



Financial Statements
June 30, 2021

North Monterey County Unified School District

North Monterey County Unified School District

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June 30, 2021

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Independent Auditor's Report

To the Governing Board
North Monterey County Unified School District
Moss Landing, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Monterey County Unified School District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Monterey County Unified School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 16 to the financial statements, North Monterey County Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Monterey County Unified School District's financial statements. The combining non-major governmental fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining non-major governmental fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major governmental fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 1, 2022 on our consideration of North Monterey County Unified School 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 North Monterey County Unified School 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 North Monterey County Unified School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California
April 1, 2022



North Monterey County Unified School District

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INTRODUCTION

North Monterey County Unified School District's Mission: "An innovative community school system, we equip preschool (infants) to adult students with the skills, knowledge and attitudes they will need to pursue their life goals responsibly and creatively in a radically changing society."

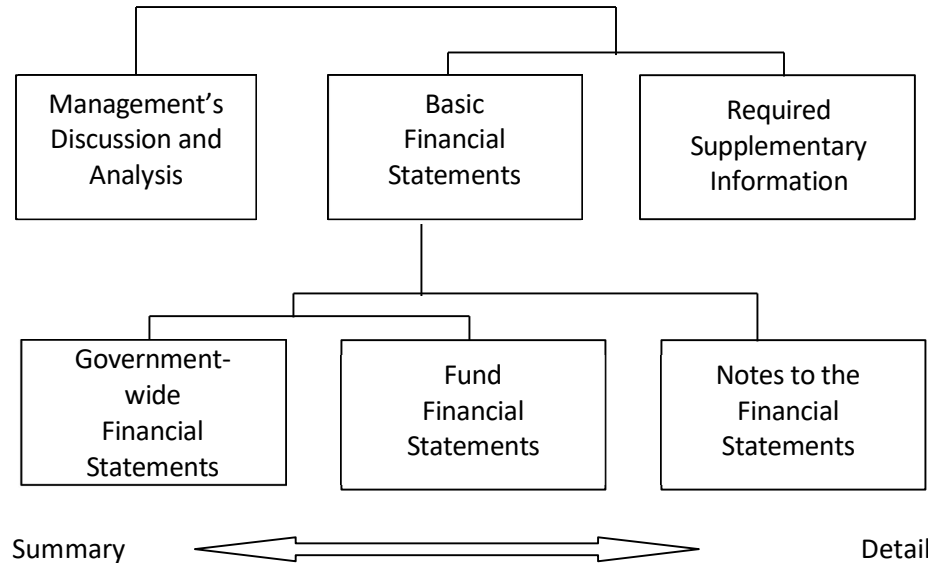
The discussion and analysis of North Monterey County Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021, with comparative information for the year ending June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report, notes to financial statements and the District's financial statements, as listed in the table of contents.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. These statements are organized so the reader can understand the North Monterey County Unified School District as a financial whole; an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Components of the Financial Section



The first two statements are *Government-Wide Financial Statements*, the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's more significant funds with all other non-major funds presented in total in one column. A comparison of the District's General Fund budget is included.

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

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the District as a whole.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health of the District.

- Increases or decreases in the net position of the District over time are indications of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

- **Governmental Funds**

Most of the District's activities are reported in governmental funds. The major governmental fund of the District in the current year is the General Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They 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 operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

- **Proprietary Funds**

Proprietary funds use the full accrual basis of accounting, the same as the District-wide statements. The District currently has one type of proprietary fund, an internal service fund. The internal service fund of the District is the Self-Insurance Fund used to account for the District's self-insured plan.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The District as a Whole

The District's net position was a deficit of \$6.1 million at June 30, 2021. Of this amount \$16.2 million was restricted. Net investment in capital assets accounted for \$12.4 million of the total net position. A comparative analysis of government-wide data is presented in Table 1.

Table 1
Comparative Statement of Net Position

	Governmental Activities	
	2021	2020 as Restated
Assets		
Current and other assets	\$ 44,980,786	\$ 29,103,792
Capital assets	50,152,361	49,607,412
Total assets	95,133,147	78,711,204
Deferred outflows of resources	16,695,542	18,373,818
Liabilities		
Current liabilities	7,846,726	4,216,835
Long-term liabilities	108,799,109	104,599,920
Total liabilities	116,645,835	108,816,755
Deferred inflows of resources	1,293,575	2,949,430
Net Position		
Net investment in capital assets	12,375,177	10,544,901
Restricted	16,201,453	9,683,637
Unrestricted (deficit)	(34,687,351)	(34,909,701)
Total net position (deficit)	\$ (6,110,721)	\$ (14,681,163)

The District's net position was a deficit of \$6.1 million for the fiscal year ended June 30, 2021. Of this amount, a deficit of \$34.7 million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the school board's ability to use that net position for day to day operations. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities.

The outstanding long-term liabilities of \$108.8 million includes net pension liability and installments of voter-approved general obligation bonds. The voters authorized a total of \$20.8 million of bonded debt in 2002 and \$23.8 million in 2013. Long-term liabilities also include liabilities for a capital lease, employee compensated absences, retiree benefit agreement and early retirement incentives. Additionally, the District has \$3.8 million in Certificates of Participation (COP) outstanding (See Table 5 for details).

The District has completed major modernization and construction of new school facilities. The COP issuance provided the required matching funds for state construction grants. Of the \$16.6 million in restricted balances, \$0.6 million consists of developer fee funds restricted for projects.

The District's net position increased \$8.6 million this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 81.0 percent of total expenses. The purely administrative activities of the District accounted for just eight percent of total costs. The remaining 11.0 percent was spent in the areas of plant services, interest on long-term liabilities and other outgo and other expenses (See Table 2).

The cost of all governmental activities this year was \$81.6 million. However, the amount our taxpayers ultimately financed through local taxes for activities other than debt service was only \$19.2 million. The amount that was financed by other government agencies and organizations that subsidized certain programs with grants and contributions was \$27.2 million.

The remaining revenue consisted of federal and state aid not restricted to a specific purpose of \$32.9 million, capital grants and contributions of \$3.9 million and of \$3.8 million in charges for services, other local grants, and interest income. Taxes levied for debt service accounted for \$2.3 million. This is based on General Obligation Bonds approved by the electorate in November 2002 and November 2013.

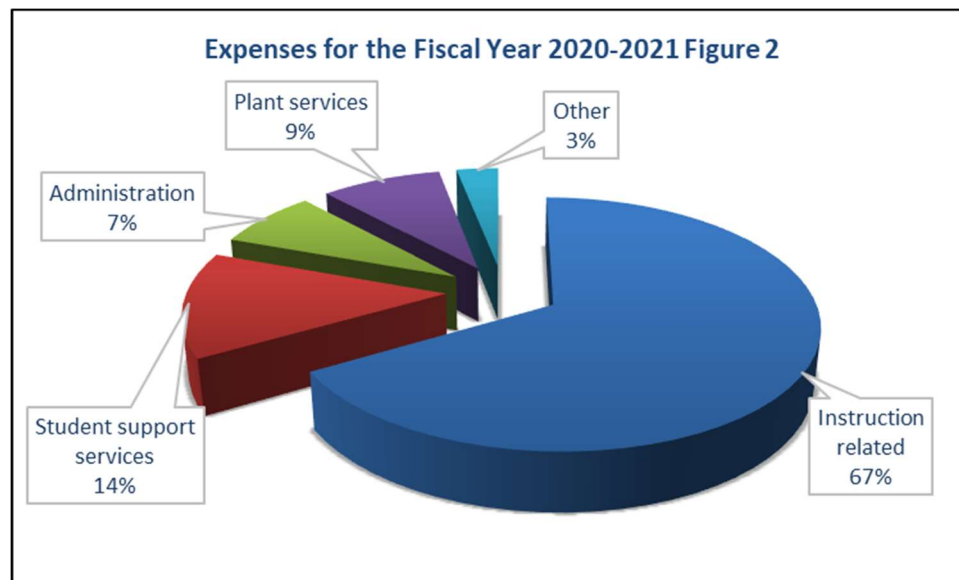
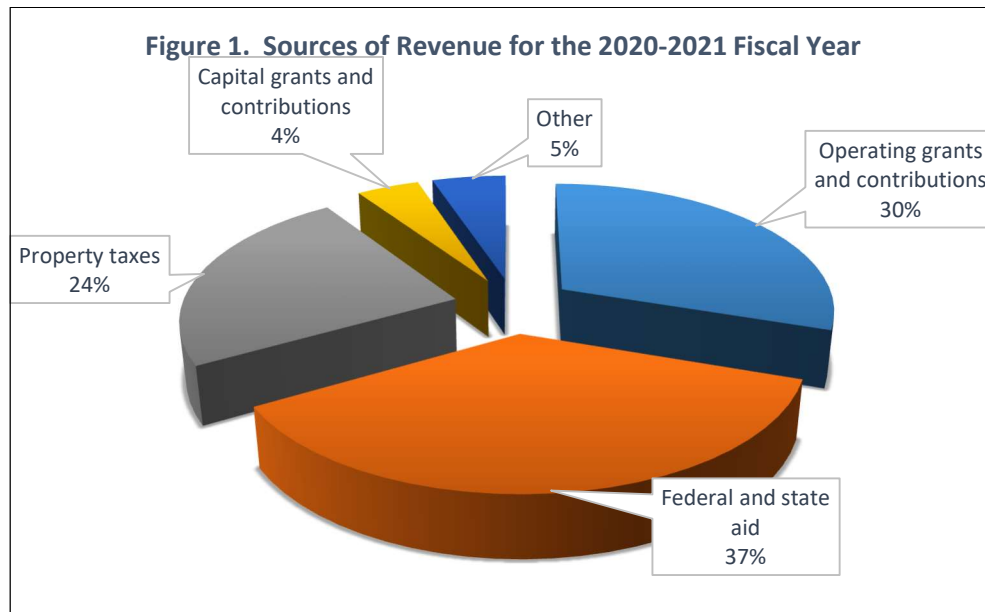
Table 2
Comparative Statement of Changes in Net Position

	Governmental Activities	
	2021	2020*
Revenues		
Program revenues		
Charges for services	\$ 66,568	\$ 92,078
Operating grants and contributions	27,225,855	15,014,671
Capital grants and contributions	3,878,002	-
General revenues		
Federal and State aid not restricted	32,900,446	34,238,882
Property taxes	21,539,795	20,567,766
Other general revenues	4,555,903	2,693,073
Total revenues	<u>90,166,569</u>	<u>72,606,470</u>
Expenses		
Instruction-related	54,360,491	50,061,804
Pupil services	11,334,775	11,169,811
Administration	6,190,144	5,165,774
Plant services	7,162,052	6,935,990
All other services	2,548,665	2,854,213
Total expenses	<u>81,596,127</u>	<u>76,187,592</u>
Change in net position	<u>\$ 8,570,442</u>	<u>\$ (3,581,122)</u>

* The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$81.6 million. The amount that our local taxpayers financed for these activities through property taxes was \$21.5 million. Federal and State aid not restricted to specific purposes totaled \$32.9 million. State and Federal Categorical revenue totaled over \$27.2 million, or 30.0 percent of the revenue of the entire District (See Figure 1).



