



Financial Statements
June 30, 2023

Vallejo City Unified School District

| | |
|---|----|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis | 5 |
| Government Wide Financial Statements | |
| Statement of Net Position | 17 |
| Statement of Activities..... | 18 |
| Government Fund Financial Statements | |
| Balance Sheet - Governmental Funds..... | 19 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 20 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 21 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 22 |
| Proprietary Fund Financial Statements | |
| Statement of Net Position - Proprietary Funds..... | 24 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds..... | 25 |
| Statement of Cash Flows - Proprietary Funds..... | 26 |
| Notes to Financial Statements | 27 |
| Required Supplementary Information | |
| Budgetary Comparison Schedule - General Fund | 75 |
| Schedule of Changes in the District's Total OPEB Liability and Related Ratios | 76 |
| Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program..... | 77 |
| Schedule of the District's Proportionate Share of the Net Pension Liability | 78 |
| Schedule of the District's Contributions | 79 |
| Notes to Required Supplementary Information | 80 |
| Supplementary Information | |
| Schedule of Expenditures of Federal Awards | 82 |
| Local Education Agency Organization Structure..... | 84 |
| Schedule of Average Daily Attendance..... | 85 |
| Schedule of Instructional Time | 87 |
| Reconciliation of Annual Financial and Budget Report with Audited Financial Statements | 88 |
| Schedule of Financial Trends and Analysis | 89 |
| Schedule of Charter Schools | 90 |
| Schedule of Combining Balance Sheets - Non-Major Governmental Funds | 91 |
| Schedule of Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds..... | 93 |
| Notes to Supplementary Information..... | 95 |
| 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 <i>Government Auditing Standards</i> | 97 |

| | |
|--|-----|
| Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance | 99 |
| Independent Auditor’s Report on State Compliance..... | 102 |
| Schedule of Findings and Questioned Costs | |
| Summary of Auditor’s Results..... | 108 |
| Financial Statement Findings | 109 |
| Federal Awards Findings and Questioned Costs..... | 112 |
| State Compliance Findings and Questioned Costs..... | 113 |
| State Compliance Findings and Questioned Costs..... | 114 |
| Summary Schedule of Prior Audit Findings..... | 115 |



Independent Auditor's Report

To the Governing Board
Vallejo City Unified School District
Vallejo, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Vallejo City Unified School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Correction of Error

As discussed in Note 16 to the financial statements, certain errors resulting in an overstatement of amount previously reported for long-term liabilities as of June 30, 2022, were discovered during the current year. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to correct the error. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, local education agency organization structure, schedule of average daily attendance, schedule of instructional time, reconciliation of annual financial and budget report with audited financial statements, schedule of financial trends and analysis, schedule of charter schools, and combining schedules of the nonmajor governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, local education agency organization structure, schedule of average daily attendance, schedule of instructional time, reconciliation of annual financial and budget report with audited financial statements, schedule of financial trends and analysis, schedule of charter schools, and combining schedules of the nonmajor governmental funds 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 our report dated March 8, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Menlo Park, California
March 8, 2024

This section of Vallejo City Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023, with comparative information for the year ended June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

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

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and proprietary.

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

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

The Primary unit of the government is the Vallejo City Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

Governmental Activities - All of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$39,029,110 as of the fiscal year ended June 30, 2023. Of this amount, (\$131,690,278) was an unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

| | Governmental Activities | |
|----------------------------------|----------------------------|---------------------|
| | 2023 | 2022 as restated |
| Assets | | |
| Current and other assets | \$ 271,435,068 | \$ 172,646,349 |
| Capital assets | 181,152,051 | 177,077,476 |
| Total assets | 452,587,119 | 349,723,825 |
| Deferred outflows of resources | 40,437,727 | 27,315,194 |
| Liabilities | | |
| Current liabilities | 37,606,591 | 25,529,731 |
| Noncurrent liabilities | 367,397,286 | 301,655,785 |
| Total liabilities | 405,003,877 | 327,185,516 |
| Deferred inflows of resources | 48,991,859 | 82,732,799 |
| Net Position | | |
| Net investment in capital assets | 112,531,722 | 91,720,988 |
| Restricted | 58,187,666 | 66,303,323 |
| Unrestricted | (131,690,278) | (190,903,607) |
| Total net position | \$ 39,029,110 | \$ (32,879,296) |

The (\$131,690,278) in deficit unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by 31%.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 18. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

| | Governmental Activities | |
|--------------------------------------|-----------------------------|-----------------------------|
| | 2023 | 2022 |
| Revenues | | |
| Program revenues | | |
| Charges for services and sales | \$ 998,706 | \$ 277,095 |
| Operating grants and contributions | 96,896,860 | 56,967,079 |
| General revenues | | |
| Federal and State aid not restricted | 107,810,229 | 91,870,086 |
| Property taxes | 57,651,800 | 52,077,343 |
| Other general revenues | 11,598,550 | 9,641,159 |
| Total revenues | <u>274,956,145</u> | <u>210,832,762</u> |
| Expenses | | |
| Instruction-related | 139,629,760 | 115,395,033 |
| Pupil services | 19,017,385 | 16,031,443 |
| Administration | 14,626,523 | 12,117,024 |
| Plant services | 22,096,607 | 19,093,050 |
| All other services | 7,677,464 | 7,082,952 |
| Total expenses | <u>203,047,739</u> | <u>169,719,502</u> |
| Change in net position | <u><u>\$ 71,908,406</u></u> | <u><u>\$ 41,113,260</u></u> |

Governmental Activities

As reported in the *Statement of Activities* on page 18, the cost of all of our governmental activities this year was \$203,047,739. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$105,152,173 because the cost was paid by those who benefited from the programs (\$998,706) or by other governments and organizations who subsidized certain programs with grants and contributions (\$96,896,860). We paid for the remaining "public benefit" portion of our governmental activities with other revenues such as property taxes and federal and state aid not restricted to specific programs.

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

Table 3

| | Total Cost of Services | | Net Cost of Services | |
|---------------------|------------------------|-----------------------|-------------------------|-------------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Instruction-related | \$ 139,629,760 | \$ 115,395,033 | \$ (71,170,326) | \$ (73,171,788) |
| Pupil services | 19,017,385 | 16,031,443 | (3,530,621) | (7,007,521) |
| Administration | 14,626,523 | 12,117,024 | (9,907,319) | (8,986,852) |
| Plant services | 22,096,607 | 19,093,050 | (14,143,736) | (17,867,673) |
| All other services | 7,677,464 | 7,082,952 | (6,400,171) | (5,441,494) |
| Total | <u>\$ 203,047,739</u> | <u>\$ 169,719,502</u> | <u>\$ (105,152,173)</u> | <u>\$ (112,475,328)</u> |

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$234,158,426, which is an increase of \$86,476,919 from last year (Table 4).

Table 4

| Governmental Fund | June 30, 2022 | Balances and Activity | | June 30, 2023 |
|---|-----------------------|--|---|-----------------------|
| | | Revenues and Other Financing Sources | Expenditures and Other Financing Uses | |
| General | \$ 73,948,212 | \$ 238,278,788 | \$ 198,504,400 | \$ 113,722,600 |
| Student Activity Fund | 519,776 | 271,604 | 303,563 | 487,817 |
| Charter Schools | 436,461 | 6,599,712 | 5,026,166 | 2,010,007 |
| Child Development | 807,456 | 3,690,793 | 3,505,863 | 992,386 |
| Cafeteria | 1,939,623 | 7,898,200 | 6,862,505 | 2,975,318 |
| Building | 41,568,403 | 54,035,274 | 15,363,930 | 80,239,747 |
| Capital Facilities | 1,657,375 | 821,283 | - | 2,478,658 |
| State School Building Lease-Purchase | 123 | 2 | - | 125 |
| County School Facilities | 338,388 | 7,202 | - | 345,590 |
| Special Reserve Fund for Capital Outlay Projects | 6,278 | 516,705 | - | 522,983 |
| Capital Project Component Unit | 10,641,716 | 4,315,275 | 2,661,461 | 12,295,530 |
| Bond Interest and Redemption Component Units | 14,705,631 | 16,215,621 | 15,614,375 | 15,306,877 |
| Debt Service | 112,971 | 2,646,624 | 2,642,054 | 117,541 |
| | 999,094 | 5,247,238 | 3,583,085 | 2,663,247 |
| Total | <u>\$ 147,681,507</u> | <u>\$ 340,544,321</u> | <u>\$ 254,067,402</u> | <u>\$ 234,158,426</u> |

The primary reasons for these increases are:

1. Our General Fund is our principal operating fund. The fund balance in the General Fund increased \$73,948,212 to \$113,722,600. This increase is due to unspent LCAP Funds.
2. Our special revenue funds show a net increase of \$2,762,212 primarily due to Charter School and food service program changes resulting in a net operating surplus.
3. The Building Fund increased by \$38,671,344 primarily due to new bonds issued during the year.
4. The debt service funds showed an increase of approximately \$2,269,969 primarily due to support from the General Fund to cover debt service payments.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on August 23, 2022. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 73).

Changes between the original and final budget amounts and between the final budget and actual results are primarily due to the following:

- The increase in LCFF revenue is due to increased enrollment, based on certified CALPADS data, which includes a higher unduplicated pupil percentage that increased funded ADA because the District uses the 19-20 ADA recovery and 3-year averaging methods.
- The variances for Federal restricted revenues are due to budgeting \$83SK for ASES ESSER III grant and revenue adjustment of \$110K for Title I.
- The decrease in restricted other state revenue is due to adjusting the Arts, Music & Instructional block grant down by \$1.87M, universal pre-K planning grant down by \$273K, which was offset by special education funding increases of \$361K, and \$18K in lottery revenues.
- The net increase in unrestricted certificated salaries is related to ongoing approved agreements offset by vacancy adjustments. The net increase in unrestricted classified salaries is related to ongoing approved agreements offset by vacancy adjustments. The changes in the unrestricted benefits are due to the salary revisions and budget adjustments noted previously.
- The change in the unrestricted books and supplies is due to decreasing budgets related to LCAP actions & services.
- The decrease in unrestricted services and operations is primarily due to decreasing budgets related to LCAP actions & services.
- The increased unrestricted capital outlay is primarily due to one-time facilities expenditures.
- The decrease in indirect cost recapture is due to decreasing projected expenses in the restricted programs.
- The net increase in contribution to restricted programs is due to increases in special education and routine, repair, and maintenance salaries and benefits related to the recently approved settlements with employees. Also, the routine, repair, and maintenance 3% contribution was increased to align with added budgeted expenditure.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2023, the District had \$181,152,051 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$4,074,575, or 2.3%, from last year (Table 5).

Table 5

| | Governmental Activities | |
|--------------------------------------|----------------------------|-----------------------|
| | 2023 | 2022 |
| Land and construction in progress | \$ 44,254,213 | \$ 28,147,309 |
| Buildings and improvements | 134,228,331 | 145,539,725 |
| Equipment | 2,669,507 | 3,390,442 |
| Total | <u>\$ 181,152,051</u> | <u>\$ 177,077,476</u> |

This year's additions of \$16.7 million included several projects related to Measure S.

Several capital projects are planned for the 2023-2024 year. We anticipate capital additions to be \$48.7 million for the 2023-2024 year. We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Liabilities

At the end of this year, the District had \$367,397,286 in long-term liabilities outstanding versus \$301,655,785 last year, an increase of 21.8%. Those long-term liabilities consisted of:

Table 6

| | Governmental Activities | |
|------------------------------------|----------------------------|-----------------------|
| | 2023 | 2022 as restated |
| Long-Term Liabilities | | |
| General obligation bonds | \$ 151,990,000 | \$ 111,635,000 |
| CFD bond debt | 7,784,488 | 10,209,712 |
| State emergency apportionment Loan | 3,948,585 | 7,420,365 |
| Loan premium | 51,232 | 87,396 |
| Bond premium | 6,484,829 | 5,970,311 |
| Compensated absences | 2,331,457 | 1,874,880 |
| Self-insurance obligation | 510,000 | 768,000 |
| Total OPEB liability | 68,842,607 | 84,563,186 |
| Aggregate net pension liability | 125,454,088 | 79,126,935 |
| | <u>\$ 367,397,286</u> | <u>\$ 301,655,785</u> |
| Total | | |

The District's general obligation bond rating continues to be "AA" (S&P) and "A1" (Moody's). The State limits the amount of general obligation debt that districts can issue to 2.5% of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$151,990,000 is below this statutorily-imposed limit.

