 Series**

Interest and principle payments on the Current Interest Bonds are made on August 1 of each year. The Current Interest Bonds mature beginning August 1, 2007, until August 1, 2030.

The current interest bonds mature as follows:

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2025 | $ 215,000 | $ 78,023 | $ 293,023 |
| 2026 | 240,000 | 68,993 | 308,993 |
| 2027 | 260,000 | 58,913 | 318,913 |
| 2028 | 285,000 | 47,863 | 332,863 |
| 2029 | 310,000 | 35,750 | 345,750 |
| 2030-2031 | 525,000 | 31,175 | 556,175 |
| Total | $ 1,835,000 | $ 320,717 | $ 2,155,717 |

**Capital Appreciation Bond Portion – 2006 Series**

Payments on the matured Capital Appreciation Bonds begin August 1, 2030. Interest earned on the bonds are not paid annually but rather the bond value accretes to its face amount by the time of the individual bonds maturity. The Capital Appreciation Bonds mature from August 1, 2030 until August 1, 2031.

The capital appreciation bonds mature as follows:

| Bonds Maturing Fiscal Year | Initial Bond Value | Accreted Interest | Accreted Obligation | Unaccreted Interest | Maturity Value |
|---|---|---|---|---|---|
| 2032 | $ 12,722 | $ 72,060 | $ 84,782 | $ 75,218 | $ 160,000 |
| 2033 | 32,184 | 182,315 | 214,499 | 235,501 | 450,000 |
| Total | $ 44,906 | $ 254,375 | $ 299,281 | $ 310,719 | $ 610,000 |

**Leases**

The District has entered into agreements to lease various equipment. The District's liability on lease agreements is summarized below:

| Lease | Leases Outstanding July 1, 2023 | Payments | Leases Outstanding June 30, 2024 |
|---|---|---|---|
| Xerox 4 printers | $ 3,554 | $ (3,554) | $ - |
| Xerox 5 copiers/40 printers | 64,271 | (17,248) | 47,023 |
| Total | $ 67,825 | $ (20,802) | $ 47,023 |

**Xerox Copiers and Printers**

The District entered into agreements to lease copiers and printers for five years, and five year and three months, beginning June 9, 2021, and November 12, 2021, respectively. Under terms of the leases, the District paid the combined monthly payments of $23,345. The annual interest rate charged on the leases is 3.0%. At June 30, 2024, the District has recognized a net right-to-use leased asset of $45,203 and a lease liability of $47,023 related to these agreements.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2024 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 17,770 | $ 1,169 | $ 18,939 |
| 2026 | 18,312 | 627 | 18,939 |
| 2027 | 10,941 | 110 | 11,051 |
| Total | $ 47,023 | $ 1,906 | $ 48,929 |

**Compensated Absences**

Compensated absences (unpaid employee vacation) for the District at June 30, 2024, amounted to $17,463.

## Note 10 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2024, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

| OPEB Plan | Net OPEB Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | OPEB Expense |
|---|---|---|---|---|
| District Plan | $ 702,744 | $ 98,057 | $ 371,203 | $ 59,263 |
| Medicare Premium Payment (MPP) Program | 28,561 | - | - | (1,536) |
| Total | $ 731,305 | $ 98,057 | $ 371,203 | $ 57,727 |

The details of each plan are as follows:

**District Plan**

**Plan Administration**

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Plan Membership**

At July 1, 2022, the valuation date, the Plan membership consisted of the following:

| | |
|---|---|
| Retirees or beneficiaries currently receiving benefits payments | 1 |
| Active employees | 35 |
| Total | 36 |

**Benefits Provided**

Employees who have provided 20 years of service to the District and have reached age 60 are eligible to participate in the District's medical, dental, and vision health plans.

The District contribution is capped at $6,867 annually and District-paid benefits end at age 65.

**Contributions**

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the North County Teachers Association (NCTA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, NCTA, and the unrepresented groups. For fiscal year 2023-2024, the District made no contributions to the Plan. No assets are accumulated in an irrevocable OPEB trust.

**Total OPEB Liability of the District**

The District's total OPEB liability of $702,744 was measured as of June 30, 2024, by applying certain roll-forward procedures to an actuarial valuation as of July 1, 2022.

**Actuarial Assumptions**

The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.50% |
| Salary increases | 3.00% |
| Discount rate | 3.97% |
| Healthcare cost trend rates | 5.20% for 2024 through 2034; 5.00% for 2035 through 2049; 4.50% for 2050 through 2064; and 4.00% for 2065 and later years |

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Pre-retirement mortality rates were based on the RP-2019 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2019 Health Annuitant Mortality Table for Males and Females, as appropriate, without projection. Mortality rates were based on the CalPERS member mortality tables in the most recent CalPERS experience study (2019-2020).

The actuarial assumptions used in the July 1, 2022, valuation were based on a review of plan experience during the period July 1, 2020, to June 30, 2022.

**Changes in the Total OPEB Liability**

| | Total OPEB Liability |
|---|---|
| Balance, June 30, 2023 | $ 648,032 |
| Service cost | 50,856 |
| Interest | 26,656 |
| Changes of assumptions or other inputs | (5,980) |
| Benefit payments | (16,820) |
| Net change in total OPEB liability | 54,712 |
| Balance, June 30, 2024 | $ 702,744 |

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The discount rate was changed from 3.86% to 3.97%.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

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

| Discount Rate | Total OPEB Liability |
|---|---|
| 1% decrease (2.97%) | $ 757,222 |
| Current discount rate (3.97%) | 702,744 |
| 1% increase (4.97%) | 650,778 |

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rate:

| Healthcare Cost Trend Rate | Total OPEB Liability |
|---|---|
| 1% decrease (4.2%) | $ 610,220 |
| Current healthcare cost trend rate (5.2%) | 702,744 |
| 1% increase (6.2%) | 812,112 |

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2024, the District recognized OPEB expense of $59,263. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 10,525 | $ 242,421 |
| Changes in assumptions or other inputs | 87,532 | 128,782 |
| Total | $ 98,057 | $ 371,203 |

The deferred outflows of resources and deferred inflows of resources related to changes of assumptions and differences between expected and actual experience will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active) as of the beginning of the measurement period.

The deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | Deferred Outflows of Resources |
|---|---|
| 2025 | $ 14,601 |
| 2026 | 14,601 |
| 2027 | 14,601 |
| 2028 | 14,601 |
| 2029 | 11,539 |
| Thereafter | 28,114 |
| Total | $ 98,057 |

| Year Ended June 30, | Deferred Inflows of Resources |
|---|---|
| 2025 | $ 32,850 |
| 2026 | 32,850 |
| 2027 | 32,850 |
| 2028 | 32,850 |
| 2029 | 32,850 |
| Thereafter | 206,953 |
| Total | $ 371,203 |

**Medicare Premium Payment (MPP) Program**

**Plan Description**

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits 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, 2022, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

**Benefits Provided**

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)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. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB 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.

**Net OPEB Liability and OPEB Expense**

At June 30, 2024, the District reported a liability of $28,561 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. 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, actuarially determined. The District's proportionate share for the measurement period June 30, 2023 and June 30, 2022, respectively, was 0.0094% and 0.0091%, resulting in a net increase in the proportionate share of 0.0003%.

For the year ended June 30, 2024, the District recognized OPEB expense of $(1,536).

**Actuarial Methods and Assumptions**

The June 30, 2023 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total OPEB liability to June 30, 2023, using the assumptions listed in the following table:

| | | |
|---|---|---|
| Measurement Date | June 30, 2023 | June 30, 2022 |
| Valuation Date | June 30, 2022 | June 30, 2021 |
| Experience Study | July 1, 2015 through June 30, 2018 | July 1, 2015 through June 30, 2018 |
| Actuarial Cost Method | Entry age normal | Entry age normal |
| Investment Rate of Return | 3.65% | 3.54% |
| Medicare Part A Premium Cost Trend Rate | 4.50% | 4.50% |
| Medicare Part B Premium Cost Trend Rate | 5.40% | 5.40% |

For the valuation as of June 30, 2022, 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 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.

Assumptions were made about future participation (enrollment) into the MPP Program because 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' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 179 or an average of 0.13% of the potentially eligible population (138,780).

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, 2023, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

**Discount Rate**

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, 2023, 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, 2023, was 3.65%, which is an increase of 0.11% from 3.54% as of June 30, 2022.

**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 calculated using the current discount rate, as well as what the net OPEB 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 OPEB Liability |
|---|---|
| 1% decrease (2.65%) | $ 31,040 |
| Current discount rate (3.65%) | 28,561 |
| 1% increase (4.65%) | 26,405 |

**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 calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

| Medicare Costs Trend Rates | Net OPEB Liability |
|---|---|
| 1% decrease (3.50% Part A and 4.40% Part B) | $ 26,279 |
| Current Medicare costs trend rates (4.50% Part A and 5.40% Part B) | 28,561 |
| 1% increase (5.50% Part A and 6.40% Part B) | 31,137 |

## Note 11 - Fund Balances

Fund balances are composed of the following elements:

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total |
|---|---|---|---|---|
| Nonspendable | | | | |
| Revolving cash | $ 5,000 | $ - | $ - | $ 5,000 |
| Stores inventories | - | - | 4,440 | 4,440 |
| Prepaid expenditures | 87,293 | - | - | 87,293 |
| Total nonspendable | 92,293 | - | 4,440 | 96,733 |
| Restricted | | | | |
| Legally restricted programs | 2,308,243 | - | 634,871 | 2,943,114 |
| Capital projects | - | - | 972,730 | 972,730 |
| Debt services | - | - | 710,303 | 710,303 |
| Total restricted | 2,308,243 | - | 2,317,904 | 4,626,147 |
| Committed | | | | |
| Deferred maintenance program | - | - | 255,598 | 255,598 |
| Assigned | | | | |
| Campus improvement - modulars | 1,000,000 | - | - | 1,000,000 |
| SRO | 98,000 | - | - | 98,000 |
| Technology | 125,000 | - | - | 125,000 |
| Curriculum | 150,000 | - | - | 150,000 |
| Deferred maintenance | 150,000 | - | - | 150,000 |
| Curriculum technology | 250,000 | - | - | 250,000 |
| Special Ed excess costs | 450,000 | - | - | 450,000 |
| Inter-district | 450,000 | - | - | 450,000 |
| Transfer to special reserve | 483,283 | - | - | 483,283 |
| Retiree benefits | 679,787 | - | - | 679,787 |
| Campus improvements, solar, modules | - | 1,098,429 | - | 1,098,429 |
| Campus improvements | - | - | 70,517 | 70,517 |
| Total assigned | 3,836,070 | 1,098,429 | 70,517 | 5,005,016 |
| Unassigned | 2,436,085 | - | - | 2,436,085 |
| Total | $ 8,672,691 | $ 1,098,429 | $ 2,648,459 | $ 12,419,579 |

## Note 12 - Risk Management

### Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2024, the District contracted with the Monterey and San Benito Counties Schools Liability and Property Self-Insurance Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

### Workers' Compensation

For fiscal year 2024, the District participated in the Santa Cruz/San Benito County Schools Insurance Group, an insurance purchasing pool. The intent of the Santa Cruz/San Benito County Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Santa Cruz/San Benito County Schools Insurance Group. 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 Santa Cruz/San Benito County Schools Insurance Group. 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 Santa Cruz/San Benito County Schools Insurance Group. Participation in the Santa Cruz/San Benito County Schools Insurance Group is limited to districts that can meet the Santa Cruz/San Benito County Schools Insurance Group selection criteria.

### Employee Medical Benefits

The District has contracted with the Self Insured Schools of California (SISC III) to provide employee medical benefits. SISC III is a shared risk pool comprised of educational agencies in San Benito County. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

## Note 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2024, the District reported its proportionate share of 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 | $ 4,846,484 | $ 1,771,821 | $ 372,967 | $ 756,429 |
| CalPERS | 2,450,994 | 848,727 | 115,188 | 330,286 |
| Total | $ 7,297,478 | $ 2,620,548 | $ 488,155 | $ 1,086,715 |

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

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

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

**Benefits Provided**

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

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

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

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

| | STRP Defined Benefit Program | |
|---|---|---|
| Hire date | On or before December 31, 2012 | On or after January 1, 2013 |
| Benefit formula | 2% at 60 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 60 | 62 |
| Monthly benefits as a percentage of eligible compensation | 2.0% - 2.4% | 2.0% - 2.4% |
| Required employee contribution rate | 10.25% | 10.205% |
| Required employer contribution rate | 19.10% | 19.10% |
| Required state contribution rate | 10.828% | 10.828% |

**Contributions**

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2024, are presented above and the District's total contributions were $877,211.