In Table 3, we have presented the 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
District's Cost of Services

	Total Cost of Services		Net Cost of Services	
	2021	2020*	2021	2020*
Instruction-related	\$ 54,360,491	\$ 50,061,804	\$ (34,949,042)	\$ (41,022,048)
Pupil services	11,334,775	11,169,811	(4,080,585)	(6,553,790)
Administration	6,190,144	5,165,774	(4,514,279)	(4,556,689)
Plant services	7,162,052	6,935,990	(5,659,682)	(6,804,040)
All other services	2,548,665	2,854,213	(1,222,114)	(2,144,276)
Total	\$ 81,596,127	\$ 76,187,592	\$ (50,425,702)	\$ (61,080,843)

* The total cost of services and net cost of services for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$36.9 million an increase of \$12.2 million from the previous fiscal year's combined ending balance of \$24.7 million. The General Fund increased by \$8.4 million primarily due to increased Federal and State funding the District received because of the COVID-19 pandemic. The Child Development Fund increased 0.2 million primarily due to increased Federal and State revenues received. The Building Fund decreased \$0.6 million due to ongoing construction project costs. The Debt Service Fund increased \$3.2 million due to the District receiving \$3.9 million in Office of Public School Construction revenue for a project completed in prior year. The District's remaining Non-Major Governmental Funds increased by \$1.1 million primarily from increased State and Federal revenues received for the Cafeteria Fund child nutrition programs.

Table 4
District's Fund Balances

Governmental Fund	Balances and Activity			June 30, 2021
	July 1, 2020 as Restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	
General	\$ 15,414,217	\$ 74,642,409	\$ 66,281,286	\$ 23,775,340
Student Activities	191,872	63,426	55,801	199,497
Adult Education	140,141	419,729	442,333	117,537
Child Development	496,819	2,723,614	2,553,185	667,248
Cafeteria	2,079,834	4,900,180	3,578,245	3,401,769
Deferred Maintenance	805,016	8,168	283,294	529,890
Building	1,029,810	10,031	634,210	405,631
Capital Facilities	473,062	167,395	23,262	617,195
Special Reserve Fund for Capital Outlay Projects	168,853	1,567	129,200	41,220
Bond Interest and Redemption	1,675,855	2,352,258	2,303,956	1,724,157
Debt Service	2,218,106	4,139,076	900,550	5,456,632
Total	<u>\$ 24,693,585</u>	<u>\$ 89,427,853</u>	<u>\$ 77,185,322</u>	<u>\$ 36,936,116</u>

Financial Condition of the General Fund

The State of California requires that all school districts maintain a minimum reserve balance of three (3) percent in unrestricted funds of total operating expenditures. The North Monterey County Unified School District meets this requirement.

Since the 2013-2014 implementation of the Local Control Funding Formula (LCFF) which revamped the State funding structure by eliminating Revenue Limits and instead implemented a three (3)-tiered formula/calculation involving base, supplemental and concentration grants; districts experienced an increase in revenue from LCFF implementation through the 2018-2019 FY, when full-funding target was met. The revamping of the state funding structure had multiple purposes which include, correcting historical inequities, restoring revenue back to the pre-Great Recession funding levels, decreasing previous constraints on restricted program expenses, transparency in funding and local control, accountability and flexibility.

Because the LCFF has reached its full-funding the district's revenue has moved into a Cost of Living Adjustment (COLA) environment only. This shift has slowed future increases in revenue. For the 2020-2021 FY the district's revenue received a 0% COLA increase. The unpredictable and unstable COLA only funding environment emphasizes the need for districts to maintain larger reserves. In addition to revenue slowing based on COLA only, the COVID-19 Pandemic has ravaged the State's economy, resulting in state deferrals. All of which could affect the future revenue potential for districts and deeming a higher reserve even more critical than before. Unexpectedly, the district did receive an influx of one-time funds to help off-set additional costs brought on as a result of the COVID-19 Pandemic.

Keeping in mind that one-time revenue should not be used for ongoing costs. The district's budget is further complicated by the on-going increases in Health and Welfare, the State Teachers' Retirement System (STRS), and the Public Employees Retirement System (PERS). In addition, the required increase in minimum wage, mandatory increase in step and column, increase in operating costs (increased due to COVID-19), and compensation demands, all put added strain on the district's limited revenue and the ability to maintain enough reserve balances.

Looking ahead, there will continue to be instability and uncertainty around district funds, due to the pandemic and most recently the wildfires. Future predictions and uncertainties with the changes to the State funding formula require management to plan carefully and prudently to provide the necessary resources to meet students' needs and continue to keep pace with inflation increases over the next several years. This all while, economic indicators are pointing toward a future slow down which most likely will have a negative impact on the district's revenues.

General Fund Budgetary Highlights

The District's General Unrestricted Fund actual revenue was \$53.4 million. The District's unrestricted expenditures were \$39.8 million, prior to Other Financing Sources/Uses, with actual expenditures totaling \$46.2 million. One-time federal funds aided in off-setting some approved costs within the Unrestricted General Fund.

The Unaudited Actuals indicate the district's unrestricted ending fund balance is \$19.7 million. The fund balance is assigned based on identified needs related to the following: COVID-19 Personal Protective Equipment (PPE), sanitization and other cleaning supplies, distance learning instructional needs such as technology infrastructure updates, devices, etc., pending textbook adoptions, and pending deferrals currently projected between \$7.5 and \$8.5 million dollars.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District uses \$5,000 as its capitalization threshold. By the end of the 2020-2021 fiscal year, the District had invested \$118.7 million in a broad range of capital assets, including school buildings, athletic facilities, administrative buildings, site improvements, vehicles, and equipment. Capital assets, net of \$68.6 million of accumulated depreciation, were \$50.2 million at June 30, 2021, which is an increase of \$0.6 million from the previous year.

Table 5
Comparative Schedule of Capital Assets (Net of Depreciation)

	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 8,079,500	\$ 4,850,591
Buildings and improvements	40,032,329	43,219,999
Equipment	2,040,532	1,536,822
Total	<u>\$ 50,152,361</u>	<u>\$ 49,607,412</u>

This year's additions of \$4.3 million included the on-going modular classroom & site improvements project at Central Bay High School, on-going construction of the transportation building at FMOT and, ionizer heaters and HVAC.

Long-Term Liabilities

At the end of this year, the District had \$108.8 million in liabilities outstanding versus \$104.6 million last year, an increase of \$4.2 million or 4.0 percent. Those liabilities consisted of:

Table 6
Comparative Schedule of Outstanding Debt

	Governmental Activities	
	2021	2020
Long-Term Liabilities		
General obligation bonds	\$ 30,395,000	\$ 31,495,000
Certificates of participation	3,780,000	4,380,000
Unamortized premiums	1,473,803	1,615,138
Capital leases	2,427,692	2,482,710
Early retirement liabilities	77,478	132,061
Retiree benefits agreement	58,586	65,096
Compensated absences	143,052	161,931
Net OPEB liability (Medicare Premium Payment Program)	320,783	284,084
Aggregate net pension liability	<u>70,122,715</u>	<u>63,983,900</u>
Total	<u>\$ 108,799,109</u>	<u>\$ 104,599,920</u>

The District continues to maintain sufficient credit ratings on its debt issues.

At year-end, the District has a net pension liability of \$70.1 million versus \$64.0 million last year, an increase of \$6.1 million. The District also reported deferred outflows of resources from pension activities of \$16.7 million, and deferred inflows of resources from pension activities of \$1.2 million. The net impact on the District's net position of these pension related items is \$(54.6) million.

ENROLLMENT AND AVERAGE DAILY ATTENDANCE

Enrollment and Average Daily Attendance (ADA) trends are significant factors in the budgeting process. Specifically, the District's supplemental and concentration grant funding under LCFF are reliant on the number of unduplicated pupil counts. The District's enrollment for the 2020-2021 FY on California Basic Educational Data Systems (CBEDS) day was 4,582. Fluctuation in enrollment and ADA continues to create an unstable budget environment.

FOR THE FUTURE

With revenue slowing and deferrals looming, there is continued uncertainty around state revenue; North Monterey County Unified School District ended the 2020-2021 FY with stable financials. However, District leaders must be mindful of the flat and or declining revenue and remain diligent about monitoring and adjusting spending as needed to ensure financial stability in the future, especially in light state cash deferrals.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Mary E. Dawson, Assistant Superintendent of Business Services for the North Monterey County Unified School District, 8142 Moss Landing Road, Moss Landing, California 95039-9617.