At year-end, the District has a net pension liability of \$125,454,088 versus \$79,126,935 last year, an increase of \$46,327,153, or 58.5%.

Other liabilities include compensated absences payable, total other postemployment benefits (OPEB) liability (not including health benefits) and other long-term liabilities. We present more detailed information regarding our long-term liabilities in Note 9, 10 and 13 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2022-2023 ARE NOTED BELOW:

- Complete sale of the Beverly Hills site
- The modernization of the Hogan Middle Theater began.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2023-2024 year, the governing board and management used the following criteria:

- 2023-24 Vallejo City Unified School District Primary Budget Components
- Average Daily Attendance (ADA) is estimated at 7,953.12 (excluding COE ADA of 1.56).
- Due to declining enrollment, the funded ADA will be based on the 3-year ADA average of 9,282.93.
- The District's estimated unduplicated pupil percentage for supplemental and concentration funding is 81.91%. The percentage will be revised based on actual data.
- Lottery revenue is estimated at \$170 per ADA for unrestricted purposes and \$67 per ADA for restricted purposes.
- Transitional Kindergarten ratio "add-on" is \$3,044 per transitional kindergarten ADA.
- The mandated Cost Block Grant is \$37.81 for K-8 ADA and \$72.84 for 9-12 ADA.
- All federal and state-restricted categorical programs are self-funded except as illustrated under Contributions to Restricted Programs.

Revenue Assumptions:

Per enrollment trends, the District continues to anticipate declining enrollment. The Local Control Funding Formula is based on the Department of Finance's estimates of COLA and funding percentages toward the District's LCFF Target, as noted above. The net change to General Purpose revenue is due to the projected enrollment decline and the cost-of-living adjustment (COLA) of 3.94% in 2024-25 and 3.29% in 2025-26. The federal revenue is expected to decrease for 2023-24 due to the removal of one-time funds, but it remains constant. The State revenue is projected to decline due to the removal of one-time funds and incorporation of net changes in state special education (AB602) revenue based on projected COLAs and funded ADA. Local revenues are projected to remain constant.

Expenditure Assumptions:

The changes in salary costs are due to certificated step & column increases of approximately 1.75% and classified step increases of roughly 1.10%. The unrestricted portion of the general fund is projected to absorb the Director of Categorical Grants salary & benefits (0.5 FTEs) since the COVID funds are expected to be exhausted in 2024-25. Restricted salaries are projected to decrease due to removing activity relating to one-time COVID assistance funds, and year-to-year positions funded out of COVID funds will be terminated.

Benefits are adjusted based on the salary changes noted above to account for expected pension rate changes. STRS is estimated to remain constant at 19.10% for 2024-25 and 2025-26, and PERS is estimated to increase by 1.02% in 2024-25 and an additional 0.60% in 2024-25—a 1.62% increase in the two years.

Unrestricted supplies will decrease in 2024-25 and 2025-26 due to applying the CPI to all services and adjusting supplemental and concentration activity. The net increase in restricted supplies in 2024-25 is due to the one-time funds primarily related to State Lottery funds and applying the CPI to the supply budgets receiving unrestricted general fund contributions.

Unrestricted other services and operating expenditures are projected to have a net decrease in 2024-25 and 2025-26 due to applying the CPI to all services, adjusting for supplemental & concentration activity, one-time expenditures on facility projects, and adjusting for election costs every other year. Restricted services are projected to have a net decrease in 2024-25 and 2025-26 due to a combination of the removal of one-time costs associated with COVID funding and the application of the CPI for programs receiving contributions from the unrestricted general fund.

Capital outlay and Transfers Out are estimated to remain constant. Transfers of indirect costs are projected to remain stable after removing one-time expenses. Contributions to restricted programs are expected to increase due to step & column and additional pension costs for specified programs that receive support from the unrestricted general fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and 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 any additional financial information, contact Roza Losa, Chief Business Officer, Business Services, at Vallejo City Unified School District, 665 Walnut Avenue, Vallejo, California, 94592, or e-mail at rloza@vcusd.org.

Vallejo City Unified School District
Statement of Net Position
June 30, 2023

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Deposits and investments | \$ 240,090,647 |
| Receivables | 29,248,541 |
| Prepaid expense | 1,806,136 |
| Capital assets not depreciated | 44,254,213 |
| Capital assets, net of accumulated depreciation | 136,897,838 |
| Other current assets | 289,744 |
| Total assets | <u>452,587,119</u> |
| Deferred Outflows of Resources | |
| Related to OPEB | 5,378,189 |
| Related to pension | 35,059,538 |
| Total deferred outflows of resources | <u>40,437,727</u> |
| Liabilities | |
| Accounts payable | 31,329,555 |
| Interest payable | 1,702,919 |
| Unearned revenue | 4,574,117 |
| Noncurrent liabilities | |
| Due within one year | |
| Emergency apportionment loan | 3,323,872 |
| Bonded debt | 13,279,747 |
| Compensated absences and unpaid claims | 650,000 |
| Due in more than one year | |
| Emergency apportionment loan | 675,945 |
| Compensated absences and unpaid claims | 2,191,457 |
| Bonded debt | 152,979,570 |
| Aggregate net pension liabilities | 125,454,088 |
| Total OPEB liability | 68,842,607 |
| Total liabilities | <u>405,003,877</u> |
| Deferred Inflows of Resources | |
| Related to OPEB | 23,487,049 |
| Related to pension | 25,504,810 |
| Total deferred inflows of resources | <u>48,991,859</u> |
| Net Position | |
| Net investment in capital assets | 112,531,722 |
| Restricted for | |
| Debt service | 7,142,613 |
| Capital projects | 4,205,366 |
| Educational programs | 43,925,424 |
| Food program | 2,914,263 |
| Unrestricted deficit | (131,690,278) |
| Total net position | <u>\$ 39,029,110</u> |

Vallejo City Unified School District

Statement of Activities
Year Ended June 30, 2023

| Functions/Programs | Expenses | Program Revenues | | Governmental Activities |
|---|--------------------|--------------------------------|------------------------------------|-----------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | |
| Governmental Activities | | | | |
| Instruction | \$ 121,766,815 | \$ 63,534 | \$ 60,243,407 | \$ (61,459,874) |
| Instruction-related activities | | | | |
| Supervision of instruction | 5,626,501 | - | 2,634,037 | (2,992,464) |
| School site administration | 12,236,444 | 22,373 | 5,496,083 | (6,717,988) |
| Pupil services | | | | |
| Home-to-school transportation | 4,346,289 | - | 249,391 | (4,096,898) |
| Food services | 7,198,706 | 107,431 | 8,854,145 | 1,762,870 |
| All other pupil services | 7,472,390 | 7,340 | 6,268,457 | (1,196,593) |
| Administration | | | | |
| Data processing | 4,172,788 | - | 85,470 | (4,087,318) |
| All other administration | 10,453,735 | 8,883 | 4,624,851 | (5,820,001) |
| Plant services | 22,096,607 | 330,044 | 7,622,827 | (14,143,736) |
| Ancillary services | 1,079,913 | 3,564 | 264,655 | (811,694) |
| Enterprise services | 2,076,340 | - | - | (2,076,340) |
| Interest on long-term liabilities | 4,494,440 | - | - | (4,494,440) |
| Other outgo | 26,771 | 455,537 | 553,537 | 982,303 |
| Total governmental activities | <u>203,047,739</u> | <u>998,706</u> | <u>96,896,860</u> | <u>(105,152,173)</u> |
| General Revenues and Subventions | | | | |
| Property taxes, levied for general purposes | | | | \$ 38,359,699 |
| Property taxes, levied for debt service | | | | 15,001,467 |
| Taxes levied for other specific purposes | | | | 4,290,634 |
| Federal and State aid not restricted to specific purposes | | | | 107,810,229 |
| Interest and investment earnings | | | | 1,511,860 |
| Miscellaneous | | | | <u>10,086,690</u> |
| Subtotal, general revenues and subventions | | | | <u>177,060,579</u> |
| Change in Net Position | | | | 71,908,406 |
| Net Position (deficit) - Beginning, as restated | | | | <u>(32,879,296)</u> |
| Net Position - Ending | | | | <u><u>\$ 39,029,110</u></u> |

Vallejo City Unified School District

Balance Sheet - Governmental Funds

June 30, 2023

| | General Fund | Building Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-----------------------|----------------------|-----------------------------------|--------------------------------|
| Assets | | | | |
| Deposits and investments | \$ 113,820,178 | \$ 85,301,496 | \$ 40,009,437 | \$ 239,131,111 |
| Receivables | 25,067,751 | 1,178,482 | 3,002,308 | 29,248,541 |
| Due from other funds | 2,406,102 | 187,033 | 486,426 | 3,079,561 |
| Prepaid expenditures | 1,383,373 | - | 165 | 1,383,538 |
| Stores inventories | 227,804 | - | 60,890 | 288,694 |
| Other current assets | - | - | 1,050 | 1,050 |
| Total assets | \$ 142,905,208 | \$ 86,667,011 | \$ 43,560,276 | \$ 273,132,495 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 24,597,881 | \$ 6,427,264 | \$ 295,246 | \$ 31,320,391 |
| Due to other funds | 673,459 | - | 2,406,102 | 3,079,561 |
| Unearned revenue | 3,911,268 | - | 662,849 | 4,574,117 |
| Total liabilities | 29,182,608 | 6,427,264 | 3,364,197 | 38,974,069 |
| Fund Balances | | | | |
| Nonspendable | 1,661,177 | - | 61,055 | 1,722,232 |
| Restricted | 41,457,134 | 80,239,747 | 35,832,692 | 157,529,573 |
| Committed | 37,700,745 | - | - | 37,700,745 |
| Assigned | 6,318,876 | - | 4,302,332 | 10,621,208 |
| Unassigned | 26,584,668 | - | - | 26,584,668 |
| Total fund balances | 113,722,600 | 80,239,747 | 40,196,079 | 234,158,426 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 142,905,208 | \$ 86,667,011 | \$ 43,560,276 | \$ 273,132,495 |

Vallejo City Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

| | | |
|--|----------------------|----------------------|
| Total Fund Balance - Governmental Funds | | \$ 234,158,426 |
| 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 | \$ 377,321,169 | |
| Accumulated depreciation is | <u>(196,169,118)</u> | |
| Net capital assets | | 181,152,051 |
| In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred. | | (1,702,919) |
| 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 in the statement of net position. | | 862,970 |
| Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to | | |
| Other postemployment benefits (OPEB) | 5,378,189 | |
| Net pension liability | <u>35,059,538</u> | |
| Total deferred outflows of resources | | 40,437,727 |
| Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to | | |
| Other postemployment benefits (OPEB) | (23,487,049) | |
| Net pension liability | <u>(25,504,810)</u> | |
| Total deferred inflows of resources | | (48,991,859) |
| Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. | | (125,454,088) |
| The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds. | | (68,842,607) |
| 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 and bond and unamortized premiums | (158,474,829) | |
| Community facility district bond | (7,784,488) | |
| Compensated absences (vacations) | (2,331,457) | |
| State emergency apportionment loans | <u>(3,999,817)</u> | |
| Total long-term liabilities | | (172,590,591) |
| Total net position - governmental activities | | <u>\$ 39,029,110</u> |