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

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

| Total net pension liability, including State share | |
|---|---|
| Proportionate share of net pension liability | $ 4,846,484 |
| State's proportionate share of the net pension liability | 2,322,087 |
| Total | $ 7,168,571 |

The net pension liability was measured as of June 30, 2023. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2023 and June 30, 2022, respectively, was 0.0064% and 0.0061%, resulting in a net increase in the proportionate share of 0.0003%.

For the year ended June 30, 2024, the District recognized pension expense of $756,429. In addition, the District recognized pension expense and revenue of $315,868 for support provided by the State. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 877,211 | $ - |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | 464,947 | 113,657 |
| Differences between projected and actual earnings on pension plan investments | 20,746 | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 380,854 | 259,310 |
| Changes of assumptions | 28,063 | - |
| Total | $ 1,771,821 | $ 372,967 |

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

The deferred outflows of resources and deferred 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 and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2025 | $ (152,474) |
| 2026 | (238,954) |
| 2027 | 392,685 |
| 2028 | 19,489 |
| Total | $ 20,746 |

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

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2025 | $ 75,906 |
| 2026 | 91,708 |
| 2027 | 83,286 |
| 2028 | 87,115 |
| 2029 | 65,291 |
| Thereafter | 97,591 |
| Total | $ 500,897 |

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2022 |
| Measurement date | June 30, 2023 |
| Experience study | July 1, 2015 through June 30, 2018 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.10% |
| Investment rate of return | 7.10% |
| Consumer price inflation | 2.75% |
| Wage growth | 3.50% |

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each 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 for the year ended June 30, 2023, are summarized in the following table:

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

| Discount Rate | Net Pension Liability |
|---|---|
| 1% decrease (6.10%) | $ 8,129,590 |
| Current discount rate (7.10%) | 4,846,484 |
| 1% increase (8.10%) | 2,119,482 |

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

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

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

**Benefits Provided**

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

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

| | School Employer Pool (CalPERS) | |
|---|---|---|
| Hire date | On or before December 31, 2012 | On or after 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 | 1.1% - 2.5% | 1.0% - 2.5% |
| Required employee contribution rate | 7.00% | 8.00% |
| Required employer contribution rate | 26.680% | 26.680% |

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2024, are presented above and the total District contributions were $384,566.

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

As of June 30, 2024, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $2,450,994. The net pension liability was measured as of June 30, 2023. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2023 and June 30, 2022, respectively was 0.0068% and 0.0069%, resulting in a net decrease in the proportionate share of 0.0001%.

For the year ended June 30, 2024, the District recognized pension expense of $330,286. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 384,566 | $ - |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | - | 77,544 |
| Differences between projected and actual earnings on pension plan investments | 261,801 | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 89,443 | 37,644 |
| Changes of assumptions | 112,917 | - |
| Total | $ 848,727 | $ 115,188 |

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

The deferred outflows of resources and deferred 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 and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2025 | $ 48,836 |
| 2026 | 28,932 |
| 2027 | 175,887 |
| 2028 | 8,146 |
| Total | $ 261,801 |

The deferred outflows of resources and deferred inflows of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2025 | $ 21,053 |
| 2026 | 46,214 |
| 2027 | 19,905 |
| Total | $ 87,172 |

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2022 |
| Measurement date | June 30, 2023 |
| Experience study | July 1, 1997 through June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Discount rate | 6.90% |
| Investment rate of return | 6.90% |
| Consumer price inflation | 2.30% |
| Wage growth | Varies by entry age and service |

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

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity - cap-weighted | 30% | 4.54% |
| Global Equity non-cap-weighted | 12% | 3.84% |
| Private Equity | 13% | 7.28% |
| Treasury | 5% | 0.27% |
| Mortgage-backed Securities | 5% | 0.50% |
| Investment Grade Corporates | 10% | 1.56% |
| High Yield | 5% | 2.27% |
| Emerging Market Debt | 5% | 2.48% |
| Private Debt | 5% | 3.57% |
| Real Assets | 15% | 3.21% |
| Leverage | (5%) | (0.59%) |

**Discount Rate**

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

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

| Discount Rate | Net Pension Liability |
|---|---|
| 1% decrease (5.90%) | $ 3,543,503 |
| Current discount rate (6.90%) | 2,450,994 |
| 1% increase (7.90%) | 1,548,059 |

**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 Social Security. The District contributes 6.2% of an employee's gross earnings. An employee is required to contribute 6.2% of his or her gross earnings to Social Security.

**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 in the amount of $371,421 (10.828% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

## Note 14 - Commitments and Contingencies

### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2024.

### Litigation

The District is not currently a party to any legal proceedings.

### Construction Commitments

As of June 30, 2024, the District had the following commitments with respect to the unfinished capital projects:

| Capital Project | Remaining Construction Commitment | Expected Date of Completion |
|---|---|---|
| Modernization at the school site Solar Project - District-Wide | $ 486,352 | May 1, 2025 |

## Note 15 - Participation in Public Entity Risk Pools and Joint Power Authorities

The District is a member of the Santa Cruz/San Benito County Schools Insurance Group (SC/SBCSIG), the Self Insured Schools of California (SISC III), and the Monterey and San Benito Counties Schools Liability and Property Self-Insurance Authority (MSBCSLPSIA) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools and the JPAs are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.
The District has appointed one member to the governing board of SC/SBCSIG.

During the year ended June 30, 2024, the District made payment of $117,481 to SC/SBCSIG for workers' compensation insurance.

The District has appointed no members to the governing board of SISC III.

During the year ended June 30, 2024, the District made payment of $753,490 to SISC III for medical, dental and vision insurance.

The District has appointed one member to the governing board of MSBCSLPSIA.

During the year ended June 30, 2024, the District made payment of $66,889 to MSBCSLPSIA for property and liability insurance.