North Monterey County Unified School District

Statement of Net Position

June 30, 2021

	Governmental Activities
Assets	
Deposits and investments	\$ 31,980,011
Receivables	12,914,520
Prepaid expense	36,595
Stores inventories	49,660
Capital assets not depreciated	8,079,500
Capital assets, net of accumulated depreciation	42,072,861
Total assets	95,133,147
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	16,695,542
Liabilities	
Accounts payable	6,454,316
Unearned revenue	1,392,410
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	1,875,757
Long-term liabilities other than OPEB and pensions due in more than one year	36,479,854
Net other postemployment benefits liability (OPEB)	320,783
Aggregate net pension liabilities	70,122,715
Total liabilities	116,645,835
Deferred Inflows of Resources	
Deferred charge on refunding	106,320
Deferred inflows of resources related to pensions	1,187,255
Total deferred inflows of resources	1,293,575
Net Position	
Net investment in capital assets	12,375,177
Restricted for	
Debt service	7,180,789
Capital projects	617,195
Educational programs	5,338,608
Food service	2,865,364
Student activities	199,497
Unrestricted (deficit)	(34,687,351)
Total net position (deficit)	\$ (6,110,721)

North Monterey County Unified School District

Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 45,357,588	\$ 15,911	\$ 13,352,522	\$ 3,878,002	\$ (28,111,153)
Instruction-related activities					
Supervision of instruction	3,360,898	8,094	1,401,659	-	(1,951,145)
Instructional library, media, and technology	264,281	-	2,424	-	(261,857)
School site administration	5,377,724	3,111	749,726	-	(4,624,887)
Pupil services					
Home-to-school transportation	2,629,651	-	828,369	-	(1,801,282)
Food services	3,759,325	75	4,659,866	-	900,616
All other pupil services	4,945,799	1,369	1,764,511	-	(3,179,919)
Administration					
Data processing	2,183,089	-	837,683	-	(1,345,406)
All other administration	4,007,055	1,496	836,686	-	(3,168,873)
Plant services	7,162,052	2,602	1,499,768	-	(5,659,682)
Ancillary services	239,182	-	3,879	-	(235,303)
Enterprise services	80,724	122	9,567	-	(71,035)
Interest on long-term liabilities	1,592,845	-	-	-	(1,592,845)
Other outgo	635,914	33,788	1,279,195	-	677,069
Total governmental activities	<u>\$ 81,596,127</u>	<u>\$ 66,568</u>	<u>\$ 27,225,855</u>	<u>\$ 3,878,002</u>	<u>(50,425,702)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					19,202,675
Property taxes, levied for debt service					2,337,120
Federal and State aid not restricted to specific purposes					32,900,446
Interest and investment earnings					271,390
Miscellaneous					<u>4,284,513</u>
Subtotal, general revenues					<u>58,996,144</u>
Change in Net Position					8,570,442
Net Position - Beginning, as Restated					<u>(14,681,163)</u>
Net Position - Ending (deficit)					<u>\$ (6,110,721)</u>

North Monterey County Unified School District

Balance Sheet – Governmental Funds

June 30, 2021

	General Fund	Child Development Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Deposits and investments	\$ 19,250,960	\$ 795,137	\$ 628,638	\$ 5,443,494	\$ 5,664,294	\$ 31,782,523
Receivables	11,164,214	653,588	1,479	13,138	1,081,645	12,914,064
Due from other funds	7,585	2,453	-	-	2,655	12,693
Prepaid expenditures	30,799	-	-	-	5,796	36,595
Stores inventories	-	-	-	-	49,660	49,660
Total assets	\$ 30,453,558	\$ 1,451,178	\$ 630,117	\$ 5,456,632	\$ 6,804,050	\$ 44,795,535
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 5,990,742	\$ 75,482	\$ 224,486	\$ -	\$ 163,606	\$ 6,454,316
Due to other funds	5,108	188	-	-	7,397	12,693
Unearned revenue	682,368	708,260	-	-	1,782	1,392,410
Total liabilities	6,678,218	783,930	224,486	-	172,785	7,859,419
Fund Balances						
Nonspendable	35,799	-	-	-	55,456	91,255
Restricted	4,961,407	284,073	405,631	5,456,632	5,499,341	16,607,084
Committed	-	-	-	-	554,299	554,299
Assigned	16,789,134	383,175	-	-	522,169	17,694,478
Unassigned	1,989,000	-	-	-	-	1,989,000
Total fund balances	23,775,340	667,248	405,631	5,456,632	6,631,265	36,936,116
Total liabilities and fund balances	\$ 30,453,558	\$ 1,451,178	\$ 630,117	\$ 5,456,632	\$ 6,804,050	\$ 44,795,535

North Monterey County Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total Fund Balance - Governmental Funds		\$ 36,936,116
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	\$ 118,722,781	
Accumulated depreciation is	<u>(68,570,420)</u>	
Net capital assets		50,152,361
An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		
		197,944
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		
Net pension liability		16,695,542
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		
Debt refundings (deferred charge on refunding)	(106,320)	
Net pension liability	<u>(1,187,255)</u>	
Total deferred inflows of resources		(1,293,575)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(70,122,715)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(320,783)
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	(31,868,803)	
Certificates of participation	(3,780,000)	
Capital leases	(2,427,692)	
Compensated absences (vacations)	(143,052)	
Early retirement	(77,478)	
Retiree benefits agreement	<u>(58,586)</u>	
Total long-term liabilities		<u>(38,355,611)</u>
Total net position - governmental activities		<u>\$ (6,110,721)</u>

North Monterey County Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Child Development Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Local control funding formula	\$ 51,099,323	\$ -	\$ -	\$ -	\$ -	\$ 51,099,323
Federal sources	9,419,706	50,715	-	224,691	4,558,734	14,253,846
Other State sources	9,408,944	2,106,278	-	3,878,002	754,630	16,147,854
Other local sources	3,248,109	566,621	10,031	36,383	2,599,359	6,460,503
Total revenues	73,176,082	2,723,614	10,031	4,139,076	7,912,723	87,961,526
Expenditures						
Current						
Instruction	37,512,734	1,297,094	-	-	268,431	39,078,259
Instruction-related activities						
Supervision of instruction	1,913,915	669,877	-	-	46,175	2,629,967
Instructional library, media, and technology	210,854	-	-	-	-	210,854
School site administration	4,469,718	258,551	-	-	108,527	4,836,796
Pupil services						
Home-to-school transportation	2,634,644	-	-	-	-	2,634,644
Food services	54,114	-	-	-	3,405,929	3,460,043
All other pupil services	4,038,108	159,544	-	-	-	4,197,652
Administration						
Data processing	2,090,980	-	-	-	-	2,090,980
All other administration	3,220,393	128,051	-	-	188,417	3,536,861
Plant services	6,409,239	40,068	-	-	291,274	6,740,581
Ancillary services	178,187	-	-	-	55,801	233,988
Other outgo	635,914	-	-	-	-	635,914
Enterprise services	73,428	-	-	-	(2,596)	70,832
Facility acquisition and construction	2,695,701	-	634,210	-	150,177	3,480,088
Debt service						
Principal	55,018	-	-	600,000	1,100,000	1,755,018
Interest and other	88,339	-	-	300,550	1,203,956	1,592,845
Total expenditures	66,281,286	2,553,185	634,210	900,550	6,816,091	77,185,322
Excess (Deficiency) of Revenues Over Expenditures	6,894,796	170,429	(624,179)	3,238,526	1,096,632	10,776,204
Other Financing Sources						
Other sources - insurance settlement	1,466,327	-	-	-	-	1,466,327
Net Change in Fund Balances	8,361,123	170,429	(624,179)	3,238,526	1,096,632	12,242,531
Fund Balance - Beginning, as Restated	15,414,217	496,819	1,029,810	2,218,106	5,534,633	24,693,585
Fund Balance - Ending	\$ 23,775,340	\$ 667,248	\$ 405,631	\$ 5,456,632	\$ 6,631,265	\$ 36,936,116

North Monterey County Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 12,242,531

Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlays exceeds depreciation in the period.

Depreciation expense	\$ (3,767,521)
Capital outlays	<u>4,312,470</u>

Net expense adjustment	544,949
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In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used. 73,462

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. (6,174,389)

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. (36,699)

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

Premium amortization	141,335
Deferred charge on refunding amortization	13,153

North Monterey County Unified School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2021

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	1,100,000
Certificates of participation	600,000
Capital leases	55,018

In the current year, a District retiree benefits agreement payment was recognized in the Government-Wide Financial Statements.	6,510
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An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

4,572

Change in net position of governmental activities

\$ 8,570,442

North Monterey County Unified School District
Statement of Net Position – Proprietary Funds
June 30, 2021

	<u>Self Insurance Internal Service Fund</u>
Assets	
Current assets	
Deposits and investments	\$ 197,488
Receivables	<u>456</u>
Total current assets	<u><u>\$ 197,944</u></u>
Net Position	
Restricted	<u><u>\$ 197,944</u></u>

North Monterey County Unified School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2021

	Self Insurance Internal Service Fund
Operating Revenues	
Charges for services	<u>\$ 2,327</u>
Operating Expenses	
Other operating cost	<u>-</u>
Operating Income	<u>2,327</u>
Nonoperating Revenues	
Interest income	<u>2,245</u>
Change in Net Position	4,572
Total Net Position - Beginning	<u>193,372</u>
Total Net Position - Ending	<u><u>\$ 197,944</u></u>

North Monterey County Unified School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021

	Self Insurance Internal Service Fund
Operating Activities	
Cash receipts from customers	\$ 2,941
Investing Activities	
Interest on investments	2,245
Net Change in Cash and Cash Equivalents	5,186
Cash and Cash Equivalents, Beginning	192,302
Cash and Cash Equivalents, Ending	\$ 197,488
Reconciliation of Operating Income to Net Cash From Operating Activities	
Operating income	\$ 2,327
Changes in assets and liabilities	
Receivables	614
Net Cash From Operating Activities	\$ 2,941

Note 1 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The North Monterey County Unified School District was organized on July 1, 1977, 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 K - 12 as mandated by the State and/or Federal agencies. The District consists of four elementary schools, one middle school, one comprehensive high school, an independent study program, a continuation school, and an adult education program.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For North Monterey County Unified 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 on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are comprised of governmental funds.