Vallejo City Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
June 30, 2023

| | General Fund | Building Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-----------------------|----------------------|-----------------------------------|--------------------------------|
| Revenues | | | | |
| Local Control Funding Formula | \$ 137,279,260 | \$ - | \$ 4,567,221 | \$ 141,846,481 |
| Federal sources | 28,308,264 | - | 6,235,134 | 34,543,398 |
| Other State sources | 59,467,743 | - | 6,693,279 | 66,161,022 |
| Other local sources | 11,988,498 | 870,292 | 21,414,927 | 34,273,717 |
| Total revenues | 237,043,765 | 870,292 | 38,910,561 | 276,824,618 |
| Expenditures | | | | |
| Current | | | | |
| Instruction | 122,949,597 | - | 4,624,513 | 127,574,110 |
| Instruction-related activities | | | | |
| Supervision of instruction | 4,825,034 | - | 1,052,408 | 5,877,442 |
| School site administration | 12,079,383 | - | 1,287,778 | 13,367,161 |
| Pupil services | | | | |
| Home-to-school transportation | 4,375,024 | - | - | 4,375,024 |
| Food services | 581,618 | - | 6,642,695 | 7,224,313 |
| All other pupil services | 7,944,563 | - | 153,105 | 8,097,668 |
| Administration | | | | |
| Data processing | 4,110,857 | - | 19,903 | 4,130,760 |
| All other administration | 9,689,238 | - | 924,981 | 10,614,219 |
| Plant services | 21,168,471 | - | 689,151 | 21,857,622 |
| Ancillary services | 770,387 | - | 303,563 | 1,073,950 |
| Other outgo | 26,771 | - | - | 26,771 |
| Enterprise services | 2,076,340 | - | - | 2,076,340 |
| Capital Outlay | 2,430,603 | 14,460,354 | 17,606 | 16,908,563 |
| Debt service | | | | |
| Principal | - | - | 17,542,004 | 17,542,004 |
| Interest and other charges | 210,444 | 903,576 | 4,299,310 | 5,413,330 |
| Total expenditures | 193,238,330 | 15,363,930 | 37,557,017 | 246,159,277 |
| Excess (Deficiency) of Revenues Over Expenditures | 43,805,435 | (14,493,638) | 1,353,544 | 30,665,341 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 7,908,125 | 7,908,125 |
| Capital related debt issued | - | 52,000,000 | 1,011,578 | 53,011,578 |
| Transfers out | (5,266,070) | - | (2,642,055) | (7,908,125) |
| Total other financing sources (uses) | (5,266,070) | 52,000,000 | 6,277,648 | 53,011,578 |
| Special Item | | | | |
| Proceeds from sale of capital assets | 1,235,023 | 1,164,982 | 399,995 | 2,800,000 |
| Net Change in Fund Balances | 39,774,388 | 38,671,344 | 8,031,187 | 86,476,919 |
| Fund Balance - Beginning | 73,948,212 | 41,568,403 | 32,164,892 | 147,681,507 |
| Fund Balance - Ending | \$ 113,722,600 | \$ 80,239,747 | \$ 40,196,079 | \$ 234,158,426 |

Vallejo City 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, 2023

| | | |
|--|-------------------|---------------|
| Total Net Change in Fund Balances - Governmental Funds | | \$ 86,476,919 |
| 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 expenses in the period. | | |
| Depreciation expenses | \$ (10,467,348) | |
| Capital outlays | <u>16,653,983</u> | |
| Net expense adjustment | | 6,186,635 |
| Loss (Gain) on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. | | (2,112,060) |
| 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. | | (456,577) |
| 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. | | 13,381,653 |
| 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. | | 2,872,578 |
| Proceeds received from General obligation bonds or certificates of participation is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. | | (52,000,000) |
| 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 on issuance recognized | | (1,011,578) |
| Premium amortization | | 533,224 |

Vallejo City Unified School District

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

June 30, 2023

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 | \$ 11,645,000 |
| CFD Bonded Debt | 2,425,224 |
| State emergency loan | 3,471,780 |
| Self insurance obligation | 258,000 |

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.

(127,666)

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.

365,274

Change in net position of governmental activities

\$ 71,908,406

Vallejo City Unified School District
Statement of Net Position - Proprietary Funds
June 30, 2023

| | Governmental Activities - Internal Service Fund |
|---------------------------|--|
| Assets | |
| Current assets | |
| Deposits and investments | \$ 955,176 |
| Cash with fiscal agent | 4,360 |
| Prepaid expenses | <u>422,598</u> |
| Total assets | <u>1,382,134</u> |
| Liabilities | |
| Current liabilities | |
| Accounts payable | 9,164 |
| Unpaid claims | <u>200,000</u> |
| Total current liabilities | <u>209,164</u> |
| Noncurrent liabilities | |
| Unpaid claims | <u>310,000</u> |
| Total liabilities | <u>519,164</u> |
| Net Position | |
| Unrestricted | <u>862,970</u> |
| Total net position | <u><u>\$ 862,970</u></u> |

Vallejo City Unified School District
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
Year Ended June 30, 2023

| | Governmental Activities - Internal Service Fund |
|---|--|
| Operating Revenues | |
| In-district premiums | \$ 456,498 |
| Operating Expenses | |
| Purchased insurance | 108,049 |
| Operating Income | 348,449 |
| Nonoperating Revenues (Expenses) | |
| Net change in the fair value of investments | (11,798) |
| Interest income | 28,623 |
| Total nonoperating revenues (expenses) | 16,825 |
| Change in Net Position | 365,274 |
| Total Net Position - Beginning | 497,696 |
| Total Net Position - Ending | \$ 862,970 |

Vallejo City Unified School District
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2023

| | Governmental Activities - Internal Service Fund |
|---|--|
| Operating Activities | |
| Cash paid for purchased insurance and claims | \$ (780,873) |
| Cash receipts from interfund services provided | 662,895 |
| | <u>(117,978)</u> |
| Net Cash for Operating Activities | |
| Investing Activities | |
| Interest on investments | 16,825 |
| | <u>16,825</u> |
| Net Change in Cash | (101,153) |
| Cash and Cash Equivalents, Beginning | 1,056,329 |
| | <u>1,056,329</u> |
| Cash and Cash Equivalents, Ending | <u>\$ 955,176</u> |
| Reconciliation of Operating Income (Loss) to Net Cash From (Used for) Operating Activities | |
| Operating income | \$ 348,449 |
| Changes in assets and liabilities | |
| Due from other fund | 206,397 |
| Prepaid expenses | (422,598) |
| Unpaid claims | (258,000) |
| Accounts payable | 7,774 |
| | <u>7,774</u> |
| Net Cash From Operating Activities | <u>\$ (117,978)</u> |

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Vallejo City Unified School District (the District) was organized/unified on 1852 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 operates ten K-5 elementary, four K-8 elementary, one middle, three high schools, (one of which serves as a continuation school), an adult school, one charter school, and seven childcare/preschool sites.

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 Vallejo City Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units described below has a financial and operational relationship which meet the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Vallejo City Unified School District and the Community Facilities District No. 1, No. 2, and No. 3 (CFDs) have a financial and operational relationship that meets the reporting entity definition criteria of the GASB 14, *The Reporting Entity*, for inclusion of the CFDs as component units of the District. Accordingly, the financial activities of the CFDs have been included in the financial statements of the District. Individually prepared financial statements are not prepared for the Corporations.

The CFDs are community facilities districts pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 as amended by Chapter 2.5, Part I, Division 2, and Title 5 of the Government Code of the State of California established in March 30, 1989. The CFD were formed to provide financial assistance to the District for construction, rehabilitation, and acquisition of major capital facilities to support the student population.

The Mello-Roos districts' financial activities are presented in the financial statements as the Capital Projects Fund for Blended Component Units.

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 grouped into three broad fund categories: governmental, proprietary, and fiduciary.

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

Major Governmental Funds

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

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

In addition, under the flexibility provision of current statute that allow certain formerly restricted revenues to be used for any educational purpose, Fund 11, Adult Education Fund, does not currently meet the definition of special revenue funds as these funds are no longer primarily composed of restricted or committed revenue sources.

As a result, the General Fund reflects an increase in fund balance of \$24,922,357.

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.

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 Activity Fund** The Student Activity 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.
- **Charter Schools Fund** The Charter Schools Fund may be used by authorizing districts to account separately for the operating activities of district-operated charter schools that would otherwise be reported in the authorizing District's General 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.
- **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).

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).
- **State School Building Lease-Purchase Fund** The State School Building Lease-Purchase Fund is used primarily to account separately for State apportionments for the reconstruction, remodeling, or replacement of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code* Section 17000 et seq.).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition IA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

- **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).
- **Capital Project Fund for Blended Component Units** The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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 local educational agency (*Education Code* Sections 15125-15262).
- **Debt Service Fund for Blended Component Units** The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).
- **Debt Service Fund** The Debt Service Fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term liabilities.

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

- **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 workers compensation program that is accounted for in an internal service fund.

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 of the District and 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 and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

- **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.

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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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 in the year received. 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.

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 at the time of purchase 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 first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the proprietary funds when consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold as follows: infrastructure of \$200,000, buildings and land improvements of \$100,000, vehicles of \$10,000, donated equipment of \$10,000, and all other items at \$5,000. 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 is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 20 to 50 years; equipment, 2 to 15 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2023.

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

The District records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds 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 and for OPEB related items.

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Leases and Subscription Based Information Technology Arrangements (SBITA)

As lessor: The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

As lessee/subscriber: At the commencement of a lease/SBITA, the District initially measures the lease/SBITA liability at the present value of payments expected to be made during the lease/subscription term. Subsequently, the lease liability is reduced by the principal portion of lease/subscription payments made. The lease/subscription asset is initially measured as the initial amount of the lease/subscription liability, adjusted for lease/subscription payments made at or before the lease/subscription commencement date, plus certain initial direct costs. Subsequently, the lease/subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease/subscription receipts/payments to present value, (2) lease/subscription term, and (3) lease receipts. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The District monitors changes in circumstances that would require a remeasurement of its lease/subscription and will remeasure the lease/subscription if certain changes occur that are expected to significantly affect the amount of the lease/subscription.

Lease/subscription assets are reported with other capital assets and lease/subscription liabilities are reported with long-term debt on the statement of net position.

Fund Balances - Governmental Funds

As of June 30, 2023, 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 governing board or chief business officer/assistant superintendent of business services 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 on-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 \$98,158,710 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund insurance premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental 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 Solano bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Effects of New Pronouncements

As of July 1, 2022, the District implemented the following GASB Statement:

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Implementation did not result in a material change to the District's financial statements.

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

GASB Statement No. 99 – In April 2022, GASB Issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain requirements of this statement have been implemented as of June 30, 2022. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100 – In June 2022, GASB Issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023 and all reporting periods thereafter.

GASB Statement No. 101 – In June 2022, GASB Issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

| | |
|--------------------------------|------------------------------|
| Governmental funds | \$ 239,131,111 |
| Proprietary funds | <u>959,536</u> |
| Total deposits and investments | <u><u>\$ 240,090,647</u></u> |

Deposits and investments as of June 30, 2023, consist of the following:

| | |
|--------------------------------|------------------------------|
| Cash on hand and in banks | \$ 850,974 |
| Cash in revolving | 50,000 |
| Investments | <u>239,189,673</u> |
| Total deposits and investments | <u><u>\$ 240,090,647</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, credit 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 manages its exposure to interest rate risk by investing in the County Pool and/or having the Pool purchase a combination of shorter term and longer term investments and by timing 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.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

| Investment Type | Reported Amount | Weighted Average Maturity |
|-------------------------------------|------------------------------|---------------------------|
| Blackrock MuniCash Institution Fund | \$ 30,669,987 | 6 days |
| County Pool | <u>208,519,686</u> | 395 days |
| Total | <u><u>\$ 239,189,673</u></u> | |

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County Pool is not required to be rated, nor has it been rated as of June 30, 2023. Below is the actual rating as of the year end for each investment type.

| Investment Type | Reported Amount | Minimum Legal Rating | Rating as of Year End | | |
|-------------------------------------|------------------------------|----------------------|----------------------------|--------------------|------------------------------|
| | | | AAA | AA | Unrated |
| Blackrock MuniCash Institution Fund | \$ 30,669,987 | N/A | \$30,669,987 | \$ - | \$ - |
| County Pool | <u>208,519,686</u> | N/A | <u>-</u> | <u>-</u> | <u>208,519,686</u> |
| Total | <u><u>\$ 239,189,673</u></u> | | <u><u>\$30,669,987</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 208,519,686</u></u> |

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. The District's investment in Blackrock BLF MuniCash Institutional Fund 048 represents 12.8 percent of the June 30, 2023 investment portfolio.

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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the District's bank balance of approximately \$600 thousand 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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District's investment of \$30,669,987 in Blackrock MuniCash Institutional Fund 048 has a custodial credit risk exposure. The District does not have a policy limiting the amount of securities that can be held by counterparties.