Required Supplementary Information
June 30, 2024

# North County Joint Union School District

| | Budgeted Amounts | | | Variances - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | Final to Actual |
| Revenues | | | | |
| Local Control Funding Formula | $ 7,827,828 | $ 8,889,353 | $ 8,489,909 | $ (399,444) |
| Federal sources | 616,140 | 263,627 | 673,560 | 409,933 |
| Other State sources | 1,900,776 | 1,217,690 | 1,593,066 | 375,376 |
| Other local sources | 577,309 | 566,447 | 961,636 | 395,189 |
| Total revenues [1] | 10,922,053 | 10,937,117 | 11,718,171 | 781,054 |
| Expenditures | | | | |
| Current | | | | |
| Certificated salaries | 4,208,066 | 4,828,604 | 4,760,379 | 68,225 |
| Classified salaries | 1,134,803 | 1,198,216 | 1,267,247 | (69,031) |
| Employee benefits | 2,465,259 | 3,048,953 | 2,549,450 | 499,503 |
| Books and supplies | 618,782 | 423,711 | 526,438 | (102,727) |
| Services and operating expenditures | 1,140,092 | 1,078,546 | 1,231,240 | (152,694) |
| Other outgo | 530,677 | 518,066 | 744,068 | (226,002) |
| Capital outlay | 18,756 | 3,500 | 18,570 | (15,070) |
| Debt service | | | | |
| Debt service - principal | 20,802 | 20,802 | 20,802 | - |
| Total expenditures [1] | 10,137,237 | 11,120,398 | 11,118,194 | 2,204 |
| Excess (Deficiency) of Revenues Over Expenditures | 784,816 | (183,281) | 599,977 | 783,258 |
| Other Financing Uses | | | | |
| Transfers out | (25,000) | (25,000) | (25,000) | - |
| Net Change in Fund Balances | 759,816 | (208,281) | 574,977 | 783,258 |
| Fund Balance - Beginning | 8,097,714 | 8,097,714 | 8,097,714 | - |
| Fund Balance - Ending | $ 8,857,530 | $ 7,889,433 | $ 8,672,691 | $ 783,258 |

[1] Due to the consolidation of Fund 17, Special Reserve Fund for Other than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets. Additionally, none of the CalSTRS on behalf contribution totaling $371,421 were budgeted by the District.

# North County Joint Union School District

## Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Year Ended June 30, 2024

| | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Total OPEB Liability | | | | |
| Service cost | $ 50,856 | $ 50,684 | $ 77,828 | $ 69,439 |
| Interest | 26,656 | 23,643 | 19,434 | 21,280 |
| Difference between expected and actual experience | - | (281,523) | - | 15,253 |
| Changes of assumptions | (5,980) | (11,133) | (149,924) | 77,724 |
| Benefit payments | (16,820) | (15,336) | - | - |
| Net change in total OPEB liability | 54,712 | (233,665) | (52,662) | 183,696 |
| Total OPEB Liability - Beginning | 648,032 | 881,697 | 934,359 | 750,663 |
| Total OPEB Liability - Ending | $ 702,744 | $ 648,032 | $ 881,697 | $ 934,359 |
| Covered Payroll | N/A [1] | N/A [1] | N/A [1] | N/A [1] |
| Total OPEB Liability as a Percentage of Covered Payroll | N/A [1] | N/A [1] | N/A [1] | N/A [1] |
| Measurement Date | June 30, 2024 | June 30, 2023 | June 30, 2022 | June 30, 2021 |

[1] The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

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

# North County Joint Union School District

## Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Year Ended June 30, 2024

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Total OPEB Liability | | | |
| Service cost | $ 40,037 | $ 36,893 | $ 35,818 |
| Interest | 21,433 | 20,214 | 18,257 |
| Difference between expected and actual experience | - | - | - |
| Changes of assumptions | 44,467 | 29,221 | - |
| Benefit payments | - | - | - |
| Net change in total OPEB liability | 105,937 | 86,328 | 54,075 |
| Total OPEB Liability - Beginning | 644,726 | 558,398 | 504,323 |
| Total OPEB Liability - Ending | $ 750,663 | $ 644,726 | $ 558,398 |
| Covered Payroll | N/A [1] | N/A [1] | N/A [1] |
| Total OPEB Liability as a Percentage of Covered Payroll | N/A [1] | N/A [1] | N/A [1] |
| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 |

[1] The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

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

# North County Joint Union School District

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

Year Ended June 30, 2024

| Year ended June 30, | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Proportion of the net OPEB liability | 0.0094% | 0.0091% | 0.0093% | 0.0098% |
| Proportionate share of the net OPEB liability | $ 28,561 | $ 30,097 | $ 37,058 | $ 41,691 |
| Covered payroll | N/A [1] | N/A [1] | N/A [1] | N/A [1] |
| Proportionate share of the net OPEB liability as a percentage of it's covered payroll | N/A [1] | N/A [1] | N/A [1] | N/A [1] |
| Plan fiduciary net position as a percentage of the total OPEB liability | (0.96%) | (0.94%) | (0.80%) | (0.71%) |
| Measurement Date | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 |

[1] 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.

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

# North County Joint Union School District

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

Year Ended June 30, 2024

| Year ended June 30, | 2020 | 2019 | 2018 |
|---|---|---|---|
| Proportion of the net OPEB liability | 0.0100% | 0.0098% | 0.0101% |
| Proportionate share of the net OPEB liability | $ 37,304 | $ 37,437 | $ 42,500 |
| Covered payroll | N/A [1] | N/A [1] | N/A [1] |
| Proportionate share of the net OPEB liability as a percentage of it's covered payroll | N/A [1] | N/A [1] | N/A [1] |
| Plan fiduciary net position as a percentage of the total OPEB liability | (0.81%) | (0.40%) | 0.01% |
| Measurement Date | June 30, 2019 | June 30, 2018 | June 30, 2017 |

[1] 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.