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.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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

Debt Service Fund The Debt Service Fund is used for the accumulation of resources for and the retirement of principal and interest on the District's certificates of participation.

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.
- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **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).

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).
- **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).

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 a district (*Education Code* Sections 15125-15262).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

- **Internal Service Fund** Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a Self Insurance Fund internal service fund that accounts for dental and vision coverage.

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. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

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

Net position should be reported as restricted when constraints placed on net position 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 financial statements is on major funds rather than reporting funds by type. The major fund is presented in a separate column. Non-major 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.

- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

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, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with County Treasury balances for purposes of the statement of cash flows.

Investments

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

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 weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds.

Capital Assets and Depreciation

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.

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.

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.

Accounts Payable and Long-Term Liabilities

Accounts payable and long-term liabilities are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as liabilities of the funds.

Debt Premiums

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums are amortized over the life of the debt using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/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.

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 for deferred charges on refunding of debt and for pension related items.

The deferred amounts related to pension relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension related changes.

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 by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium payment (MPP) Program and additions to/deductions from the MPP's fiduciary net position have been determined on the same basis as they are reported by the MPP. For this purpose, the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. The MPP fiduciary net position reports investments 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 net OPEB liability attributable to the governmental activities will be paid primarily by the fund for which the employee worked.

Fund Balances - Governmental Funds

As of June 30, 2021, 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 designee 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 three percent 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 \$16,201,453 of restricted net position.

Interfund Activity

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general revenues.

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 on the financial statements. Interfund transfers are eliminated in the governmental activities column 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 Monterey bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles**Implementation of GASB Statement No. 84**

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activities from fiduciary to governmental. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 16.

New Accounting Pronouncements

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

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

Note 2 - Deposits and Investments**Summary of Deposits and Investments**

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

Governmental funds	\$ 31,782,523
Proprietary funds	<u>197,488</u>
Total deposits and investments	<u><u>\$ 31,980,011</u></u>

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

Cash on hand and in banks	\$ 939,231
Cash in revolving	5,000
Investments	<u>31,035,780</u>
Total deposits and investments	<u><u>\$ 31,980,011</u></u>

Policies and Practices

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

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

General Authorizations

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

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

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 \$31,035,780 in the Monterey County Treasury Investment Pool that has an average weighted maturity of 604 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations 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 with the Monterey County Treasury Investment Pool is currently not rated, nor is it required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, none of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Receivables

Receivables at June 30, 2021, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Child Development Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government								
Categorical aid	\$ 2,626,461	\$ -	\$ -	\$ -	\$ 96,631	\$ 2,723,092	\$ -	\$ 2,723,092
State Government								
LCFF apportionment	6,690,145	-	-	-	-	6,690,145	-	6,690,145
State grants and entitlements	1,753,954	646,793	-	-	107,440	2,508,187	-	2,508,187
Local Sources	93,654	6,795	1,479	13,138	877,574	992,640	456	993,096
Total	<u>\$ 11,164,214</u>	<u>\$ 653,588</u>	<u>\$ 1,479</u>	<u>\$ 13,138</u>	<u>\$ 1,081,645</u>	<u>\$ 12,914,064</u>	<u>\$ 456</u>	<u>\$ 12,914,520</u>

North Monterey County Unified School District

Notes to Financial Statements

June 30, 2021

Note 4 - Capital Assets

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

	Balance July 1, 2020	Additions	Balance June 30, 2021
Governmental Activities			
Capital assets not being depreciated			
Land	\$ 1,061,512	\$ -	\$ 1,061,512
Construction in progress	3,789,079	3,228,909	7,017,988
Total capital assets not being depreciated	4,850,591	3,228,909	8,079,500
Capital assets being depreciated			
Land improvements	19,317,273	-	19,317,273
Buildings and improvements	82,080,907	207,668	82,288,575
Furniture and equipment	8,161,540	875,893	9,037,433
Total capital assets being depreciated	109,559,720	1,083,561	110,643,281
Total capital assets	114,410,311	4,312,470	118,722,781
Accumulated depreciation			
Land improvements	(9,430,493)	(629,942)	(10,060,435)
Buildings and improvements	(48,747,688)	(2,765,396)	(51,513,084)
Furniture and equipment	(6,624,718)	(372,183)	(6,996,901)
Total accumulated depreciation	(64,802,899)	(3,767,521)	(68,570,420)
Governmental activities capital assets, net	\$ 49,607,412	\$ 544,949	\$ 50,152,361

Depreciation expense was charged to functional expenditures as follows:

Governmental Activities	
Instruction	\$ 2,034,461
Supervision of instruction	414,427
Instructional library, media, and technology	37,675
Home-to-school transportation	150,701
Food services	188,376
All other pupil services	226,051
All other administration	226,051
Plant services	489,779
Total depreciation expenses governmental activities	\$ 3,767,521

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, 2021, between major and non-major governmental funds are as follows:

<u>Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds		
General	\$ 7,585	\$ 5,108
Child Development	2,453	188
Non-Major Governmental Fund		
Cafeteria	2,655	7,397
Total	\$ 12,693	\$ 12,693
The General Fund owes the Child Development Fund to reclass payroll expenses.		\$ 2,453
The General Fund owes the Cafeteria Non-Major Governmental Fund for unpaid meals.		2,655
The Child Development Fund owes the General Fund for indirect costs.		188
The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs.		7,397
Total		\$ 12,693

Note 6 - Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) at June 30, 2021, consist of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
2021-2022 Behavior alert software	\$ 30,799	\$ -	\$ 30,799
2021-2022 Site health permits	-	5,796	5,796
Total	\$ 30,799	\$ 5,796	\$ 36,595

North Monterey County Unified School District

Notes to Financial Statements

June 30, 2021

Note 7 - Accounts Payable

Accounts payable at June 30, 2021, consists of the following:

	General Fund	Child Development Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Vendor payables	\$ 2,503,809	\$ 71,096	\$ 224,486	\$ 133,605	\$ 2,932,996
LCFF apportionment	889,187	-	-	-	889,187
Salaries and benefits	2,597,746	4,386	-	30,001	2,632,133
	<u>5,990,742</u>	<u>75,482</u>	<u>224,486</u>	<u>163,606</u>	<u>6,454,316</u>
Total	<u>\$ 5,990,742</u>	<u>\$ 75,482</u>	<u>\$ 224,486</u>	<u>\$ 163,606</u>	<u>\$ 6,454,316</u>

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2021, consists of the following:

	General Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal financial assistance	\$ 141,504	\$ -	\$ -	\$ 141,504
State categorical aid	540,864	708,260	-	1,249,124
Other local	-	-	1,782	1,782
	<u>682,368</u>	<u>708,260</u>	<u>1,782</u>	<u>1,392,410</u>
Total	<u>\$ 682,368</u>	<u>\$ 708,260</u>	<u>\$ 1,782</u>	<u>\$ 1,392,410</u>

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, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 31,495,000	\$ -	\$ (1,100,000)	\$ 30,395,000	\$ 1,165,000
Certificates of participation	4,380,000	-	(600,000)	3,780,000	610,000
Unamortized debt premiums	1,615,138	-	(141,335)	1,473,803	-
Capital leases	2,482,710	-	(55,018)	2,427,692	53,199
Early retirement liabilities	132,061	-	(54,583)	77,478	41,699
Compensated absences	161,931	-	(18,879)	143,052	-
Retiree benefits agreement	65,096	-	(6,510)	58,586	5,859
Total	<u>\$ 40,331,936</u>	<u>\$ -</u>	<u>\$ (1,976,325)</u>	<u>\$ 38,355,611</u>	<u>\$ 1,875,757</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. Payments for the Certificates of Participation are made by the Debt Service Fund. The capital leases are paid by the General Fund. The compensated absences, retiree benefits agreement, and early retirement obligation will be paid by the fund for which the employee worked.

General Obligation Bonds

On October 23, 2012, the District issued 2012 General Obligation Refunding Bonds in the principal amount of \$4,425,000. The Bonds were issued to refund, on an advance basis, the portion of the District's outstanding Election of 2002, Series A General Obligation Bonds maturing on and after August 1, 2014, and to pay the costs of issuance of the Bonds. The Bonds mature through August 1, 2027.

On May 14, 2014, the District issued Election of 2013, Series A General Obligation Bonds in the principal amount of \$15,500,000. The Bonds were issued to finance the acquisition and construction of educational facilities and projects, and to pay the costs of issuance of the Bonds. The bonds were issued as current interest bonds with interest payable semiannually on May 1 and November 1 of each year, commencing November 1, 2014. The Bonds mature through May 1, 2044.

On August 3, 2016, the District issued Election of 2013, Series B General Obligation Bonds in the principal amount of \$8,300,000. The Series B Bonds represent the second and last issue of bonds under the 2013 Authorization. The Bonds were issued to finance the acquisition and construction of educational facilities and projects, and to pay the costs of issuance of the Bonds. The bonds were issued as current interest bonds with interest payable semiannually on May 1 and November 1 of each year, commencing February 1, 2017. The Bonds mature through May 1, 2044.