Note 3 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2023:

| Investment Type | Reported Amount | Fair Value Measurements Using | | |
|-------------------------------------|-----------------------|-------------------------------|----------------------|----------------|
| | | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
| Blackrock MuniCash Institution Fund | \$ 30,669,987 | \$ - | \$ 30,669,987 | \$ - |
| County Pool* | 208,519,686 | - | - | - |
| Total | <u>\$ 239,189,673</u> | <u>\$ -</u> | <u>\$ 30,669,987</u> | <u>\$ -</u> |

* Net Asset Value

Note 4 - Receivables

Receivables at June 30, 2023, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

| | General Fund | Building Fund | nonmajor Governmental Funds | Total |
|---------------------|----------------------|---------------------|-----------------------------|----------------------|
| Federal Government | | | | |
| Categorical aid | \$ 12,464,848 | - | 1,557,868 | \$ 14,022,716 |
| State Government | | | | |
| Categorical aid | 5,882,365 | - | 590,466 | 6,472,831 |
| Lottery | 1,285,919 | - | 36,961 | 1,322,880 |
| Local Government | | | | |
| Other local sources | 5,434,619 | 1,178,482 | 817,013 | 7,430,114 |
| Total | <u>\$ 25,067,751</u> | <u>\$ 1,178,482</u> | <u>\$ 3,002,308</u> | <u>\$ 29,248,541</u> |

Note 5 - Capital Assets

Capital assets activity for the fiscal year ended June 30, 2023, was as follows:

| | Balance July 1, 2022 | Additions | Deductions | Balance June 30, 2023 |
|--|-------------------------|--------------|----------------|--------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 5,682,127 | \$ - | \$ (6,038) | \$ 5,676,089 |
| Construction in progress | 22,465,182 | 16,112,942 | - | 38,578,124 |
| Total capital assets not being depreciated | 28,147,309 | 16,112,942 | (6,038) | 44,254,213 |
| Capital assets being depreciated | | | | |
| Land improvements | 15,190,418 | - | (187,673) | 15,002,745 |
| Buildings and improvements | 311,195,711 | 34,340 | (7,283,232) | 303,946,819 |
| Furniture and equipment | 14,490,622 | 506,701 | (879,931) | 14,117,392 |
| Total capital assets being depreciated | 340,876,751 | 541,041 | (8,350,836) | 333,066,956 |
| Total capital assets | 369,024,060 | 16,653,983 | (8,356,874) | 377,321,169 |
| Accumulated depreciation | | | | |
| Land improvements | (7,293,847) | (643,269) | 239,968 | (7,697,148) |
| Buildings and improvements | (173,552,557) | (9,155,802) | 5,684,274 | (177,024,085) |
| Furniture and equipment | (11,100,180) | (668,277) | 320,572 | (11,447,885) |
| Total accumulated depreciation | (191,946,584) | (10,467,348) | 6,244,814 | (196,169,118) |
| Net depreciable capital assets | 148,930,167 | (9,926,307) | (2,106,022) | 136,897,838 |
| Governmental activities capital assets | \$ 177,077,476 | \$ 6,186,635 | \$ (2,112,060) | \$ 181,152,051 |

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

| | |
|---|---------------------------------|
| Governmental Activities | |
| Instruction | \$ 306,973 |
| Instructional library, media, and technology | 4,679 |
| All other pupil services | 270,564 |
| All other administration | 61,263 |
| Plant services | <u>9,823,869</u> |
| Total depreciation and amortization expenses all activities | <u><u>\$ 10,467,348</u></u> |

Note 6 - 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, 2023, between major and non-major governmental funds are as follows:

| Due To | Due From | | | Total |
|-----------------------------|----------------------------|--------------------------|-----------------------------|----------------------------|
| | General Fund | Building Fund | nonmajor Governmental Funds | |
| General Fund | \$ - | \$ 187,033 | \$ 486,426 | \$ 673,459 |
| nonmajor Governmental Funds | <u>2,406,102</u> | <u>-</u> | <u>-</u> | <u>2,406,102</u> |
| Total | <u><u>\$ 2,406,102</u></u> | <u><u>\$ 187,033</u></u> | <u><u>\$ 486,426</u></u> | <u><u>\$ 3,079,561</u></u> |

All balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2023, consisted of the following:

| Transfer To | Transfer From | |
|---|-----------------------------------|---------------------|
| | nonmajor Governmental Funds | Total |
| General Fund | \$ 5,266,070 | \$ 5,266,070 |
| nonmajor Governmental Funds | 2,642,055 | 2,642,055 |
| Total | <u>\$ 7,908,125</u> | <u>\$ 7,908,125</u> |
| The General Fund transferred to the Debt Service nonmajor Governmental Fund to cover debt service payments. | | |
| | | \$ 5,172,374 |
| The Capital Projects Fund for Blended Component Units transferred to the Debt Service Fund to cover debt service payments | | |
| | | 2,642,055 |
| General Fund transferred to the Charter school fund for support | | |
| | | <u>93,696</u> |
| Total | | <u>\$ 7,908,125</u> |

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

Note 7 - Accounts Payable

Accounts payable at June 30, 2023, consisted of the following:

| | General Fund | Building Fund | nonmajor Governmental Funds | Total | Proprietary Funds |
|---------------------------|----------------------|---------------------|-----------------------------------|----------------------|----------------------|
| Vendor payables | \$ 16,726,559 | \$ 6,427,264 | \$ 127,442 | \$ 23,281,265 | \$ 9,164 |
| LCFF apportionment | 901,560 | - | 27,616 | 929,176 | - |
| Salaries and benefits | 4,716,222 | - | 70,922 | 4,787,144 | - |
| State categorical program | 2,253,540 | - | 69,266 | 2,322,806 | - |
| Total | <u>\$ 24,597,881</u> | <u>\$ 6,427,264</u> | <u>\$ 295,246</u> | <u>\$ 31,320,391</u> | <u>\$ 9,164</u> |

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2023, consisted of the following:

| | General Fund | nonmajor Governmental Funds | Total |
|------------------------------|---------------------|-----------------------------------|---------------------|
| Federal financial assistance | \$ 1,665,542 | \$ 160,454 | \$ 1,825,996 |
| State categorical aid | 2,220,726 | 502,395 | 2,723,121 |
| Other local | 25,000 | - | 25,000 |
| Total | <u>\$ 3,911,268</u> | <u>\$ 662,849</u> | <u>\$ 4,574,117</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, 2022 as restated | Additions | Deductions | Balance June 30, 2023 | Due in One Year |
|------------------------------------|--|----------------------|------------------------|--------------------------|----------------------|
| Long-Term Liabilities | | | | | |
| General obligation bonds | \$ 111,635,000 | \$ 52,000,000 | \$ (11,645,000) | \$ 151,990,000 | \$ 10,300,000 |
| Bond premium | 5,970,311 | 1,011,578 | (497,060) | 6,484,829 | 497,060 |
| CFD bonded debt | 10,209,712 | - | (2,425,224) | 7,784,488 | 2,482,687 |
| State emergency apportionment loan | 7,420,365 | - | (3,471,780) | 3,948,585 | 3,287,708 |
| Loan premium | 87,396 | - | (36,164) | 51,232 | 36,164 |
| Compensated absences | 1,874,880 | 906,577 | (450,000) | 2,331,457 | 450,000 |
| Self-insurance liabilities | 768,000 | - | (258,000) | 510,000 | 200,000 |
| Total | <u>\$ 137,965,664</u> | <u>\$ 53,918,155</u> | <u>\$ (18,783,228)</u> | <u>\$ 173,100,591</u> | <u>\$ 17,253,619</u> |

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund. Payments on the Community Facilities District (CFD) bonds are made by the Debt Service Blended Component Unit Fund. The State emergency apportionment loans are paid by the Debt Service Fund. The compensated absences and self-insurance liability are paid by the fund for which employees worked.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

| Issuance Date | Final Maturity Date | Interest Rate | Original Issue | Bonds Outstanding July 1, 2022 | Issued | Redeemed | Bonds Outstanding June 30, 2023 |
|---------------|---------------------|---------------|----------------|--------------------------------|----------------------|------------------------|---------------------------------|
| 2002 | 2026 | 2.20% - 5.90% | \$61,060,000 | \$ 11,545,000 | \$ - | \$ (4,700,000) | \$ 6,845,000 |
| 2017 | 2029 | 2.50% - 5.00% | 23,555,000 | 19,650,000 | - | (905,000) | 18,745,000 |
| 2019 | 2049 | 3.00% - 5.00% | 39,000,000 | 28,440,000 | - | - | 28,440,000 |
| 2021 | 2050 | 2.00% - 5.00% | 52,000,000 | 52,000,000 | - | (6,040,000) | 45,960,000 |
| 2023 | 2052 | 2.39% - 5.00% | 52,000,000 | - | 52,000,000 | - | 52,000,000 |
| | | | | <u>\$ 111,635,000</u> | <u>\$ 52,000,000</u> | <u>\$ (11,645,000)</u> | <u>\$ 151,990,000</u> |

Debt Service Requirements to Maturity

The bonds mature through 2053 as follows:

| Fiscal Year | Principal | Interest to Maturity | Total |
|-------------|-----------------------|----------------------|-----------------------|
| 2024 | \$ 10,300,000 | \$ 5,306,486 | \$ 15,606,486 |
| 2025 | 5,525,000 | 5,153,499 | 10,678,499 |
| 2026 | 7,445,000 | 4,786,144 | 12,231,144 |
| 2027 | 5,475,000 | 4,462,694 | 9,937,694 |
| 2028 | 5,760,000 | 4,181,819 | 9,941,819 |
| 2029-2033 | 7,130,000 | 18,725,303 | 25,855,303 |
| 2034-2038 | 15,715,000 | 17,503,307 | 33,218,307 |
| 2039-2043 | 24,060,000 | 13,974,559 | 38,034,559 |
| 2044-2048 | 34,505,000 | 9,644,491 | 44,149,491 |
| 2049-2053 | 36,075,000 | 3,340,975 | 39,415,975 |
| Total | <u>\$ 151,990,000</u> | <u>\$ 87,079,276</u> | <u>\$ 239,069,276</u> |

Community Facilities District (CFD) Bond Debt

The outstanding CFDs bond debt of the District is as follows:

| CFD Special Tax Bond | Issuance Date | Final Maturity Date | Interest Rate | Original Issue | Bonds Outstanding June 30, 2022 | Redeemed | Bonds Outstanding June 30, 2023 |
|----------------------|------------------|---------------------------|------------------|----------------|---------------------------------------|-----------------------|---------------------------------------|
| Series 2017 | 2017 | 2027 | 2.41% | \$17,541,326 | \$ 10,209,712 | \$ (2,425,224) | \$ 7,784,488 |
| | | | | | <u>\$ 10,209,712</u> | <u>\$ (2,425,224)</u> | <u>\$ 7,784,488</u> |

The principal and interest payments of the CFDs bond debt are as follows:

| Year ended June 30 | Principal | Interest | Total |
|--------------------|---------------------|-------------------|---------------------|
| 2024 | \$ 2,482,687 | \$ 157,690 | \$ 2,640,377 |
| 2025 | 2,541,526 | 97,148 | 2,638,674 |
| 2026 | 2,478,313 | 36,659 | 2,514,972 |
| 2027 | 281,962 | 3,398 | 285,360 |
| Total | <u>\$ 7,784,488</u> | <u>\$ 294,895</u> | <u>\$ 8,079,383</u> |

Emergency Apportionment Loan

On June 21, 2004, Senate Bill 1190, Chapter 53, Statutes of 2004, was enacted. This legislation provided an emergency apportionment loan to the district of \$60 million. This loan provides a floating line of credit. As of June 24, 2004, the district received \$50 million of the apportionment loan amount. The legislation requires the District repay the loan, including interest at a rate of 1.50%, which the rate is earned by the State's Pooled Money Investment account on the effective date of Senate Bill 1190. The bill provides that the loan be repaid over a 20-year period.

On December 1, 2005, the State of California refinanced \$20,642,992 of the district's loan through the issuance of State School Fund Apportionment Lease Revenue Bonds, Series A 2005. The district will make monthly principal and interest payments from July to January to California Infrastructure and Economic Development Bank (I-Bank). Pursuant to Education Code section 41329.57, the state will make make-whole payments, which is the difference in interest between the average pooled money investment account rate and I-Bank interest rate.

On March 24, 2008, the district drew down the remaining \$10 million of the \$60 million authorized emergency apportionment loan. The legislation requires the district repay the loan, including interest at a rate of 1.5%, which the rate is earned. These funds were placed in the special reserve fund to pay the annual debt service and pending audit findings as they are resolved. All of the State Emergency Loan payments are deducted from the district's monthly apportionments.