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

# North County Joint Union School District

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

Year Ended June 30, 2024

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| **CalSTRS** | | | | | |
| Proportion of the net pension liability | 0.0064% | 0.0061% | 0.0062% | 0.0056% | 0.0057% |
| Proportionate share of the net pension liability | $ 4,846,484 | $ 4,230,249 | $ 2,812,794 | $ 5,471,395 | $ 5,114,308 |
| State's proportionate share of the net pension liability | 2,322,087 | 2,118,492 | 1,415,289 | 2,820,505 | 2,790,196 |
| Total | $ 7,168,571 | $ 6,348,741 | $ 4,228,083 | $ 8,291,900 | $ 7,904,504 |
| Covered payroll | $ 4,000,157 | $ 3,716,761 | $ 3,294,588 | $ 3,132,310 | $ 3,047,979 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 121.16% | 113.82% | 85.38% | 174.68% | 167.79% |
| Plan fiduciary net position as a percentage of the total pension liability | 81% | 81% | 87% | 72% | 73% |
| Measurement Date | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 |
| **CalPERS** | | | | | |
| Proportion of the net pension liability | 0.0068% | 0.0069% | 0.0071% | 0.0075% | 0.0074% |
| Proportionate share of the net pension liability | $ 2,450,994 | $ 2,363,964 | $ 1,434,085 | $ 2,294,278 | $ 2,147,378 |
| Covered payroll | $ 1,181,813 | $ 1,053,125 | $ 1,011,942 | $ 1,018,209 | $ 1,020,396 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 207.39% | 224.47% | 141.72% | 225.32% | 210.45% |
| Plan fiduciary net position as a percentage of the total pension liability | 70% | 70% | 81% | 70% | 70% |
| Measurement Date | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 |

See Notes to Required Supplementary Information

# North County Joint Union School District

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

Year Ended June 30, 2024

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **CalSTRS** | | | | | |
| Proportion of the net pension liability | 0.0054% | 0.0056% | 0.0054% | 0.0056% | 0.0054% |
| Proportionate share of the net pension liability | $ 5,008,053 | $ 5,160,282 | $ 4,359,851 | $ 3,767,042 | $ 3,105,743 |
| State's proportionate share of the net pension liability | 2,867,344 | 3,052,779 | 2,481,986 | 1,992,350 | 1,875,382 |
| Total | $ 7,875,397 | $ 8,213,061 | $ 6,841,837 | $ 5,759,392 | $ 4,981,125 |
| Covered payroll | $ 2,996,944 | $ 2,906,065 | $ 2,699,767 | $ 2,528,784 | $ 2,391,921 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 167.11% | 177.57% | 161.49% | 148.97% | 129.84% |
| Plan fiduciary net position as a percentage of the total pension liability | 71% | 69% | 70% | 74% | 77% |
| Measurement Date | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| **CalPERS** | | | | | |
| Proportion of the net pension liability | 0.0068% | 0.0071% | 0.0069% | 0.0073% | 0.0072% |
| Proportionate share of the net pension liability | $ 1,801,001 | $ 1,687,711 | $ 1,372,066 | $ 1,076,018 | $ 817,574 |
| Covered payroll | $ 897,231 | $ 913,414 | $ 812,560 | $ 801,631 | $ 754,090 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 200.73% | 184.77% | 168.86% | 134.23% | 108.42% |
| Plan fiduciary net position as a percentage of the total pension liability | 71% | 72% | 74% | 79% | 83% |
| Measurement Date | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |

See Notes to Required Supplementary Information

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| **CalSTRS** | | | | | |
| Contractually required contribution | $ 877,211 | $ 764,030 | $ 628,876 | $ 532,076 | $ 535,625 |
| Less contributions in relation to the contractually required contribution | 877,211 | 764,030 | 628,876 | 532,076 | 535,625 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 4,592,728 | $ 4,000,157 | $ 3,716,761 | $ 3,294,588 | $ 3,132,310 |
| Contributions as a percentage of covered payroll | 19.10% | 19.10% | 16.92% | 16.15% | 17.10% |
| **CalPERS** | | | | | |
| Contractually required contribution | $ 384,566 | $ 299,826 | $ 241,271 | $ 209,472 | $ 200,801 |
| Less contributions in relation to the contractually required contribution | 384,566 | 299,826 | 241,271 | 209,472 | 200,801 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 1,441,402 | $ 1,181,813 | $ 1,053,125 | $ 1,011,942 | $ 1,018,209 |
| Contributions as a percentage of covered payroll | 26.680% | 25.370% | 22.910% | 20.700% | 19.721% |

See Notes to Required Supplementary Information

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **CalSTRS** | | | | | |
| Contractually required contribution | $ 496,211 | $ 432,459 | $ 365,583 | $ 289,685 | $ 224,556 |
| Less contributions in relation to the contractually required contribution | 496,211 | 432,459 | 365,583 | 289,685 | 224,556 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 3,047,979 | $ 2,996,944 | $ 2,906,065 | $ 2,699,767 | $ 2,528,784 |
| Contributions as a percentage of covered payroll | 16.28% | 14.43% | 12.58% | 10.73% | 8.88% |
| **CalPERS** | | | | | |
| Contractually required contribution | $ 184,304 | $ 139,349 | $ 126,855 | $ 96,264 | $ 94,360 |
| Less contributions in relation to the contractually required contribution | 184,304 | 139,349 | 126,855 | 96,264 | 94,360 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 1,020,396 | $ 897,231 | $ 913,414 | $ 812,560 | $ 801,631 |
| Contributions as a percentage of covered payroll | 18.0620% | 15.5310% | 13.8880% | 11.8470% | 11.7710% |

See Notes to Required Supplementary Information

## Note 1 - Purpose of Schedules

**Budgetary Comparison Schedule**

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

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

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

**Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

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

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The discount rate was changed from 3.86% to 3.97%.

**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 plan's fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The plan rate of investment return assumption was changed from 3.54% to 3.65% since the previous valuation.

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

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

- *Changes of Assumptions* - There were no changes in economic assumptions for the CalSTRS or CalPERS plans from the previous valuations.