North Monterey County Unified School District

Notes to Financial Statements

June 30, 2021

On August 3, 2016, the District issued \$8,340,000 of 2016 General Obligation Refunding Bonds. The bonds were issued for the purpose of refunding, on a current basis, the District's outstanding General Obligation Bonds, Election of 2002, Series B. The refunding bonds were issued as current interest bonds with interest payable semiannually on February 1 and August 1 of each year, commencing February 1, 2017. The Bonds mature through August 1, 2029.

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Redeemed	Bonds Outstanding June 30, 2021
2013	2028	2.50	\$ 4,425,000	\$ 2,690,000	\$ (310,000)	\$ 2,380,000
2014	2044	2.00-4.00	15,500,000	14,240,000	(120,000)	14,120,000
2017	2044	2.50	8,300,000	7,810,000	(120,000)	7,690,000
2017	2030	2.00-4.00	8,340,000	6,755,000	(550,000)	6,205,000
Total				<u>\$ 31,495,000</u>	<u>\$ (1,100,000)</u>	<u>\$ 30,395,000</u>

Debt Service Requirements to Maturity

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2022	\$ 1,165,000	\$ 1,168,845	\$ 2,333,845
2023	1,240,000	1,131,380	2,371,380
2024	1,305,000	1,091,676	2,396,676
2025	1,390,000	1,044,562	2,434,562
2026	1,470,000	990,427	2,460,427
2027-2031	6,700,000	4,083,462	10,783,462
2032-2036	4,665,000	3,000,236	7,665,236
2037-2041	6,965,000	1,840,800	8,805,800
2042-2044	5,495,000	412,100	5,907,100
Total	<u>\$ 30,395,000</u>	<u>\$ 14,763,488</u>	<u>\$ 45,158,488</u>

Certificates of Participation

On July 14, 2010, the District issued 2010 Certificates of Participation in the principal amount of \$10,000,000. The Certificates are designated as Qualified School Construction Bonds under which the District receives Federal subsidy payments which are pledged to the payment of interest on the Certificates. The Certificates were issued to finance various capital projects of the District, to fund a reserve fund surety for the lease payments, and to pay costs of executing and delivering the Certificates. Interest on the Certificates ranges from 5.75 to 7.00 percent and is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2010.

North Monterey County Unified School District

Notes to Financial Statements

June 30, 2021

The 2010 Certificates of Participation mature through 2027 as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 610,000	\$ 300,550	\$ 910,550
2023	620,000	221,900	841,900
2024	625,000	221,900	846,900
2025	635,000	221,900	856,900
2026	640,000	221,900	861,900
2027	650,000	221,900	871,900
Total	<u>\$ 3,780,000</u>	<u>\$ 1,410,050</u>	<u>\$ 5,190,050</u>

Capital Leases

The District has entered into a solar energy lease agreement. Such an agreement is, in substance, a purchase (capital lease) and is reported as a capital lease obligation. The District's liability on the lease agreement with option to purchase is summarized below:

	Total
Balance, July 1, 2020	\$ 2,482,710
Payments	<u>(55,018)</u>
Balance, July 1, 2021	<u>\$ 2,427,692</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2022	\$ 139,660
2023	144,565
2024	149,643
2025	154,899
2026	160,340
2027-2031	890,242
2032-2036	1,057,967
2037-2039	<u>728,198</u>
Total	3,425,514
Less amount representing interest	<u>(997,822)</u>
Present value of minimum lease payments	<u>\$ 2,427,692</u>

Early Retirement Obligations

The Governing Board has offered early retirement incentive programs to certificated and classified employees meeting certain negotiated criteria. The early retirement incentives were implemented as a cost savings strategy and required no further services to be performed by the retiree.

A total of six retirees are currently receiving benefits under various agreements. The projected costs for current participants for future years are accrued as long-term liabilities in the District's Government-wide financial statements are as follows:

Year Ending June 30,	Obligation
2022	\$ 41,699
2023	33,763
2024	2,016
Total	<u>\$ 77,478</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$143,052.

Retiree Benefits Agreement

The District has an agreement with one former District employee in which the former employee continues to receive health and welfare benefits. At June 30, 2021, the obligation was calculated to be \$58,586.

Note 10 - Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2021, the District reported net OPEB liability and OPEB expense for the following plan:

OPEB Plan	Net OPEB Liability	OPEB Expense
Medicare Premium Payment (MPP) Program	<u>\$ 320,783</u>	<u>\$ 36,699</u>

The details of the plan are as follows:

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, 2019, 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, 2021, the District reported a liability of \$320,783 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020 and June 30, 2019, respectively, was 0.0757 percent and 0.0763 percent, decrease in the proportionate share of 0.0006 percent.

For the year ended June 30, 2021, the District recognized OPEB expense of \$36,699.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Experience Study	June 30, 2014 through June 30, 2018	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.21%	3.50%
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

For the valuation as of June 30, 2019, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent 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 294 or an average of 0.18 percent of the potentially eligible population (159,339).

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

Discount Rate

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

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 (1.21%)	\$ 354,715
Current discount rate (2.21%)	320,783
1% increase (3.21%)	291,910

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 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)	\$ 290,865
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	320,783
1% increase (5.50% Part A and 6.40% Part B)	355,225

North Monterey County Unified School District

Notes to Financial Statements

June 30, 2021

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Child Development Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ 5,000
Stores inventories	-	-	-	-	49,660	49,660
Prepaid expenditures	30,799	-	-	-	5,796	36,595
Total nonspendable	35,799	-	-	-	55,456	91,255
Restricted						
Legally restricted programs	4,961,407	-	-	-	-	4,961,407
Student activities	-	-	-	-	199,497	199,497
Food service	-	-	-	-	2,865,364	2,865,364
Child development program	-	284,073	-	-	-	284,073
Adult education program	-	-	-	-	93,128	93,128
Capital projects	-	-	405,631	3,878,002	617,195	4,900,828
Debt services	-	-	-	1,578,630	1,724,157	3,302,787
Total restricted	4,961,407	284,073	405,631	5,456,632	5,499,341	16,607,084
Committed						
Adult education program	-	-	-	-	24,409	24,409
Deferred maintenance program	-	-	-	-	529,890	529,890
Total committed	-	-	-	-	554,299	554,299
Assigned						
SRO/vaping/safety program through 21-22	250,000	-	-	-	-	250,000
Board required reserve	1,130,000	-	-	-	-	1,130,000
Before/after school expansion program	160,000	-	-	-	-	160,000
Site security cameras	243,971	-	-	-	-	243,971
ROP (resource 0350)	274,072	-	-	-	-	274,072
Facilities match	2,000,000	-	-	-	-	2,000,000
Expanded Learning Loss Mitigation	2,482,425	-	-	-	-	2,482,425
Inclusive Early Education Program grant match	650,000	-	-	-	-	650,000
Inclusive Early Education Program coordinator	150,000	-	-	-	-	150,000
COVID surveillance screening	300,000	-	-	-	-	300,000
Ed Tech plan classroom 21st century hybrid	2,051,207	-	-	-	-	2,051,207
Continual COVID sanitation	250,000	-	-	-	-	250,000
Other classroom instructional materials	538,096	-	-	-	-	538,096
Athletic budget contingency	252,397	-	-	-	-	252,397
Special education contingency	428,000	-	-	-	-	428,000
STRS & PERS increase 22-23 through 23-24	1,149,035	-	-	-	-	1,149,035
One-time set aside	732,931	-	-	-	-	732,931
12th gr. ELA adoption	250,000	-	-	-	-	250,000
Tk-5 Math materials	300,000	-	-	-	-	300,000
Tk-5 Social Studies adoption	200,000	-	-	-	-	200,000
Tk-5 Science adoption	300,000	-	-	-	-	300,000
K-8 Science materials	320,000	-	-	-	-	320,000
9-12 Math adoption	300,000	-	-	-	-	300,000
9-12 Science adoption	300,000	-	-	-	-	300,000
9-12 Science materials	150,000	-	-	-	-	150,000
Replacement chromebooks/tablets	500,000	-	-	-	-	500,000
Student internet 360k/per year after startup	360,000	-	-	-	-	360,000
Clean air filters	400,000	-	-	-	-	400,000
Domestic water connection at 3 sites	197,000	-	-	-	-	197,000
ELA/ELD Tk materials	170,000	-	-	-	-	170,000
Child development programs	-	383,175	-	-	-	383,175
Enterprise expenditures	-	-	-	-	480,949	480,949
Renewable energy projects	-	-	-	-	41,220	41,220
Total assigned	16,789,134	383,175	-	-	522,169	17,694,478

North Monterey County Unified School District

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June 30, 2021

	General Fund	Child Development Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Unassigned						
Reserve for economic uncertainties	1,989,000	-	-	-	-	1,989,000
Total unassigned	1,989,000	-	-	-	-	1,989,000
Total	<u>\$ 23,775,340</u>	<u>\$ 667,248</u>	<u>\$ 405,631</u>	<u>\$ 5,456,632</u>	<u>\$ 6,631,265</u>	<u>\$ 36,936,116</u>

Note 12 - Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, the District contracted with Monterey and San Benito Counties Property/Liability Joint Powers Authority (MC/SB P&L JPA) 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 2021, the District participated in the Protected Insurance Program for Schools and Community Colleges Joint Powers Authority (PIPS). The intent of PIPS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in PIPS. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in PIPS. 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 PIPS. Participation in PIPS is limited to districts that can meet PIPS selection criteria.

Employee Medical Benefits

The District is a member of California's Valued Trust (CVT). CVT is a Joint Powers Authority formed out of the California Government Code which allows public agencies to jointly maintain and operate an agency that serves a common purpose. One of the programs offered by CVT that the District participates in is Vision and Dental benefits for school employees. Some of the programs are self-insured while others are fully-insured or a combination of both. The coverage year for the Vision and Dental programs run from January 1 through December 31. The District also self-insures all non-CSEA employees and all retirees for Dental and Vision Benefits and has contracted with Keenan & Associates to provide administration for related claims.