The outstanding emergency apportionment loan debt of the district as of June 30, 2023 is as follows:

| Emergency Apportionment Loan | Issuance Date | Final Maturity Date | Interest Rate | Original Issue | (Restated) Balance July 1, 2022 | Repayment and State Credit Current Year | Outstanding June 30, 2023 |
|------------------------------|---------------|---------------------|---------------|----------------|---------------------------------|---|---------------------------|
| I-Bank | 2005 | 2025 | 1.50% | \$ 20,642,992 | \$ 2,576,177 | \$ (1,278,500) | \$ 1,297,677 |
| Premium | | | | 687,116 | 87,396 | (36,164) | 51,232 |
| State of California | 2004 | 2025 | 1.50% | 50,000,000 [1] | 2,890,699 | (1,551,785) | 1,338,914 |
| State of California | 2007 | 2025 | 1.50% | 10,000,000 | 1,953,489 | (641,495) | 1,311,994 |
| | | | | | <u>\$ 7,507,761</u> | <u>\$ (3,507,944)</u> | <u>\$ 3,999,817</u> |

[1] Loan was partially refinanced by I-Bank @ 12/1/05 leaving a remaining principal balance of \$25,000,000.

The annual requirements to amortize the emergency state apportionment loans are as follows:

| Year ended June 30 | Principal | Interest | Total |
|--------------------|---------------------|------------------|---------------------|
| 2024 | \$ 3,338,940 | \$ 59,229 | \$ 3,398,169 |
| 2025 | 660,877 | 9,913 | 670,790 |
| Total | <u>\$ 3,999,817</u> | <u>\$ 69,142</u> | <u>\$ 4,068,959</u> |

Note 10 - Total Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2023, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

| OPEB Plan | Total OPEB Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | OPEB Expense |
|---|-------------------------|-----------------------------------|----------------------------------|---------------------|
| District Plan | \$ 68,387,323 | \$ 5,378,189 | \$ 23,487,049 | \$ 1,609,888 |
| Medicare Premium Payment (MPP) Program | 455,284 | - | - | (83,911) |
| Total | <u>\$ 68,842,607</u> | <u>\$ 5,378,189</u> | <u>\$ 23,487,049</u> | <u>\$ 1,525,977</u> |

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

| | |
|---|--------------|
| Inactive employees or beneficiaries currently receiving benefits payments | 753 |
| Inactive employees entitled to but not yet receiving benefits payments | 294 |
| Active employees | <u>1,359</u> |
| Total | <u>2,406</u> |

Benefits Provided

The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Vallejo Education Association (VEA), the local California Service Employees Association (CSEA), and Vallejo School Managers Association (VSMA). The benefit payment is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through the agreements with the District, VEA, CSEA, and VSMA. For the measurement period of June 30, 2022, the District paid \$3,575,158 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$68,387,323 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Inflation | 2.50% |
| Salary increases | 3.00% |
| Discount rate | 4.09% |
| Healthcare cost trend rates | 5.70% in 2022, fluctuating down 4% by 2075 |
| Retirement age | 50 to 75 |
| Mortality | 2017 for CalPERS members and from 2020 for CalSTRS members |
| Mortality improvement | MW Scale 2022 |

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

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actual experience study for the period July 1, 2020 to June 30, 2021.

Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|--|---------------------------------|
| Balance, June 30, 2022 | \$ 84,023,991 |
| Service cost | 4,445,241 |
| Interest | 1,889,660 |
| Changes of assumptions or other inputs | (18,396,411) |
| Benefit payments | <u>(3,575,158)</u> |
| Net change in total OPEB liability | <u>(15,636,668)</u> |
| Balance, June 30, 2023 | <u>\$ 68,387,323</u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 2.18% in 2022 to 4.09% in 2023.

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

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

| <u>Discount Rate</u> | <u>Net OPEB Liability</u> |
|-------------------------------|-------------------------------|
| 1% decrease (3.09%) | \$ 77,143,644 |
| Current discount rate (4.09%) | 68,387,323 |
| 1% increase (5.09%) | 61,189,119 |

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

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

| Healthcare Cost Trend Rate | Net OPEB Liability |
|--|-----------------------|
| 1% decrease (4.70%) | \$ 58,560,273 |
| Current healthcare cost trend rate (5.70%) | 68,387,323 |
| 1% increase (6.70%) | 80,932,389 |

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$1,609,888. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| OPEB contributions subsequent to measurement date | \$ 3,991,414 | \$ - |
| Differences between expected and actual experience | 75,922 | 3,921,307 |
| Changes of assumptions | 1,310,853 | 19,565,742 |
| Total | <u>\$ 5,378,189</u> | <u>\$ 23,487,049</u> |

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the subsequent fiscal year. The remaining deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | Deferred (Inflows) of Resources |
|------------------------|---------------------------------------|
| 2024 | \$ (4,725,013) |
| 2025 | (4,409,671) |
| 2026 | (4,215,764) |
| 2027 | (3,377,382) |
| 2028 | (2,520,681) |
| Thereafter | (2,851,763) |
| Total | <u>\$ (22,100,274)</u> |

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, 2021, 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, 2023, the District reported a liability of \$455,284 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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, 2022 and June 30, 2021, respectively, was 0.138 %, and 0.1352%, resulting in a net increase in the proportionate share of 0.0030%.

For the year ended June 30, 2023, the District recognized OPEB expense of (\$83,911).

Actuarial Methods and Assumptions

The June 30, 2022, total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

| | | |
|---|------------------------------------|------------------------------------|
| Measurement Date | June 30, 2022 | June 30, 2021 |
| Valuation Date | June 30, 2021 | June 30, 2020 |
| Experience Study | July 1, 2015 through June 30, 2018 | July 1, 2015 through June 30, 2018 |
| Actuarial Cost Method | Entry age normal | Entry age normal |
| Investment Rate of Return | 3.54% | 2.16% |
| Medicare Part A Premium Cost Trend Rate | 4.50% | 4.50% |
| Medicare Part B Premium Cost Trend Rate | 5.40% | 5.40% |

For the valuation as of June 30, 2021, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 209 or an average of 0.14% of the potentially eligible population (145,282).

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, 2022, 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, 2022, is 3.54%. 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 3.54%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 1.38% from 2.16% as of June 30, 2021.

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

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

| Discount Rate | Net OPEB Liability |
|-------------------------------|-----------------------|
| 1% decrease (2.54%) | \$ 496,347 |
| Current discount rate (3.54%) | 455,284 |
| 1% increase (4.54%) | 419,729 |

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) | \$ 417,740 |
| Current Medicare costs trend rate (4.50% Part A and 5.40% Part B) | 455,284 |
| 1% increase (5.50% Part A and 6.40% Part B) | 497,843 |

Note 11 - Fund Balances

Fund balances are composed of the following elements:

| | General Fund | Building Fund | nonmajor Governmental Funds | Total |
|--|-----------------------|----------------------|-----------------------------------|-----------------------|
| Nonspendable | | | | |
| Revolving cash | \$ 50,000 | \$ - | \$ - | \$ 50,000 |
| Stores inventories | 227,804 | - | 60,890 | 288,694 |
| Prepaid expenditures | 1,383,373 | - | 165 | 1,383,538 |
| Total nonspendable | 1,661,177 | - | 61,055 | 1,722,232 |
| Restricted | | | | |
| Educational programs | 41,457,134 | - | 1,980,473 | 43,437,607 |
| Student activity | - | - | 487,817 | 487,817 |
| Food service | - | - | 2,914,263 | 2,914,263 |
| Capital projects | - | 80,239,747 | 15,119,778 | 95,359,525 |
| Debt services | - | - | 15,330,361 | 15,330,361 |
| Total restricted | 41,457,134 | 80,239,747 | 35,832,692 | 157,529,573 |
| Committed | | | | |
| Budgeted deficit spending | 5,790,490 | - | - | 5,790,490 |
| LCAP supplemental and concentration carryover | 22,410,255 | - | - | 22,410,255 |
| P & L insurance deductible | 3,000,000 | - | - | 3,000,000 |
| Unpaid claims | 3,000,000 | - | - | 3,000,000 |
| Facilities projects | 3,500,000 | - | - | 3,500,000 |
| Total committed | 37,700,745 | - | - | 37,700,745 |
| Assigned | | | | |
| Educational programs | 274,324 | - | 1,021,920 | 1,296,244 |
| Retiree benefits | 6,044,552 | - | - | 6,044,552 |
| Facility projects | - | - | 523,108 | 523,108 |
| Debt service | - | - | 2,757,304 | 2,757,304 |
| Total assigned | 6,318,876 | - | 4,302,332 | 10,621,208 |
| Unassigned | | | | |
| Reserve for economic uncertainties | 7,068,270 | - | - | 7,068,270 |
| Remaining unassigned | 19,516,398 | - | - | 19,516,398 |
| Total unassigned | 26,584,668 | - | - | 26,584,668 |
| Total | <u>\$ 113,722,600</u> | <u>\$ 80,239,747</u> | <u>\$ 40,196,079</u> | <u>\$ 234,158,426</u> |

Note 12 - Risk Management

The District's risk management activities are recorded in the self-insurance fund. Employee life, health, dental, vision, and disability programs are administered through the purchase of commercial insurance. Through June 30, 2013, the District was self-insured for workers' compensation claims. Residual activity related to the District's former self-insured workers' compensation program are recorded in the self-insurance fund. For insured programs, there have been no significant reductions in insurance coverage to date. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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, 2023, the District contracted with Alliance of Schools for Cooperative Insurance Program (SCIP) 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 2023, the District participated in the North Bay School Insurance Authority, NBSIA, an insurance purchasing pool. The intent of the NBSIA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the NBSIA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the NBSIA. 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 ensures that each participant shares equally in the overall performance of the NBSIA. Participation in the NBSIA is limited to districts that can meet the NBSIA selection criteria. 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.

Employee Medical Benefits

The District has contracted with CalPERS to provide employee health benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. 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.

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, 2023, 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 | \$ 63,991,166 | \$ 15,000,855 | \$ 19,477,274 | \$ 1,814,377 |
| CalPERS | 61,462,922 | 20,058,683 | 6,027,536 | 4,019,557 |
| Total | <u>\$ 125,454,088</u> | <u>\$ 35,059,538</u> | <u>\$ 25,504,810</u> | <u>\$ 5,833,934</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, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2023, 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 | 19.10% | 19.10% |
| Required state contribution rate | 10.828% | 10.828% |

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the District's total contributions were \$11,238,457.

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

At June 30, 2023, 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 | \$ 63,991,166 |
| State's proportionate share of the net pension liability | <u>32,046,526</u> |
| Total | <u><u>\$ 96,037,692</u></u> |

The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, respectively was 0.0921% and 0.0899%, resulting in a net increase in the proportionate share of 0.0022%.

For the year ended June 30, 2023, the District recognized pension expense of \$1,814,377. In addition, the District recognized pension expense and revenue of \$2,584,531 for support provided by the State. At June 30, 2023, 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 | \$ 11,238,457 | \$ - |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | 536,409 | 11,549,979 |
| Differences between projected and actual earnings on pension plan investments | - | 3,129,292 |
| Differences between expected and actual experience in the measurement of the total pension liability | 52,493 | 4,798,003 |
| Changes of assumptions | <u>3,173,496</u> | <u>-</u> |
| Total | <u><u>\$ 15,000,855</u></u> | <u><u>\$ 19,477,274</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.

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

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|------------------------|--|
| 2024 | \$ (2,298,697) |
| 2025 | (2,490,250) |
| 2026 | (3,740,860) |
| 2027 | 5,400,515 |
| Total | <u>\$ (3,129,292)</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:

| Year Ended June 30, | Deferred (Inflows) of Resources |
|------------------------|---------------------------------------|
| 2024 | \$ (1,463,658) |
| 2025 | (3,549,902) |
| 2026 | (3,203,869) |
| 2027 | (2,341,844) |
| 2028 | (1,895,613) |
| Thereafter | (130,698) |
| Total | <u>\$ (12,585,584)</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, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|------------------------------------|
| Valuation date | June 30, 2021 |
| Measurement date | June 30, 2022 |
| Experience study | July 1, 2015 through June 30, 2018 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.10% |
| Investment rate of return | 7.10% |
| Consumer price inflation | 2.75% |
| Wage growth | 3.50% |

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022, 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%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

| <u>Discount Rate</u> | <u>Net Pension Liability</u> |
|-------------------------------|------------------------------|
| 1% decrease (6.10%) | \$ 108,680,733 |
| Current discount rate (7.10%) | 63,991,166 |
| 1% increase (8.10%) | 26,885,388 |

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, 2021, 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, 2023, 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% | 8.00% |
| Required employer contribution rate | 25.37% | 25.37% |

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the total District contributions were \$7,977,130.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$61,462,922. The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, respectively was 0.1786% and 0.1879%, resulting in a net decrease in the proportionate share of 0.0093%.