**Schedule of the District's 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.

Supplementary Information
June 30, 2024

# North County Joint Union School District

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Financial Assistance Listing | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| U.S. Department of Education | | | |
| Passed through California Department of Education | | | |
| Education Stabilization Fund | | | |
| COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss | 84.425U | 10155 | $ 80,144 |
| COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund | 84.425U | 15559 | 250,563 |
| COVID-19 ESSER III State Reserve Emergency Needs | 84.425U | 15620 | 19,840 |
| COVID-19 ESSER III State Reserve Learning Loss | 84.425U | 15621 | 48,370 |
| Subtotal | | | 398,917 |
| Title I, Part A, Basic Grants Low Income and Neglected | 84.010 | 14329 | 57,451 |
| Title I Migrant Ed Summer Program | 84.011 | 10005 | 8,005 |
| Title I, Part C, Migrant Ed | 84.011 | 14326 | 30,258 |
| Subtotal | | | 38,263 |
| Title II, Part A, Supporting Effective Instruction | 84.367 | 14341 | 11,261 |
| Title IV, Part A, Student Support and Academic Enrichment | 84.424 | 15396 | 10,000 |
| Passed through San Benito County SELPA | | | |
| Special Education Cluster (IDEA) | | | |
| Basic Local Assistance Entitlement, Part B, Sec 611 | 84.027 | 13379 | 148,744 |
| Mental Health Allocation Plan, Part B, Sec 611 | 84.027A | 15197 | 8,924 |
| Subtotal | | | 157,668 |
| Subtotal Special Education Cluster (IDEA) | | | 157,668 |
| Total U.S. Department of Education | | | 673,560 |

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Financial Assistance Listing | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| U.S. Department of Agriculture | | | |
| Passed through California Department of Education | | | |
| Child Nutrition Cluster | | | |
| School Breakfast Needy | 10.553 | 13526 | 93,763 |
| Commodities | 10.555 | 13523 | 36,170 |
| School Lunch - Section 4 | 10.555 | 13523 | 206,678 |
| School Lunch - Section 11 | 10.555 | 13524 | 7,106 |
| Local Food for Schools | 10.555 | 15708 | 6,343 |
| Subtotal | | | 256,297 |
| Subtotal Child Nutrition Cluster | | | 350,060 |
| Total U.S. Department of Agriculture | | | 350,060 |
| Total Federal Financial Assistance | | | $ 1,023,620 |

# North County Joint Union School District

## Schedule of Average Daily Attendance

Year Ended June 30, 2024

| | Second Period Report | Annual Report |
|---|---|---|
| Regular ADA | | |
| Transitional kindergarten through third | 313.02 | 313.29 |
| Fourth through sixth | 238.72 | 238.98 |
| Seventh and eighth | 167.07 | 166.41 |
| Total regular ADA | 718.81 | 718.68 |

| Grade Level | 1986-1987 Minutes Requirement | 2023-2024 Actual Minutes | Number of Actual Days | Status |
|---|---|---|---|---|
| Kindergarten | 36,000 | 54,225 | 180 | Complied |
| Grades 1 - 3 | 50,400 | | | |
| Grade 1 | | 50,400 | 180 | Complied |
| Grade 2 | | 50,400 | 180 | Complied |
| Grade 3 | | 50,400 | 180 | Complied |
| Grades 4 - 8 | 54,000 | | | |
| Grade 4 | | 57,150 | 180 | Complied |
| Grade 5 | | 57,150 | 180 | Complied |
| Grade 6 | | 57,600 | 180 | Complied |
| Grade 7 | | 57,600 | 180 | Complied |
| Grade 8 | | 57,600 | 180 | Complied |

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

| | Special Reserve Fund for Capital Outlay Projects |
|---|---|
| Fund Balance | |
| Balance, June 30, 2024, Unaudited Actuals | $ 473,119 |
| Decrease in | |
| Accounts payable | 625,310 |
| Balance, June 30, 2024, Audited Financial Statements | $ 1,098,429 |

| | (Budget) 2025 [1] | 2024 | 2023 [1] | 2022 [1] |
|---|---|---|---|---|
| General Fund [3] | | | | |
| Revenues | $ 10,937,117 | $ 11,634,216 | $ 11,287,651 | $ 9,070,151 |
| Other sources | - | - | - | 91,891 |
| Total Revenues and Other Sources | 10,937,117 | 11,634,216 | 11,287,651 | 9,162,042 |
| Expenditures | 11,120,398 | 11,118,194 | 9,422,853 | 8,703,145 |
| Other uses and transfers out | 25,000 | 25,000 | 675,000 | 25,000 |
| Total Expenditures and Other Uses | 11,145,398 | 11,143,194 | 10,097,853 | 8,728,145 |
| Increase (Decrease) in Fund Balance | (208,281) | 491,022 | 1,189,798 | 433,897 |
| Ending Fund Balance | $ 6,401,339 | $ 6,609,620 | $ 6,118,598 | $ 4,928,800 |
| Available Reserves [2] | $ 4,394,988 | $ 2,436,085 | $ 2,391,664 | $ 1,468,169 |
| Available Reserves as a Percentage of Total Outgo | 39.43% | 21.86% | 23.68% | 16.82% |
| Long-Term Liabilities | Not Available | $ 10,227,550 | $ 9,651,503 | $ 7,722,598 |
| Average Daily Attendance at P-2 | 736 | 719 | 699 | 673 |

The General Fund balance has increased by $1,680,820 over the past two years. The fiscal year 2024-2025 budget projects a decrease of $208,281 (3.15%). For a district this size, the State recommends available reserves of at least four percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2024-2025 fiscal year. Total long-term liabilities have increased by $2,504,952 over the past two years.

Average daily attendance has increased by 46 over the past two years. An increase of 17 ADA is anticipated during fiscal year 2024-2025.

[1] Financial information for 2025, 2023, and 2022 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all reserved for economic uncertainties and unassigned fund balances contained within the General Fund.
[3] General Fund amounts do not include activity related to the consolidation of the Special Reserve Non-Capital Fund and the Special Reserve Postemployment Benefits Fund as required by GASB Statement No. 54.