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, 2021, 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	\$ 42,098,658	\$ 10,771,899	\$ 1,187,255	\$ 6,148,262
CalPERS	28,024,057	5,923,643	-	6,593,601
Total	<u>\$ 70,122,715</u>	<u>\$ 16,695,542</u>	<u>\$ 1,187,255</u>	<u>\$ 12,741,863</u>

The details of each plan are as follows:

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

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <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 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and 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, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required state contribution rate	10.328%	10.328%

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 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were \$3,811,264.

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

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

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 42,098,658
State's proportionate share of the net pension liability	<u>21,701,863</u>
Total	<u><u>\$ 63,800,521</u></u>

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.0434 percent and 0.0431 percent, resulting in a net increase in the proportionate share of 0.0003 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$6,148,262. In addition, the District recognized pension expense and revenue of \$3,040,218 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,811,264	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,781,113	-
Differences between projected and actual earnings on pension plan investments	1,000,022	-
Differences between expected and actual experience in the measurement of the total pension liability	74,285	1,187,255
Changes of assumptions	<u>4,105,215</u>	<u>-</u>
Total	<u><u>\$ 10,771,899</u></u>	<u><u>\$ 1,187,255</u></u>

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

North Monterey County Unified School District

Notes to Financial Statements

June 30, 2021

The deferred outflows 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:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2022	\$ (610,207)
2023	340,727
2024	679,786
2025	589,716
Total	<u>\$ 1,000,022</u>

The deferred outflows/(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:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ 1,571,134
2023	1,463,274
2024	1,514,320
2025	163,644
2026	48,403
Thereafter	12,583
Total	<u>\$ 4,773,358</u>

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2019
Measurement date	June 30, 2020
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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 63,605,208
Current discount rate (7.10%)	42,098,658
1% increase (8.10%)	24,341,972

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, 2019, 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, 2021, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total District contributions were \$2,756,210.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$28,024,057. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.0913 percent and 0.0859 percent, resulting in a net increase in the proportionate share of 0.0054 percent.

North Monterey County Unified School District

Notes to Financial Statements

June 30, 2021

For the year ended June 30, 2021, the District recognized pension expense of \$6,593,601. At June 30, 2021, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Pension contributions subsequent to measurement date	\$ 2,756,210
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,091,389
Differences between projected and actual earnings on pension plan investments	583,372
Differences between expected and actual experience in the measurement of the total pension liability	1,389,907
Changes of assumptions	102,765
	<hr/>
Total	\$ 5,923,643

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

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

Year Ended June 30,	Deferred Outflows of Resources
2022	\$ (218,309)
2023	194,725
2024	338,464
2025	268,492
	<hr/>
Total	\$ 583,372

The deferred outflows 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 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2022	\$ 1,587,982
2023	679,965
2024	291,302
2025	24,812
Total	<u>\$ 2,584,061</u>

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	(0.92%)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 40,289,692
Current discount rate (7.15%)	28,024,057
1% increase (8.15%)	17,844,195

Other Information

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminated employees.

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 as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent 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 \$2,455,990 (10.328 percent 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, 2021.

Litigation

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

Operating Leases

The District has entered into various operating leases for equipment with no lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

Construction Commitments

As of June 30, 2021, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
FMOT - transportation building	\$ 796,356	September 2021
Central Bay HS - modular classroom and site improvements	40,975	September 2021
Total	<u>\$ 837,331</u>	

Note 15 - Participation in Public Entity Risk Pools

The District is a member of the Monterey and San Benito Counties Property/Liability Joint Powers Authority (MC/SB P&L JPA), the Protected Insurance Program for Schools and Community Colleges Joint Powers Authority (PIPS), and California's Valued Trust (CVT) public entity risk pools. The District pays an annual premium to the pools for its property/liability, workers' compensation, and health and welfare coverage. The relationships between the District and the pools are such that the pools are not component units of the District for financial reporting purposes.

The pools have budgeting and financial reporting requirements independent of their member units and their financial statements are not presented in these financial statements; however, fund transactions between the pools and the District are included in these statements.

During the year ended June 30, 2021, the District made payments of \$478,680 to MC/SB P&L JPA for property/liability coverage, \$1,298,093 to PIPS for workers' compensation coverage, and \$4,837,947 to CVT for health and welfare coverage.

North Monterey County Unified School District

Notes to Financial Statements

June 30, 2021

Note 16 - Restatement of Prior Year Net Position and Fund Balance

As of July 1, 2020, the North Monterey County Unified School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. The following table describes the effects of the implementation on beginning fund balance/net position.

	Non-Major Governmental Funds	Total Governmental Funds
Beginning Fund Balance previously reported at June 30, 2020	\$ 5,342,761	\$ 24,501,713
Reclassification of student activity funds from agency funds to a special revenue fund	191,872	191,872
Fund Balance - Beginning as Restated July 1, 2020	<u>\$ 5,534,633</u>	<u>\$ 24,693,585</u>
Governmental Activities Financial Statements		
Beginning Governmental Activities Net Position previously reported at June 30, 2020		\$ (14,873,035)
Reclassification of student activity funds from agency funds to a special revenue fund		191,872
Net Position - Beginning as Restated July 1, 2020		<u>\$ (14,681,163)</u>



Required Supplementary Information
June 30, 2021

North Monterey County Unified School District

North Monterey County Unified School District

Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local control funding formula	\$ 47,102,899	\$ 52,347,266	\$ 51,099,323	\$ (1,247,943)
Federal sources	2,639,171	9,726,683	9,419,706	(306,977)
Other State sources	3,141,393	9,324,397	9,408,944	84,547
Other local sources	3,053,632	3,151,666	3,248,109	96,443
Total revenues	55,937,095	74,550,012	73,176,082	(1,373,930)
Expenditures				
Current				
Certificated salaries	22,198,077	23,901,747	23,758,344	143,403
Classified salaries	11,324,420	12,886,743	12,777,130	109,613
Employee benefits	15,743,949	15,516,840	15,511,073	5,767
Books and supplies	2,054,707	7,016,345	4,622,587	2,393,758
Services and operating expenditures	4,364,445	6,535,162	5,621,749	913,413
Other outgo	648,858	286,072	319,443	(33,371)
Capital outlay	31,987	4,301,701	3,527,603	774,098
Debt service				
Debt service - principal	55,918	55,917	55,018	899
Debt service - interest and other	88,339	88,339	88,339	-
Total expenditures	56,510,700	70,588,866	66,281,286	4,307,580
Excess (Deficiency) of Revenues Over Expenditures	(573,605)	3,961,146	6,894,796	2,933,650
Other Financing Sources				
Insurance settlement	-	1,801,123	1,466,327	(334,796)
Net Change in Fund Balances	(573,605)	5,762,269	8,361,123	2,598,854
Fund Balance - Beginning	15,414,217	15,414,217	15,414,217	-
Fund Balance - Ending	\$ 14,840,612	\$ 21,176,486	\$ 23,775,340	\$ 2,598,854

North Monterey County Unified School District
 Budgetary Comparison Schedule – Child Development Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Federal sources	\$ -	\$ 50,715	\$ 50,715	\$ -
Other State sources	1,557,047	2,971,829	2,106,278	(865,551)
Other local sources	374,066	566,621	566,621	-
Total revenues	1,931,113	3,589,165	2,723,614	(865,551)
Expenditures				
Current				
Certificated salaries	763,145	1,052,862	1,052,862	-
Classified salaries	501,854	628,129	626,128	2,001
Employee benefits	492,383	620,504	636,194	(15,690)
Books and supplies	30,198	1,186,004	57,879	1,128,125
Services and operating expenditures	40,700	159,554	52,071	107,483
Other outgo	97,775	-	128,051	(128,051)
Total expenditures	1,926,055	3,647,053	2,553,185	1,093,868
Net Change in Fund Balances	5,058	(57,888)	170,429	228,317
Fund Balance - Beginning	496,819	496,819	496,819	496,819
Fund Balance - Ending	\$ 501,877	\$ 438,931	\$ 667,248	\$ 228,317

North Monterey County Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.0757%	0.0763%	0.0752%	0.0739%
Proportionate share of the net OPEB liability	\$ 320,783	\$ 284,084	\$ 287,919	\$ 311,023
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	(0.71%)	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2020	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 Monterey County Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2021	2020	2019	2018
CalSTRS				
Proportion of the net pension liability	0.0434%	0.0431%	0.0419%	0.0408%
Proportionate share of the net pension liability	\$ 42,098,658	\$ 38,947,084	\$ 38,516,133	\$ 37,764,034
State's proportionate share of the net pension liability	21,701,863	21,248,234	22,052,287	22,340,884
Total	<u>\$ 63,800,521</u>	<u>\$ 60,195,318</u>	<u>\$ 60,568,420</u>	<u>\$ 60,104,918</u>
Covered payroll	<u>\$ 23,638,678</u>	<u>\$ 23,508,655</u>	<u>\$ 22,608,780</u>	<u>\$ 21,998,005</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	178.09%	165.67%	170.36%	171.67%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
CalPERS				
Proportion of the net pension liability	0.0913%	0.0859%	0.0838%	0.0758%
Proportionate share of the net pension liability	\$ 28,024,057	\$ 25,036,816	\$ 23,347,764	\$ 18,086,721
Covered payroll	<u>\$ 13,275,113</u>	<u>\$ 12,077,145</u>	<u>\$ 11,226,186</u>	<u>\$ 9,771,457</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	211.10%	207.31%	207.98%	185.10%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