For the year ended June 30, 2023, the District recognized pension expense of \$4,019,557. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$ 7,977,130 | \$ - |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | - | 4,498,260 |
| Differences between projected and actual earnings on pension plan investments | 7,257,100 | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 277,776 | 1,529,276 |
| Changes of assumptions | 4,546,677 | - |
| | <u>\$ 20,058,683</u> | <u>\$ 6,027,536</u> |
| Total | <u>\$ 20,058,683</u> | <u>\$ 6,027,536</u> |

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

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

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|------------------------|--|
| 2024 | \$ 1,210,254 |
| 2025 | 1,073,412 |
| 2026 | 548,312 |
| 2027 | 4,425,122 |
| | <u>\$ 7,257,100</u> |
| Total | <u>\$ 7,257,100</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 3.9 years and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|------------------------|--|
| 2024 | \$ (1,533,833) |
| 2025 | 151,852 |
| 2026 | 289,893 |
| 2027 | (110,995) |
| Total | <u>\$ (1,203,083)</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, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|------------------------------------|
| Valuation date | June 30, 2021 |
| Measurement date | June 30, 2022 |
| Experience study | July 1, 1997 through June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Discount rate | 6.90% |
| Investment rate of return | 6.90% |
| Consumer price inflation | 2.30% |
| Wage growth | Varies by entry age and service |

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

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

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|--------------------------------|--------------------------|--|
| Global Equity - cap-weighted | 30% | 4.45% |
| Global Equity non-cap-weighted | 12% | 3.84% |
| Private Equity | 13% | 7.28% |
| Treasury | 5% | 0.27% |
| Mortgage-backed Securities | 5% | 0.50% |
| Investment Grade Corporates | 10% | 1.56% |
| High Yield | 5% | 2.27% |
| Emerging Market Debt | 5% | 2.48% |
| Private Debt | 5% | 3.57% |
| Real Assets | 15% | 3.21% |
| Leverage | (5%) | (0.59%) |

Discount Rate

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

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

| Discount Rate | Net Pension Liability |
|-------------------------------|--------------------------|
| 1% decrease (5.90%) | \$ 88,786,302 |
| Current discount rate (6.90%) | 61,462,922 |
| 1% increase (7.90%) | 3,881,152 |

Tax Deferred Annuity/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. The District contributes 6.2% 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 \$5,140,945 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves and have been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

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, 2023.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2023.

Construction Commitments

As of June 30, 2023, the District had the following commitments with respect to the unfinished capital projects:

| <u>Capital Project</u> | <u>Remaining Construction Commitment</u> | <u>Expected Date of Completion</u> |
|---------------------------------------|--|--|
| Modernization at various sites | | |
| Cooper/Dan Mini Modernization | \$ 11,464,037 | 10/06/23 |
| Federal Terrace Modernization | 842,552 | 09/30/24 |
| Glen Cove Modernization | 285,150 | 06/30/24 |
| Hogan Modernization | 20,042,216 | 09/30/24 |
| Lincoln Elementary Modernization | 336,292 | 09/30/24 |
| Patterson Elementary Modernization | 196,739 | 06/30/24 |
| Steffan Manor Modernization | 384,941 | 06/30/24 |
| Vallejo High School Modernization | 2,151,586 | 06/30/24 |
| Wardlaw Modernization | 458,006 | 06/30/24 |
| Federal Terrace/Lincoln Modernization | <u>12,558,235</u> | 09/30/24 |
| Total | <u><u>\$ 48,719,754</u></u> | |

Note 15 - Participation in Public Entity Risk Pools, Joint Powers Authorities and Other Related Party Transactions

The District is a member of the Alliance of Schools for Cooperative Insurance Program (ASCIP) and the Schools Excess Liability Fund (SELF) JPA. The District pays an annual premium to the applicable entity for property liability coverage. Payments for the insurance coverages are paid to the JPAs. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2023, the District made payments of \$1,320,034 to ASCIP for the insurance premiums.

Note 16 - Restatement of Prior Year Net Position

During the current year, the District discovered the long-term liabilities related to the state emergency apportionment loan was overstated due to an error made in the prior year. As a result, the net position as of July 1, 2022, was restated to correct the error. The net position for the prior year financial statements were understated by \$2,243,823. The following table describes the effect of the correction:

| | |
|---|-------------------------------|
| Governmental Activities | |
| Net Position (deficit) - Beginning, as previously reported on June 30, 2022 | \$ (35,123,119) |
| State emergency apportionment loan | <u>2,243,823</u> |
| Net Position (deficit)- Beginning as Restated on July 1, 2022 | <u><u>\$ (32,879,296)</u></u> |



Required Supplementary Information
June 30, 2023

Vallejo City Unified School District

Vallejo City Unified School District
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2023

| | Budgeted Amounts | | Actual | Variances - Positive (Negative) |
|--|------------------|----------------|----------------|---------------------------------------|
| | Original | Final | | Final to Actual |
| Revenues | | | | |
| Local Control Funding Formula | \$ 125,406,960 | \$ 134,394,123 | \$ 137,279,260 | \$ 2,885,137 |
| Federal sources | 24,132,996 | 47,789,828 | 28,308,264 | (19,481,564) |
| Other State sources | 23,952,855 | 60,273,270 | 59,467,743 | (805,527) |
| Other local sources | 2,083,593 | 2,670,803 | 11,988,498 | 9,317,695 |
| Total revenues ¹ | 175,576,404 | 245,128,024 | 237,043,765 | (8,084,259) |
| Expenditures | | | | |
| Current | | | | |
| Certificated salaries | 59,369,242 | 61,136,801 | 60,396,784 | 740,017 |
| Classified salaries | 27,860,586 | 33,250,647 | 32,605,123 | 645,524 |
| Employee benefits | 42,545,926 | 45,273,959 | 41,603,867 | 3,670,092 |
| Books and supplies | 7,637,398 | 27,976,866 | 6,599,272 | 21,377,594 |
| Services and operating expenditures | 38,505,313 | 92,674,005 | 44,986,711 | 47,687,294 |
| Other outgo | (750,245) | - | 4,391,718 | (4,391,718) |
| Capital outlay | 32,885 | 2,572,866 | 2,444,411 | 128,455 |
| Debt service | | | | |
| Debt service - interest and other | - | - | 210,444 | (210,444) |
| Total expenditures ¹ | 175,201,105 | 262,885,144 | 193,238,330 | 69,646,814 |
| Excess (Deficiency) of Revenues Over Expenditures | 375,299 | (17,757,120) | 43,805,435 | 61,562,555 |
| Other Financing Sources (Uses), special item | | | | |
| Proceeds from sale of capital assets | - | - | 1,235,023 | 1,235,023 |
| Transfers out | - | - | (5,266,070) | (5,266,070) |
| Net Other Financing Sources (Uses), special item | - | - | (4,031,047) | (4,031,047) |
| Net Change in Fund Balances | 375,299 | (17,757,120) | 39,774,388 | 57,531,508 |
| Fund Balance - Beginning | 73,948,212 | 73,948,212 | 73,948,212 | - |
| Fund Balance - Ending | \$ 74,323,511 | \$ 56,191,092 | \$ 113,722,600 | \$ 57,531,508 |

¹ Due to the consolidation of Fund 11, Adult Education Fund, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 71, Retiree Benefit Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the actual, original and final budgets.

Vallejo City Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2023

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | | | |
| Service cost | \$ 4,445,241 | \$ 4,668,434 | \$ 4,408,957 | \$ 5,863,962 | \$ 5,500,873 | \$ 5,860,509 |
| Interest | 1,889,660 | 2,212,922 | 2,173,846 | 2,637,550 | 2,575,305 | 2,225,685 |
| Difference between expected and actual experience | - | 105,696 | - | (8,402,803) | - | - |
| Changes of assumptions | (18,396,411) | (220,152) | 1,297,203 | (5,744,881) | 1,601,860 | (4,631,194) |
| Benefit payments | (3,575,158) | (2,534,081) | (3,190,981) | (3,792,209) | (3,829,515) | (3,900,843) |
| Net change in total OPEB liability | (15,636,668) | 4,232,819 | 4,689,025 | (9,438,381) | 5,848,523 | (445,843) |
| Total OPEB Liability - Beginning | 84,023,991 | 79,791,172 | 75,102,147 | 84,540,528 | 78,692,005 | 79,137,848 |
| Total OPEB Liability - Ending | <u>\$ 68,387,323</u> | <u>\$ 84,023,991</u> | <u>\$ 79,791,172</u> | <u>\$ 75,102,147</u> | <u>\$ 84,540,528</u> | <u>\$ 78,692,005</u> |
| Covered-Employee Payroll | <u>\$ 90,283,250</u> | <u>\$ 80,936,142</u> | <u>\$ 65,533,138</u> | <u>\$ 65,771,954</u> | <u>\$ 85,543,852</u> | <u>\$ 86,361,501</u> |
| Total OPEB Liability as a Percentage of Covered-Employee Payroll | <u>76%</u> | <u>104%</u> | <u>122%</u> | <u>114%</u> | <u>99%</u> | <u>91%</u> |
| Measurement Date | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |

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

Vallejo City Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program
Year Ended June 30, 2023

| Year ended June 30, | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Proportion of the net OPEB liability | 0.1382% | 0.1352% | 0.1699% | 0.1760% | 0.1875% | 0.1944% |
| Proportionate share of the net OPEB liability | \$ 455,284 | \$ 539,195 | \$ 720,077 | \$ 655,273 | \$ 717,570 | \$ 788,693 |
| Covered payroll | N/A ¹ | N/A ¹ | 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 | N/A ¹ | N/A ¹ |
| Plan fiduciary net position as a percentage of the total OPEB liability | (0.94%) | (0.80%) | (0.71%) | (0.81%) | (0.40%) | 0.01% |
| Measurement Date | June 30, 2022 | June 30, 2021 | 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.

Vallejo City Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2023

| CalSTRS | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Proportion of the net pension liability (asset) | 0.0921% | 0.0899% | 0.0975% | 0.0995% | 0.1044% | 0.1074% | 0.1129% | 0.1163% | 0.1147% |
| Proportionate share of the net pension liability (asset) | \$ 63,991,166 | \$ 40,926,345 | \$ 94,500,795 | \$ 89,835,881 | \$ 95,992,420 | \$ 99,314,226 | \$ 91,289,985 | \$ 78,309,471 | \$ 67,021,066 |
| State's proportionate share of the net pension liability (asset) | 32,046,526 | 20,592,549 | 48,715,171 | 49,011,471 | 54,960,150 | 58,753,457 | 51,969,760 | 41,417,078 | 40,470,213 |
| Total | <u>\$ 96,037,692</u> | <u>\$ 61,518,894</u> | <u>\$ 143,215,966</u> | <u>\$ 138,847,352</u> | <u>\$ 150,952,570</u> | <u>\$ 158,067,683</u> | <u>\$ 143,259,745</u> | <u>\$ 119,726,549</u> | <u>\$ 107,491,279</u> |
| Covered payroll | <u>\$ 53,803,859</u> | <u>\$ 41,029,220</u> | <u>\$ 46,864,708</u> | <u>\$ 56,333,704</u> | <u>\$ 56,352,924</u> | <u>\$ 57,919,841</u> | <u>\$ 57,191,957</u> | <u>\$ 53,905,822</u> | <u>51,414,037</u> |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 118.93% | 99.75% | 201.65% | 159.47% | 170.34% | 171.47% | 159.62% | 145.27% | 130.36% |
| Plan fiduciary net position as a percentage of the total pension liability | 81% | 87% | 72% | 73% | 71% | 69% | 70% | 74% | 77% |
| Measurement Date | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| CalPERS | | | | | | | | | |
| Proportion of the net pension liability (asset) | 0.1786% | 0.1879% | 0.1873% | 0.2085% | 0.2261% | 0.2355% | 0.2327% | 0.2282% | 0.2201% |
| Proportionate share of the net pension liability (asset) | \$ 61,462,922 | \$ 38,200,590 | \$ 57,469,699 | \$ 60,751,310 | \$ 60,296,387 | \$ 56,222,902 | \$ 45,968,211 | \$ 33,630,727 | \$ 24,992,357 |
| Covered payroll | <u>\$ 27,132,283</u> | <u>\$ 24,503,918</u> | <u>\$ 18,907,246</u> | <u>\$ 29,210,148</u> | <u>\$ 30,008,576</u> | <u>\$ 30,019,304</u> | <u>\$ 27,882,274</u> | <u>\$ 25,237,949</u> | <u>25,237,976</u> |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 226.53% | 155.90% | 303.96% | 207.98% | 200.93% | 187.29% | 164.87% | 133.25% | 99.03% |
| Plan fiduciary net position as a percentage of the total pension liability | 70% | 81% | 70% | 70% | 71% | 72% | 74% | 79% | 83% |
| Measurement Date | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |

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

Vallejo City Unified School District
Schedule of the District's Contributions
Year Ended June 30, 2023

| CalSTRS | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contractually required contribution | \$ 11,238,457 | \$ 9,103,613 | \$ 6,626,219 | \$8,013,865 | \$9,171,127 | \$8,131,727 | \$7,286,316 | \$6,136,697 | \$4,786,837 |
| Less contributions in relation to the contractually required contribution | <u>11,238,457</u> | <u>9,103,613</u> | <u>6,626,219</u> | <u>8,013,865</u> | <u>9,171,127</u> | <u>8,131,727</u> | <u>7,286,316</u> | <u>6,136,697</u> | <u>4,786,837</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 58,840,089</u> | <u>\$ 53,803,859</u> | <u>\$ 41,029,220</u> | <u>\$ 46,864,708</u> | <u>\$ 56,333,704</u> | <u>\$ 56,352,924</u> | <u>\$ 57,919,841</u> | <u>\$ 57,191,957</u> | <u>\$ 53,905,822</u> |
| Contributions as a percentage of covered payroll | <u>19.10%</u> | <u>16.92%</u> | <u>16.15%</u> | <u>17.10%</u> | <u>16.28%</u> | <u>14.43%</u> | <u>12.58%</u> | <u>10.73%</u> | <u>8.88%</u> |
| CalPERS | | | | | | | | | |
| Contractually required contribution | \$ 7,977,130 | \$ 6,216,006 | \$ 5,072,311 | \$3,728,698 | \$5,275,937 | \$4,660,632 | \$4,169,081 | \$3,303,213 | \$2,970,759 |
| Less contributions in relation to the contractually required contribution | <u>7,977,130</u> | <u>6,216,006</u> | <u>5,072,311</u> | <u>3,728,698</u> | <u>5,275,937</u> | <u>4,660,632</u> | <u>4,169,081</u> | <u>3,303,213</u> | <u>2,970,759</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 31,443,161</u> | <u>\$ 27,132,283</u> | <u>\$ 24,503,918</u> | <u>\$ 18,907,246</u> | <u>\$ 29,210,148</u> | <u>\$ 30,008,576</u> | <u>\$ 30,019,304</u> | <u>\$ 27,882,274</u> | <u>\$ 25,237,949</u> |
| Contributions as a percentage of covered payroll | <u>25.370%</u> | <u>22.910%</u> | <u>20.700%</u> | <u>19.721%</u> | <u>18.062%</u> | <u>15.531%</u> | <u>13.888%</u> | <u>11.847%</u> | <u>11.771%</u> |

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule(s)

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

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

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

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

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

- *Changes in Benefit Terms* – There were no changes of benefit terms that impact the valuation.
- *Changes of Assumptions* – The discount rate was changed from 2.18% to 4.09% since the previous valuation.

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 2.16% to 3.54% since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS plan from the previous valuations. The CalPERS plan rate of investment return assumption was changed from 7.15% to 6.90% since the previous valuation.

Schedule of the District's Contributions

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



Supplementary Information
June 30, 2023

Vallejo City Unified School District

Vallejo City Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Financial Assistance Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|--|---|-------------------------|
| U.S. Department of Education | | | |
| Passed Through California Department of Education (CDE) | | | |
| COVID-19 Elementary and Secondary School Emergency Relief | | | |
| Governor's Emergency Education Relief Fund | 84.425C | 15517 | \$ 6,849 |
| Governor's Emergency Education Relief Fund | 84.425C | 15619 | 266,687 |
| Subtotal | | | <u>273,536</u> |
| Elementary and Secondary School Emergency Relief Fund | 84.425D | 15547 | 7,822,886 |
| Elementary and Secondary School Emergency Relief Fund | 84.425D | 15618 | 1,174,257 |
| Subtotal | | | <u>8,997,143</u> |
| American Rescue Plan—Elementary and Secondary School Emergency Relief (ARP ESSER) | 84.425U | 15559 | 4,390,741 |
| American Rescue Plan—Elementary and Secondary School Emergency Relief (ARP ESSER) | 84.425U | 10155 | 3,388,466 |
| American Rescue Plan—Elementary and Secondary School Emergency Relief (ARP ESSER) | 84.425U | 15652 | 424,045 |
| American Rescue Plan—Elementary and Secondary School Emergency Relief (ARP ESSER) | 84.425U | 15621 | 297,975 |
| Subtotal | | | <u>8,501,227</u> |
| American Rescue Plan – Elementary and Secondary School Emergency Relief —Homeless Children and Youth | 84.425W | 15566 | 2,084 |
| Total, COVID-19, Elementary and Secondary School Emergency Relief | | | <u>17,773,990</u> |
| Special Education Cluster (IDEA) | | | |
| Special Education-Grants to States (IDEA, Part B) | 84.027 | 13379 | 2,900,522 |
| Special Education-Grants to States (IDEA, Part B) | 84.027 | 10115 | 2,089 |
| Special Education-Grants to States (IDEA, Part B) | 84.027 | 15197 | 124,810 |
| Special Education-Grants to States (IDEA, Part B) | 84.027 | 13693 | 11,863 |
| Special Education-Grants to States (IDEA, Part B) | 84.027 | 15638 | 504,587 |
| Special Education-Grants to States (IDEA, Part B) | 84.027 | 10619 | 348 |
| Subtotal | | | <u>3,544,219</u> |
| Special Education-Preschool Grants (IDEA Preschool) | 84.173 | 15639 | 36,879 |
| Special Education-Preschool Grants (IDEA Preschool) | 84.173 | 10171 | 2,076 |
| Special Education-Preschool Grants (IDEA Preschool) | 84.173 | 13430 | 79,198 |
| Special Education-Preschool Grants (IDEA Preschool) | 84.173 | 13431 | 1,000 |
| Special Education-Preschool Grants (IDEA Preschool) | 84.173 | 13007 | 29,523 |
| Subtotal | | | <u>148,676</u> |
| Total Special Education Cluster | | | <u>3,692,895</u> |
| Adult Education-Basic Grants to States | 84.002 | 14508 | 147,000 |
| Adult Education-Basic Grants to States | 84.002 | 13978 | 106,180 |
| Adult Education-Basic Grants to States | 84.002 | 14109 | 25,405 |
| Subtotal | | | <u>278,585</u> |
| Title I Grants to Local Educational Agencies | 84.010 | 14329 | 4,356,712 |
| Title I Grants to Local Educational Agencies | 84.010 | 15438 | 456,555 |
| Subtotal | | | <u>4,813,267</u> |

Vallejo City Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Financial Assistance Listing | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|---|---|-----------------------------|
| Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | 84.367A | 14341 | \$ 647,139 |
| English Language Acquisition State Grants | 84.365 | 14346 | 194,635 |
| Student Support and Academic Enrichment Program | 84.424 | 15396 | 294,924 |
| Navy Junior Reserve Officers Training Corps | 12.000 | N/A | 91,741 |
| Special Education-Grants for Infants and Families | 84.181 | 23761 | 130,374 |
| Rehabilitation Services-Vocational Rehabilitation Grants to States | 84.126 | 10006 | 456,059 |
| | | | <u>28,373,609</u> |
| Total U.S. Department of Education | | | |
| U.S. Department of Agriculture | | | |
| Passed through California Department of Education (CDE) | | | |
| Child Nutrition Cluster | | | |
| National School Lunch Program (NSLP) | 10.555 | 13755 | 693,197 |
| National School Lunch Program (NSLP) | 10.555 | 15655 | 502,919 |
| National School Lunch Program (NSLP) | 10.555 | 13534 | 47,501 |
| Subtotal | | | <u>1,243,617</u> |
| Summer Food Service Program for Children (SFSPC) | 10.559 | 13755 | <u>3,667,478</u> |
| Total Child Nutrition Cluster | | | <u>4,911,095</u> |
| Child and Adult Care Food Program (CACFP) | 10.558 | 13529 | <u>638,090</u> |
| Total U.S. Department of Agriculture | | | <u>5,549,185</u> |
| U.S. Department of Health and Human Services | | | |
| Passed through California Department of Education (CDE) | | | |
| CCDF Cluster | | | |
| Child Care and Development Block Grant | 93.575 | 15555 | 3,837 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 10039 | <u>373,051</u> |
| Total U.S. Department of Health and Human Services Human Services | | | <u>376,888</u> |
| Total Federal Financial Assistance | | | <u><u>\$ 34,299,682</u></u> |

ORGANIZATION

The Vallejo City Unified School District was established in 1852 and consists of an area comprising approximately 52 square miles. The District operates ten K-5 elementary, four K-8 elementary, one middle school, three high schools (one of which serves as a continuation school), an adult school, one charter school and seven childcare/preschool sites. There were no boundary changes during the year.

In July 2004, a State administrator was appointed and granted authority to carry out the responsibilities formerly handled by the Board of Trustees. In February 2014, full control over all areas of operations was returned to the Board of Trustees.

The Board of Education at June 30, 2023 was comprised of the following members:

GOVERNING BOARD

| MEMBER | OFFICE | TERM EXPIRES |
|--------------------|----------------|---------------|
| Christy Gardner | President | November 2024 |
| Latyna Young, Ed.D | Vice President | November 2024 |
| John Fox | Trustee | November 2026 |
| Carlos Flores | Trustee | November 2026 |
| Glenn Amboy | Trustee | November 2026 |

The State Trustee at June 30, 2022 was: Mel Iizuka

ADMINISTRATION

| NAME | TITLE |
|--------------------|--|
| William Spalding | Superintendent |
| Gigi Patrick, Ed.D | Assistant Superintendent, Human Resources |
| Mitchell Romao | Assistant Superintendent, Operations |
| Cheri Summers | Assistant Superintendent, Teaching & Learning |
| Mike Santos, Ed.D | Assistant Superintendent, Student Support Services |
| Rosa Loza | Chief Business Official |

Vallejo City Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2023

| | Final Report | | As Adjusted per Audit | |
|--|----------------------|---------------|-----------------------|---------------|
| | Second Period Report | Annual Report | Second Period Report | Annual Report |
| Regular ADA | | | | |
| Transitional kindergarten through third | 2,904.66 | 2,928.59 | 2,902.75 | 2,898.92 |
| Fourth through sixth | 1,973.62 | 1,975.84 | 1,972.68 | 1,967.95 |
| Seventh and eighth | 1,074.16 | 1,071.84 | 1,073.49 | 1,071.55 |
| Ninth through twelfth | 2,524.75 | 2,504.71 | 2,511.68 | 2,505.87 |
| Total Regular ADA | 8,477.19 | 8,480.98 | 8,460.60 | 8,444.29 |
| Extended Year Special Education | | | | |
| Transitional kindergarten through third | 3.21 | 3.21 | 3.21 | 3.21 |
| Fourth through sixth | 1.79 | 1.79 | 1.79 | 1.79 |
| Seventh and eighth | 0.76 | 0.76 | 0.76 | 0.76 |
| Ninth through twelfth | 81.15 | 81.15 | 1.52 | 1.52 |
| Total Extended Year Special Education | 86.91 | 86.91 | 7.28 | 7.28 |
| Special Education, Nonpublic, Nonsectarian Schools | | | | |
| Transitional kindergarten through third | 3.75 | 4.33 | 3.75 | 4.33 |
| Fourth through sixth | 6.58 | 8.36 | 6.58 | 8.36 |
| Seventh and eighth | 5.94 | 6.48 | 5.94 | 6.48 |
| Ninth through twelfth | 7.20 | 8.43 | 7.20 | 8.43 |
| Total Special Education, Nonpublic, Nonsectarian Schools | 23.47 | 27.60 | 23.47 | 27.60 |
| Extended Year Special Education, Nonpublic, Nonsectarian Schools | | | | |
| Transitional kindergarten through third | 0.18 | 0.18 | 0.18 | 0.18 |
| Fourth through sixth | 0.26 | 0.26 | 0.26 | 0.26 |
| Seventh and eighth | 0.11 | 0.11 | 0.11 | 0.11 |
| Ninth through twelfth | 0.22 | 0.22 | 0.22 | 0.22 |
| Total Extended Year Special Education, Nonpublic, Nonsectarian Schools | 0.77 | 0.77 | 0.77 | 0.77 |
| Community Day School | | | | |
| Ninth through twelfth | 19.95 | 16.32 | 19.95 | 16.32 |
| Total Community Day School | 19.95 | 16.32 | 19.95 | 16.32 |
| Total ADA | 8,608.29 | 8,612.58 | 8,512.07 | 8,496.26 |