| | Student Activities Fund | Cafeteria Fund | Deferred Maintenance Fund | Pupil Transportation Equipment Fund | Foundation Fund | Capital Facilities Fund | Bond Interest and Redemption Fund | Total Non-Major Governmental Funds |
|---|---|---|---|---|---|---|---|---|
| Assets | | | | | | | | |
| Deposits and investments | $ 3,461 | $ 461,505 | $ 230,598 | $ 168,122 | $ 70,517 | $ 973,734 | $ 710,303 | $ 2,618,240 |
| Receivables | - | 20,376 | - | - | - | - | - | 20,376 |
| Due from other funds | - | - | 25,000 | - | - | - | - | 25,000 |
| Stores inventories | - | 4,440 | - | - | - | - | - | 4,440 |
| Total assets | $ 3,461 | $ 486,321 | $ 255,598 | $ 168,122 | $ 70,517 | $ 973,734 | $ 710,303 | $ 2,668,056 |
| Liabilities and Fund Balances | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable | $ - | $ 1,074 | $ - | $ - | $ - | $ 1,004 | $ - | $ 2,078 |
| Due to other funds | - | 15,914 | - | - | - | - | - | 15,914 |
| Unearned revenue | - | 1,605 | - | - | - | - | - | 1,605 |
| Total liabilities | - | 18,593 | - | - | - | 1,004 | - | 19,597 |
| Fund Balances | | | | | | | | |
| Nonspendable | - | 4,440 | - | - | - | - | - | 4,440 |
| Restricted | 3,461 | 463,288 | - | 168,122 | - | 972,730 | 710,303 | 2,317,904 |
| Committed | - | - | 255,598 | - | - | - | - | 255,598 |
| Assigned | - | - | - | - | 70,517 | - | - | 70,517 |
| Total fund balances | 3,461 | 467,728 | 255,598 | 168,122 | 70,517 | 972,730 | 710,303 | 2,648,459 |
| Total liabilities and fund balances | $ 3,461 | $ 486,321 | $ 255,598 | $ 168,122 | $ 70,517 | $ 973,734 | $ 710,303 | $ 2,668,056 |

# North County Joint Union School District

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds

Year Ended June 30, 2024

| | Student Activities Fund | Cafeteria Fund | Deferred Maintenance Fund | Pupil Transportation Equipment Fund | Foundation Fund | Capital Facilities Fund | Bond Interest and Redemption Fund | Total Non-Major Governmental Funds |
|---|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | | |
| Federal sources | $ - | $ 350,674 | $ - | $ - | $ - | $ - | $ - | $ 350,674 |
| Other State sources | - | 423,832 | - | - | - | - | 840 | 424,672 |
| Other local sources | 671 | 9,692 | 10,687 | 6,841 | 58,317 | 76,574 | 328,405 | 491,187 |
| Total revenues | 671 | 784,198 | 10,687 | 6,841 | 58,317 | 76,574 | 329,245 | 1,266,533 |
| Expenditures | | | | | | | | |
| Current | | | | | | | | |
| Pupil services | | | | | | | | |
| Food services | - | 606,305 | - | - | - | - | - | 606,305 |
| Administration | | | | | | | | |
| All other administration | - | 15,914 | - | - | - | - | - | 15,914 |
| Plant services | - | - | 43,978 | - | - | 6,795 | - | 50,773 |
| Ancillary services | 439 | - | - | - | - | - | - | 439 |
| Debt service | | | | | | | | |
| Principal | - | - | - | - | - | - | 195,000 | 195,000 |
| Interest and other | - | - | - | - | - | - | 82,118 | 82,118 |
| Total expenditures | 439 | 622,219 | 43,978 | - | 137,914 | 6,795 | 277,118 | 1,088,463 |
| Excess (Deficiency) of Revenues Over Expenditures | 232 | 161,979 | (33,291) | 6,841 | (79,597) | 69,779 | 52,127 | 178,070 |
| Other Financing Sources | | | | | | | | |
| Transfers in | - | - | 25,000 | - | - | - | - | 25,000 |
| Net Change in Fund Balances | 232 | 161,979 | (8,291) | 6,841 | (79,597) | 69,779 | 52,127 | 203,070 |
| Fund Balance - Beginning | 3,229 | 305,749 | 263,889 | 161,281 | 150,114 | 902,951 | 658,176 | 2,445,389 |
| Fund Balance - Ending | $ 3,461 | $ 467,728 | $ 255,598 | $ 168,122 | $ 70,517 | $ 972,730 | $ 710,303 | $ 2,648,459 |

See Notes to Supplementary Information

## Note 1 - Purpose of Schedules

### Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the North County Joint Union School District (the District) under programs of the federal government for the year ended June 30, 2024. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the North County Joint Union School District, it is not intended to and does not present the net position, changes in net position or fund balances of North County Joint Union School District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2024, the District had used such food commodities in the 2023-2024 fiscal year totaling $36,170.

### Schedule of Average Daily Attendance (ADA)

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

### Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

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

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

**Schedule of Financial Trends and Analysis**

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

**Non-Major Governmental Funds - Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**

These schedules are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Other Information
June 30, 2024

# North County Joint Union School District

**Organization**

The North County Joint Union School District was established in 1975 and consists of an area comprising approximately 190 square miles. The District operates one school serving grades TK through eighth. There were no boundary changes during the year.

**Governing Board**

| Member | Office | Term Expires |
|---|---|---|
| Ted Zanella | President | 2026 |
| Cindy King | Clerk | 2026 |
| John “CC” Biggs | Trustee | 2024 |
| Norma Nichols | Trustee | 2024 |
| Reneé Faught | Trustee | 2024 |

**Administration**

| | |
|---|---|
| Jennifer Bernosky | Superintendent/Principal |

Independent Auditor's Reports
June 30, 2024

# North County Joint Union School District

EideBailly

CPAs & BUSINESS ADVISORS

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Governing Board
North County Joint Union School District
Hollister, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North County Joint Union School District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2024.

**Report on Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

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

**North County Joint Union School District's Response to Finding**

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

**Purpose of this Report**

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

Fresno, California
December 10, 2024

**Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Governing Board
North County Joint Union School District
Hollister, California

**Report on Compliance for Each Major Federal Program**

***Opinion on the Major Federal Program***

We have audited North County Joint Union School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2024. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2024.

***Basis for Opinion on the Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

**Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance

requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Eide Bailly LLP

Fresno, California
December 10, 2024

## Independent Auditor's Report on State Compliance and on Internal Control Over Compliance

To the Governing Board
North County Joint Union School District
Hollister, California

### Report on Compliance

#### *Opinion on State Compliance*

We have audited North County Joint Union School District's (the District) compliance with the requirements specified in the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2024.