North Monterey County Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2017	2016	2015
CalSTRS			
Proportion of the net pension liability	0.0401%	0.0398%	0.0376%
Proportionate share of the net pension liability	\$ 32,396,266	\$ 26,815,220	\$ 22,206,059
State's proportionate share of the net pension liability	18,442,616	14,182,295	13,408,018
Total	\$ 50,838,882	\$ 40,997,515	\$ 35,614,077
Covered payroll	\$ 20,284,995	\$ 19,105,518	\$ 16,916,123
Proportionate share of the net pension liability as a percentage of its covered payroll	159.71%	140.35%	131.27%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS			
Proportion of the net pension liability	0.0699%	0.0644%	0.0653%
Proportionate share of the net pension liability	\$ 13,797,307	\$ 9,492,836	\$ 7,413,140
Covered payroll	\$ 8,518,773	\$ 7,490,740	\$ 6,876,402
Proportionate share of the net pension liability as a percentage of its covered payroll	161.96%	126.73%	107.81%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

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

North Monterey County Unified School District
Schedule of the District Contributions
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
CalSTRS				
Contractually required contribution	\$ 3,811,264	\$ 4,042,214	\$ 3,827,209	\$ 3,262,447
Less contributions in relation to the contractually required contribution	<u>3,811,264</u>	<u>4,042,214</u>	<u>3,827,209</u>	<u>3,262,447</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 23,599,158</u>	<u>\$ 23,638,678</u>	<u>\$ 23,508,655</u>	<u>\$ 22,608,780</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>
CalPERS				
Contractually required contribution	\$2,756,210	\$ 2,617,985	\$ 2,181,374	\$ 1,743,539
Less contributions in relation to the contractually required contribution	<u>2,756,210</u>	<u>2,617,985</u>	<u>2,181,374</u>	<u>1,743,539</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 13,315,024</u>	<u>\$ 13,275,113</u>	<u>\$ 12,077,145</u>	<u>\$ 11,226,186</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.0620%</u>	<u>15.5310%</u>

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

North Monterey County Unified School District
Schedule of the District Contributions
Year Ended June 30, 2021

	2017	2016	2015
CalSTRS			
Contractually required contribution	\$ 2,767,349	\$ 2,176,580	\$ 1,696,570
Less contributions in relation to the contractually required contribution	<u>2,767,349</u>	<u>2,176,580</u>	<u>1,696,570</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 21,998,005</u>	<u>\$ 20,284,995</u>	<u>\$ 19,105,518</u>
Contributions as a percentage of covered payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS			
Contractually required contribution	\$ 1,357,060	\$ 1,009,219	\$ 881,735
Less contributions in relation to the contractually required contribution	<u>1,357,060</u>	<u>1,009,219</u>	<u>881,735</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 9,771,457</u>	<u>\$ 8,518,773</u>	<u>\$ 7,490,740</u>
Contributions as a percentage of covered payroll	<u>13.8880%</u>	<u>11.8470%</u>	<u>11.7710%</u>

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

Note 1 - Purpose of Schedules**Budgetary Comparison Schedules**

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.

These schedules present information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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

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

- *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 3.50 percent to 2.21 percent 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 either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

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



Supplementary Information
June 30, 2021

North Monterey County Unified School District

North Monterey County Unified School District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	\$ 842,823
Special Education Grants to States - Supporting Inclusive Practices	84.027A	13693	25,400
Subtotal (84.027)			868,223
Special Education Preschool Grants	84.173	13430	3,026
Special Education Preschool Grants - Preschool Capacity Building	84.173A	13839	11,138
Special Education Preschool Grants - Preschool Staff Development	84.173A	13431	211
Subtotal (84.173)			14,375
Total Special Education Cluster			882,598
Adult Education - Basic Grants to States: Basic Education and ESL	84.002	14508	2,859
Adult Education - Basic Grants to States: Adult Secondary Education	84.002	13978	16,456
Subtotal (84.002)			19,315
Migrant Education State Grant Program	84.011	14326	405,544
Migrant Education State Grant Program - Summer Program	84.011	10005	97,709
Subtotal (84.011)			503,253
Title I Grants to Local Educational Agencies	84.010	14329	935,137
Title I Grants to Local Educational Agencies - ESSA CSI Funding for LEAs	84.010	15348	337,794
Subtotal (84.010)			1,272,931
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)	84.425D	15536	696,444
COVID-19 Elementary and Secondary School Emergency Relief Fund II (ESSER II)	84.425D	15547	767,484
COVID-19 Elementary and Secondary School Emergency Relief Fund II (ESSER II)	84.425U	15559	16,319
COVID-19 Governor's Emergency Education Relief Fund (GEER)	84.425C	15517	43,639
COVID-19, Cares Act Child Nutrition Supplemental Meal Reimbursement	84.425	15535	415,475
Subtotal (84.425)			1,939,361
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	137,415
English Language Acquisition State Grants - LEP	84.365	14346	176,733
Student Support and Academic Enrichment Program	84.424	15396	39,730
Twenty-First Century Community Learning Centers	84.287	14349	98,848
Career and Technical Education - Basic Grants to States: Secondary Section 131	84.048	14894	39,819
Total U.S. Department of Education			5,110,003

North Monterey County Unified School District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed Through California Department of Education			
CCDF Cluster: Child Development: Coronavirus Response and Relief			
Supplemental Appropriations (CRRSA) Act - One-Time Stipend	93.575	15555	<u>2,972</u>
Total U.S. Department of Health and Human Services			<u>2,972</u>
U.S. Department of the Treasury			
Passed Through California Department of Education			
COVID-19, Coronavirus Relief Fund (CRF): Learning Loss			
Mitigation	21.019	25516	<u>4,744,493</u>
Total U.S. Department of the Treasury			<u>4,744,493</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program - Summer Food Program	10.559	13004	3,798,048
National School Lunch Program - Commodity			
Supplemental Food	10.555	13391	<u>107,044</u>
Total Child Nutrition Cluster			<u>3,905,092</u>
Child and Adult Care Food Program	10.558	13393	<u>218,852</u>
Total U.S. Department of Agriculture			<u>4,123,944</u>
Total Federal Financial Assistance			<u>\$ 13,981,412</u>

Organization

North Monterey County Unified School District was organized on July 1, 1977, following a unification election in the former North Monterey County Union School District. The District consists of four elementary schools, one middle school, one comprehensive high school, an independent study program, a continuation school and an adult education program.

Governing Board

Member	Office	Term Expires
Adrian Ayala	President	2022
Elizabeth Samuels	Vice President	2024
Lillian Mulvey	Clerk	2024
Martha Chavarria	Board Member	2024
Kyle Samuels	Board Member	2022

Administration

Kari Yeater	Superintendent and Secretary of Board
Mary Dawson	Assistant Superintendent of Business

North Monterey County Unified School District

Schedule of Instructional Time

Year Ended June 30, 2021

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A*	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	N/A	-	180	Complied
Grades 1 - 3					
Grade 1	180	N/A	-	180	Complied
Grade 2	180	N/A	-	180	Complied
Grade 3	180	N/A	-	180	Complied
Grades 4 - 8					
Grade 4	180	N/A	-	180	Complied
Grade 5	180	N/A	-	180	Complied
Grade 6	180	N/A	-	180	Complied
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied
Grades 9 - 12					
Grade 9	180	N/A	-	180	Complied
Grade 10	180	N/A	-	180	Complied
Grade 11	180	N/A	-	180	Complied
Grade 12	180	N/A	-	180	Complied

N/A - Not Applicable

* The District received an approved J-13A for no days.

North Monterey County Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2021

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

	<u>General Fund</u>
Fund Balance	
Balance, June 30, 2021, Unaudited Actuals	\$ 24,642,408
Increase in	
Accounts payable	<u>(867,068)</u>
Balance, June 30, 2021, Audited Financial Statements	<u><u>\$ 23,775,340</u></u>

North Monterey County Unified School District

Schedule of Financial Trends and Analysis

Year Ended June 30, 2021

	(Budget) 2022 ¹	2021	2020	2019
General Fund				
Revenues	\$ 72,839,939	\$ 73,176,082	\$ 62,584,427	\$ 63,134,611
Other sources	-	1,466,327	995,336	16,783
Total Revenues and Other Sources	72,839,939	74,642,409	63,579,763	63,151,394
Expenditures	77,946,077	66,281,286	59,822,836	61,329,559
Other uses and transfers out	1,500,000	-	1,325,863	300,000
Total Expenditures and Other Uses	79,446,077	66,281,286	61,148,699	61,629,559
Increase/(Decrease) in Fund Balance	(6,606,138)	8,361,123	2,431,064	1,521,835
Ending Fund Balance	\$ 17,169,202	\$ 23,775,340	\$ 15,414,217	\$ 12,983,153
Available Reserves ²	\$ 2,384,000	\$ 1,989,000	\$ 1,550,564	\$ 1,782,000
Available Reserves as a Percentage of Total Outgo	3%	3%	3%	3%
Long-Term Liabilities	Not Available	\$ 108,799,109	\$ 104,599,920	\$ 103,080,792
Average Daily Attendance at P-2	4,348	4,342	4,342	4,325

The General Fund balance has increased by \$10,792,187 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$6,606,138 (27.8 percent). For a district this size, the State recommends available reserves of at least three 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 2021-2022 fiscal year. Total long-term liabilities have increased by \$5,718,317 over the past two years primarily due to increases in the District's net pension liability obligations.

Average daily attendance has increased by 17 over the past two years. Additional increase of six ADA is anticipated during fiscal year 2021-2022.

¹ Budget 2022 is included for analytical purposes only and has not been subjected to audit.

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

North Monterey County Unified School District

First Five Grant – Schedule of Revenues and Expenditures

Year Ended June 30, 2021

Revenues	
First Five Monterey County - current year	\$ 266,856
Expenditures	
Personnel	\$ 192,105
Benefits	62,044
Indirect cost	12,707
Total expenditures	\$ 266,856
Excess of Revenues over Expenditures	\$ -

North Monterey County Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

	Student Activities Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets								
Deposits and investments	\$ 199,497	\$ 104,868	\$ 2,441,586	\$ 537,322	\$ 615,740	\$ 41,124	\$ 1,724,157	\$ 5,664,294
Receivables	-	46,271	1,032,525	1,298	1,455	96	-	1,081,645
Due from other funds	-	-	2,655	-	-	-	-	2,655
Prepaid expenditures	-	-	5,796	-	-	-	-	5,796
Stores inventories	-	-	49,660	-	-	-	-	49,660
Total assets	<u>\$ 199,497</u>	<u>\$ 151,139</u>	<u>\$ 3,532,222</u>	<u>\$ 538,620</u>	<u>\$ 617,195</u>	<u>\$ 41,220</u>	<u>\$ 1,724,157</u>	<u>\$ 6,804,050</u>
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ 33,602	\$ 121,274	\$ 8,730	\$ -	\$ -	\$ -	\$ 163,606
Due to other funds	-	-	7,397	-	-	-	-	7,397
Unearned revenue	-	-	1,782	-	-	-	-	1,782
Total liabilities	<u>-</u>	<u>33,602</u>	<u>130,453</u>	<u>8,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,785</u>
Fund Balances								
Nonspendable	-	-	55,456	-	-	-	-	55,456
Restricted	199,497	93,128	2,865,364	-	617,195	-	1,724,157	5,499,341
Committed	-	24,409	-	529,890	-	-	-	554,299
Assigned	-	-	480,949	-	-	41,220	-	522,169
Total fund balances	<u>199,497</u>	<u>117,537</u>	<u>3,401,769</u>	<u>529,890</u>	<u>617,195</u>	<u>41,220</u>	<u>1,724,157</u>	<u>6,631,265</u>
Total liabilities and fund balances	<u>\$ 199,497</u>	<u>\$ 151,139</u>	<u>\$ 3,532,222</u>	<u>\$ 538,620</u>	<u>\$ 617,195</u>	<u>\$ 41,220</u>	<u>\$ 1,724,157</u>	<u>\$ 6,804,050</u>

North Monterey County Unified School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2021

	Student Activities Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues								
Federal sources	\$ -	\$ 19,315	\$ 4,539,419	\$ -	\$ -	\$ -	\$ -	\$ 4,558,734
Other State sources	-	398,829	341,593	-	-	-	14,208	754,630
Other local sources	63,426	1,585	19,168	8,168	167,395	1,567	2,338,050	2,599,359
Total revenues	63,426	419,729	4,900,180	8,168	167,395	1,567	2,352,258	7,912,723
Expenditures								
Current								
Instruction	-	268,431	-	-	-	-	-	268,431
Instruction-related activities								
Supervision of instruction	-	46,175	-	-	-	-	-	46,175
School site administration	-	108,527	-	-	-	-	-	108,527
Pupil services								
Food services	-	-	3,405,929	-	-	-	-	3,405,929
Administration								
All other administration	-	19,200	169,217	-	-	-	-	188,417
Plant services	-	-	5,695	262,317	23,262	-	-	291,274
Ancillary services	55,801	-	-	-	-	-	-	55,801
Enterprise services	-	-	(2,596)	-	-	-	-	(2,596)
Facility acquisition and construction	-	-	-	20,977	-	129,200	-	150,177
Debt service								
Principal	-	-	-	-	-	-	1,100,000	1,100,000
Interest and other	-	-	-	-	-	-	1,203,956	1,203,956
Total expenditures	55,801	442,333	3,578,245	283,294	23,262	129,200	2,303,956	6,816,091
Net Change in Fund Balances	7,625	(22,604)	1,321,935	(275,126)	144,133	(127,633)	48,302	1,096,632
Fund Balance - Beginning, as Restated	191,872	140,141	2,079,834	805,016	473,062	168,853	1,675,855	5,534,633
Fund Balance - Ending	\$ 199,497	\$ 117,537	\$ 3,401,769	\$ 529,890	\$ 617,195	\$ 41,220	\$ 1,724,157	\$ 6,631,265

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 Monterey County Unified School District (the District) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the net position or fund balance nor changes thereof for the 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, 2021, the District had food commodities totaling \$107,044 in inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of a Qualified School Construction Bond Federal Subsidy and the unspent portion of the Child Development: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act One-Time Stipend revenue received.

	Federal Financial Assistance Listing/Federal CFDA Number	Amount
Description		
Total Federal Revenues reported on the financial statements		\$ 14,253,846
Federal interest subsidy		(224,691)
Child Development: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - One-Time Stipend	93.575	(47,743)
Total Schedule of Expenditures of Federal Awards		<u>\$ 13,981,412</u>

Local Education Agency Organization Structure

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

Schedule of Instructional Time

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

First Five Grant

This schedule discloses the District's revenues and expenditures that occurred during the fiscal year to support the First 5 Program. The program is funded from the Tobacco tax money referred to as Proposition 10 money. The program's objectives are to provide early care and educational services with Kindergarten transition programs, provide parenting and family support services, provide health and social services, and to assist in the school's capacity to prepare children and families for school success.

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

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



Independent Auditor's Reports
June 30, 2021

North Monterey County Unified School District



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 Monterey County Unified School District
Moss Landing, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Monterey County Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise North Monterey County Unified School District's basic financial statements and have issued our report thereon dated April 1, 2022.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 16 to the financial statements, North Monterey County Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Monterey County Unified School 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 North Monterey County Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Monterey County Unified School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Monterey County Unified School 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*.

Response to Finding

The North Monterey County Unified School District's response to the finding identified in our audit is described in the accompanying schedule of financial statement findings. North Monterey County Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California
April 1, 2022



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

To the Governing Board
North Monterey County Unified School District
Moss Landing, California

Report on Compliance for Each Major Federal Program

We have audited North Monterey County Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of North Monterey County Unified School District's major federal programs for the year ended June 30, 2021. North Monterey County Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of North Monterey County Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, North Monterey County Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California
April 1, 2022



Independent Auditor's Report on State Compliance

To the Governing Board
North Monterey County Unified School District
Moss Landing, California

Report on State Compliance

We have audited North Monterey County Unified School District's (the District) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No (see below)
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No (see below)
Comprehensive School Safety Plan	Yes
District of Choice	No (see below)
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No (see below)
CHARTER SCHOOLS	
Attendance	No (see below)
Mode of Instruction	No (see below)
Nonclassroom-Based Instruction/Independent Study	No (see below)
Determination of Funding for Nonclassroom-Based Instruction	No (see below)
Charter School Facility Grant Program	No (see below)

We did not perform procedures for Kindergarten Continuance because there were no Kindergarteners retained in 2019-2020 that were in Kindergarten in 2020-2021.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

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

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

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

The District does not offer an Independent Study - Course Based Program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

Additionally, the District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Unmodified Opinion

In our opinion, North Monterey County Unified School District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California
April 1, 2022



Schedule of Findings and Questioned Costs
June 30, 2021

North Monterey County Unified School District

North Monterey County Unified School District

Summary of Auditor's Results

Year Ended June 30, 2021

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

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/ Federal CFDA Number</u>
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)	84.425D
COVID-19 Elementary and Secondary School Emergency Relief Fund II (ESSER II)	84.425D
COVID-19 Elementary and Secondary School Emergency Relief Fund II (ESSER II)	84.425U
COVID-19 Governor's Emergency Education Relief Fund (GEER)	84.425C
COVID-19, Cares Act Child Nutrition Supplemental Meal Reimbursement	84.425
COVID-19, Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019
Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

State Compliance

Type of auditor's report issued on compliance for programs	Unmodified
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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

2021-001 30000

Internal Control Over Financial Reporting

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls 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 adjusting entries, reclassifying entries, and conversion entries used in the preparation of the District's financial statements. School districts are responsible for maintaining accurate financial statement information including properly recording and reporting all financial transactions and balances.

Condition

As auditors, we were requested to draft the financial statements and accompanying notes. During our audit of the District's state general apportionment and related year-end accruals, we discovered a miscalculation leading to a material audit adjustment to the unaudited financial statements. No liability was made to adjust the Education Protection Account (Object 8012).

Effect

The amounts were material and an audit adjustment was necessary which changed the unaudited balances in the General Fund which also impacted the entity wide full accrual financial statements.

Cause

The cause of the error appears to be a miscalculation of the year end LCFF and the related required accruals. A contributing factor to the error was the District's business services office having staff still working remotely or having to quarantine due to COVID, resulting in staff assuming additional duties periodically.

Recommendation

The District should always validate, especially in late fiscal year transactions, the ending June 30, balance of all District related accounts, especially those not prepared by them.

Repeat Finding

This finding is not a repeat of or related to a finding in the previous year.

Corrective Action Plan and Views of Responsible Officials

North Monterey County Unified School District updates its Local Control Funding Formula (LCFF) calculations for each budget cycle utilizing the LCFF Calculator from Fiscal Crisis Management and Assistance Team (FCMAT). In this case, the calculator was in fact updated, however, increased tax revenue data was received causing a reduction (offset) in revenue received from the Education Protection Act (EPA). The District has clear check and balance systems to ensure proper tracking of LCFF revenue ebbs and flows. These systems allow for District staff to identify and adjust revenue increases/decreases.

In this case, the initial miscalculation in revenue for the 2020-21 FY resulted from multiple factors that created a less than ideal situation for the district. There was a change in leadership in the Fiscal Department, with the new Assistant Superintendent starting on July 31, 2020, after the Adopted Budget had been completed, the COVID pandemic causing staffing shortages as well as staff working remotely. All of which exacerbated the situation resulting in staff who generally are not involved in the budget development needing to support. Considering this, additional systems have been put into place allowing for a three-step review of the revenue prior to budget approval, thus ensuring that proper revenue is being recorded.

None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.