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

#### *Basis for Opinion*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

#### *Responsibilities of Management for Compliance*

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

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

| 2023-2024 K-12 Audit Guide Procedures | Procedures Performed |
|---|---|
| Local Education Agencies Other Than Charter Schools | |
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Independent Study | Not Applicable |
| Continuation Education | Not Applicable |
| Instructional Time | Yes |
| Instructional Materials | Yes |
| Ratios of Administrative Employees to Teachers | Yes |
| Classroom Teacher Salaries | Yes |

| 2023-2024 K-12 Audit Guide Procedures | Procedures Performed |
|---|---|
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | Not Applicable |
| GAAN Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| Juvenile Court Schools | Not Applicable |
| Middle or Early College High Schools | Not Applicable |
| K-3 Grade Span Adjustment | Yes |
| Apprenticeship: Related and Supplemental Instruction | Not Applicable |
| Comprehensive School Safety Plan | Yes |
| District of Choice | Not Applicable |
| Home to School Transportation Reimbursement | Yes |
| School Districts, County Offices of Education, and Charter Schools | Yes |
| Proposition 28 Arts and Music in Schools | Yes |
| After/Before School Education and Safety Program | Not Applicable |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study - Course Based | Not Applicable |
| Immunizations | Not Applicable |
| Educator Effectiveness | Yes |
| Expanded Learning Opportunities Grant (ELO-G) | Yes |
| Career Technical Education Incentive Grant | Not Applicable |
| Expanded Learning Opportunities Program | Yes |
| Transitional Kindergarten | Yes |
| Charter Schools | |
| Attendance | Not Applicable |
| Mode of Instruction | Not Applicable |
| Nonclassroom-Based Instruction/Independent Study | Not Applicable |
| Determination of Funding for Nonclassroom-Based Instruction | Not Applicable |
| Annual Instructional Minutes - Classroom Based | Not Applicable |
| Charter School Facility Grant Program | Not Applicable |

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

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

**Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with

a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Fresno, California
December 10, 2024

Schedule of Findings and Questioned Costs
June 30, 2024

# North County Joint Union School District

**Financial Statements**

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

**Federal Awards**

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

**Identification of major programs**

| Name of Federal Program or Cluster | Federal Financial Assistance Listing |
|---|---|
| COVID-19, Elementary and Secondary School Emergency Relief III (ESSER III) Fund), Learning Loss | 84.425U |
| COVID-19, Elementary and Secondary School Emergency Relief III (ESSER III) Fund) | 84.425U |
| COVID-19, Expanded Learning Opportunities (ELO) Grant ESSER III State Reserve Emergency Needs | 84.425U |
| COVID-19, Expanded Learning Opportunities (ELO) Grant ESSER III State Reserve Learning Loss | 84.425U |

| | |
|---|---|
| Dollar threshold used to distinguish between type A and type B programs | $ 750,000 |
| Auditee qualified as low-risk auditee? | Yes |

**State Compliance**

| | |
|---|---|
| Internal control over state compliance programs | |
| Material weaknesses identified | No |
| Significant deficiencies identified not considered to be material weaknesses | None Reported |
| Type of auditor's report issued on compliance for programs | Unmodified |

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

| Five Digit Code | AB 3627 Finding Type |
|---|---|
| 30000 | Internal Control |

**2024-001 30000 – Internal Control Over Financial Reporting**

**Criteria or Specific Requirements**

Management is responsible for the design, implementation, and maintenance of internal controls over financial reporting to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all entries used in the preparation of the District's financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

**Condition**

During our audit, we discovered a difference leading to a material audit adjustment to the unaudited financial statements. The difference was in the Special Reserve Fund for Capital Outlay Projects and was related to the accrual of goods and service for capital assets that had not been received by the District as of June 30, 2024. This error resulted in the unaudited financial statements not being prepared in accordance with GAAP.

**Context**

The condition was identified through inquiry with District personnel and review of available District records related to accounts payable and capital assets.

**Cause**

During the closing process for the 2023-2024 fiscal year, District staff accrued a liability in the amount of $625,310 for goods and services not received by the district by June 30, 2024.

**Effect**

The condition resulted in the incorrect reporting of the capital asset expenditure and the accounts payable balances as of June 30, 2024. Specifically, the following misstatements were noted.

<u>Major Governmental Fund</u>

The ending fund balance of the Special Reserve Fund for Capital Outlay Projects had an increase of $625,310 due to a reduction of an accounts payable and reduction of related capital asset expenditures.

Governmental Activities

The accumulated net effect of the above adjustments resulted in an increase to the Governmental Activities net position of $625,310.

**Repeat Finding**

No

**Recommendation**

We recommend management evaluate the internal control structure and consider changes as necessary that will ensure that the financial statements are free from potential misstatements and allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

**Corrective Action Plan and Views of Responsible Officials**

The District agrees that having a review of internal control system is an important part of the District's overall internal control process. The District will review and revise processes to monitor and implement necessary controls.

None reported.

None reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

**State Compliance Findings**

**2023-001 10000 – Attendance Accounting and Reporting**

**Criteria or Specific Requirements**

According to the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the California Code of Regulations and published by the Education Audit Appeals Panel, attendance reports must be amended for any change in ADA. [*Education Code* Sections 41341 (a)(1) and 14503 (a)]

**Condition**

During our audit of the North County Joint Union School District's P-Annual attendance report, we found minor differences between the average daily attendance on the attendance systems summary reports and the P-Annual Attendance Report. The differences are noted below:

| | Filed Annual Report | Under Reported ADA Per Audit | Adjusted Annual Report |
|---|---|---|---|
| Regular ADA | | | |
| Transitional kindergarten through third | 313.79 | 0.01 | 313.80 |
| Fourth through sixth | 218.94 | 5.35 | 224.29 |
| Seventh and eighth | 162.80 | 0.04 | 162.84 |
| Total regular ADA | 695.53 | 5.40 | 700.93 |

**Questioned Costs**

There are no questioned costs associated with this finding because the District has no programs funded on the P-Annual.

**Cause**

Adjustments were made to the source attendance data after the Annual reporting summary was run.

**Recommendation**

The District should revise and resubmit their P-Annual Attendance Report with the correct figures. Also, the District uses a separate excel worksheet to reconcile their average daily attendance to the attendance system and when there is a difference between the two, the District should determine which is correct and solve whatever problem is causing the difference, and then use the correct amounts.

**Current Status**

Implemented.