Vallejo Charter School

Classroom Based ADA

| | | |
|---|--------|--------|
| Regular ADA | | |
| Transitional kindergarten through third | 137.81 | 138.48 |
| Fourth through sixth | 127.30 | 128.17 |
| Seventh and eighth | 106.58 | 107.13 |
| Total Regular ADA | 371.69 | 373.78 |
| Total Classroom Based ADA | 371.69 | 371.69 |

Vallejo City Unified School District

Schedule of Instructional Time

Year Ended June 30, 2023

| Grade Level | 1986-1987 Minutes Requirement | 2022-2023 Actual Minutes | Number of Days | | Status |
|---------------|-------------------------------------|--------------------------------|-------------------------|------------------------|----------|
| | | | Traditional Calendar | Multitrack Calendar | |
| Kindergarten | 36,000 | 36,840 | 180 | N/A | Complied |
| Grades 1 - 3 | 50,400 | | | | |
| Grade 1 | | 50,475 | 180 | N/A | Complied |
| Grade 2 | | 50,514 | 180 | N/A | Complied |
| Grade 3 | | 50,475 | 180 | N/A | Complied |
| Grades 4 - 8 | 54,000 | | | | |
| Grade 4 | | 54,063 | 180 | N/A | Complied |
| Grade 5 | | 54,063 | 180 | N/A | Complied |
| Grade 6 | | 54,165 | 180 | N/A | Complied |
| Grade 7 | | 54,270 | 180 | N/A | Complied |
| Grade 8 | | 54,270 | 180 | N/A | Complied |
| Grades 9 - 12 | 64,800 | | | | |
| Grade 9 | | 64,830 | 180 | N/A | Complied |
| Grade 10 | | 64,830 | 180 | N/A | Complied |
| Grade 11 | | 64,830 | 180 | N/A | Complied |
| Grade 12 | | 64,830 | 180 | N/A | Complied |

The District did not file J-13A during 2022-23.

Vallejo Charter School

| Grade Level | 1986-1987 Minutes Requirement | 2022-2023 Actual Minutes | Number of Days | | Status |
|--------------|-------------------------------------|--------------------------------|-------------------------|------------------------|----------|
| | | | Traditional Calendar | Multitrack Calendar | |
| Kindergarten | 36,000 | 38,640 | 180 | N/A | Complied |
| Grades 1 - 3 | 50,400 | | | | |
| Grade 1 | | 50,625 | 180 | N/A | Complied |
| Grade 2 | | 50,625 | 180 | N/A | Complied |
| Grade 3 | | 50,625 | 180 | N/A | Complied |
| Grades 4 - 8 | 54,000 | | | | |
| Grade 4 | | 54,270 | 180 | N/A | Complied |
| Grade 5 | | 54,270 | 180 | N/A | Complied |
| Grade 6 | | 54,270 | 180 | N/A | Complied |
| Grade 7 | | 54,270 | 180 | N/A | Complied |
| Grade 8 | | 54,270 | 180 | N/A | Complied |

Vallejo City Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2023

Summarized below are the fund balance reconciliations between the unaudited actual financial report and the audited financial statements.

| | General Fund | Building Fund | nonmajor Governmental Fund |
|--|------------------------------|-----------------------------|----------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Fund Balance | | | |
| Balance, June 30, 2023, Unaudited Actuals | \$ 110,501,661 | \$ 79,074,765 | \$ 39,796,084 |
| Increase in receivables | <u>3,220,939</u> | <u>1,164,982</u> | <u>399,995</u> |
| Balance, June 30, 2023, Audited Financial Statements | <u><u>\$ 113,722,600</u></u> | <u><u>\$ 80,239,747</u></u> | <u><u>\$ 40,196,079</u></u> |

Vallejo City Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2023

| | (Budget) 2024 ¹ | 2023 | 2022 ¹ | 2021 ¹ |
|--|-------------------------------|-----------------------|-----------------------|-----------------------|
| General Fund ³ | | | | |
| Revenues | \$ 201,871,452 | \$ 237,043,765 | \$ 185,353,816 | \$ 164,588,162 |
| Other sources | 104,203 | 1,235,023 | 647,030 | 669,347 |
| Total revenues and other sources | <u>201,975,655</u> | <u>238,278,788</u> | <u>186,000,846</u> | <u>165,257,509</u> |
| Expenditures | 202,585,006 | 193,238,330 | 167,106,429 | 144,159,755 |
| Other uses | <u>2,676,140</u> | <u>5,266,070</u> | <u>3,577,690</u> | <u>2,054,633</u> |
| Total expenditures and other uses | <u>205,261,146</u> | <u>198,504,400</u> | <u>170,684,119</u> | <u>146,214,388</u> |
| Increase/(Decrease) in Fund Balance | <u>(3,285,491)</u> | <u>39,774,388</u> | <u>15,316,727</u> | <u>19,043,121</u> |
| Ending Fund Balance | <u>\$ 110,437,109</u> | <u>\$ 113,722,600</u> | <u>\$ 73,948,212</u> | <u>\$ 58,631,485</u> |
| Available Reserves ^{2,4} | <u>\$ 7,040,401</u> | <u>\$ 26,584,668</u> | <u>\$ 10,756,817</u> | <u>\$ 9,014,391</u> |
| Available Reserves as a Percentage of Total Outgo ⁴ | <u>3.43%</u> | <u>13.39%</u> | <u>6.30%</u> | <u>6.17%</u> |
| Long-Term Liabilities | <u>\$ 350,143,667</u> | <u>\$ 367,397,286</u> | <u>\$ 303,899,608</u> | <u>\$ 387,972,301</u> |
| K-12 Average Daily Attendance at P-2 | <u>7,955</u> | <u>8,608</u> | <u>8,512</u> | <u>10,270</u> |

The General Fund balance has increased by \$55,091,115 over the past two years. The fiscal year 2023-2024 budget projects a further decrease of \$3,285,491 (3%). For a district this size, the State recommends available reserves of at least 3% percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in the past three years and anticipates incurring an operating deficit during the 2023-2024 fiscal year. Total long-term liabilities have decreased by \$20,575,015 over the past two years.

Average daily attendance has decreased by 1,662 over the past two years. Additional decline of 654 ADA is anticipated during fiscal year 2023-2024.

¹ Financial information for 2024, 2022, and 2021 are 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 with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

Vallejo City Unified School District

Schedule of Charter Schools

Year Ended June 30, 2023

| Name of Charter School | Charter Number | Included in Audit Report |
|--------------------------------|-------------------|-----------------------------|
| Vallejo Charter School | 940 | Included |
| Caliber: ChangeMakers Academy | 1779 | Not included |
| Mare Island Technology Academy | 181 | Not included |
| MIT Academy | 372 | Not included |
| MIT Griffin Academy Middle | 1912 | Not included |
| Griffin Academy High | 2083 | Not included |

Vallejo City Unified School District
Schedule of Combining Balance Sheets - Non-Major Governmental Funds
June 30, 2023

| | Student Activity Fund | Charter Schools Fund | Child Development Fund | Cafeteria Fund | Capital Facilities Fund | State School Building Lease Purchase Fund | County School Facilities Fund |
|--|-----------------------------|-------------------------|------------------------------|---------------------|-------------------------------|---|-------------------------------------|
| Assets | | | | | | | |
| Deposits and investments | \$ 482,079 | \$ 3,144,413 | \$ 1,487,655 | \$ 1,767,294 | \$ 2,276,098 | \$ 125 | \$ 345,590 |
| Receivables | 5,437 | 884,725 | 166,083 | 1,346,095 | 199,973 | - | - |
| Due from other funds | 602 | 323,810 | 62,174 | 97,253 | 2,587 | - | - |
| Prepaid expenditures | - | - | - | 165 | - | - | - |
| Stores inventories | - | - | - | 60,890 | - | - | - |
| Other current assets | - | - | - | 1,050 | - | - | - |
| Total assets | <u>\$ 488,118</u> | <u>\$ 4,352,948</u> | <u>\$ 1,715,912</u> | <u>\$ 3,272,747</u> | <u>\$ 2,478,658</u> | <u>\$ 125</u> | <u>\$ 345,590</u> |
| Liabilities and Fund Balances | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | 300 | 221,631 | 37,800 | 35,515 | - | - | - |
| Due to other funds | 1 | 1,913,162 | 272,911 | 220,028 | - | - | - |
| Unearned revenue | - | 208,148 | 412,815 | 41,886 | - | - | - |
| Total liabilities | <u>301</u> | <u>2,342,941</u> | <u>723,526</u> | <u>297,429</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances | | | | | | | |
| Nonspendable | - | - | - | 61,055 | - | - | - |
| Restricted | 487,817 | 1,161,124 | 819,349 | 2,914,263 | 2,478,658 | - | 345,590 |
| Assigned | - | 848,883 | 173,037 | - | - | 125 | - |
| Total fund balances | <u>487,817</u> | <u>2,010,007</u> | <u>992,386</u> | <u>2,975,318</u> | <u>2,478,658</u> | <u>125</u> | <u>345,590</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 488,118</u> | <u>\$ 4,352,948</u> | <u>\$ 1,715,912</u> | <u>\$ 3,272,747</u> | <u>\$ 2,478,658</u> | <u>\$ 125</u> | <u>\$ 345,590</u> |

Vallejo City Unified School District
Schedule of Combining Balance Sheets - Non-Major Governmental Funds
June 30, 2023

| | Special Reserve Fund for Capital Outlay Projects | Capital Projects Fund for Blended Component Units | Bond Interest and Redemption Fund | Debt Service Fund for Blended Component Units | Debt Service Fund | Total nonmajor Governmental Funds |
|--|--|--|--|--|-------------------------|--|
| Assets | | | | | | |
| Deposits and investments | \$ 138,591 | \$ 12,279,927 | \$ 15,306,877 | \$ 117,541 | \$ 2,663,247 | \$ 40,009,437 |
| Receivables | 384,392 | 15,603 | - | - | - | 3,002,308 |
| Due from other funds | - | - | - | - | - | 486,426 |
| Prepaid expenditures | - | - | - | - | - | 165 |
| Stores inventories | - | - | - | - | - | 60,890 |
| Other current assets | - | - | - | - | - | 1,050 |
| Total assets | <u>\$ 522,983</u> | <u>\$ 12,295,530</u> | <u>\$ 15,306,877</u> | <u>\$ 117,541</u> | <u>\$ 2,663,247</u> | <u>\$ 43,560,276</u> |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | - | - | - | - | - | 295,246 |
| Due to other funds | - | - | - | - | - | 2,406,102 |
| Unearned revenue | - | - | - | - | - | 662,849 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,364,197</u> |
| Fund Balances | | | | | | |
| Nonspendable | - | - | - | - | - | 61,055 |
| Restricted | - | 12,295,530 | 15,306,877 | 23,484 | - | 35,832,692 |
| Assigned | 522,983 | - | - | 94,057 | 2,663,247 | 4,302,332 |
| Total fund balances | <u>522,983</u> | <u>12,295,530</u> | <u>15,306,877</u> | <u>117,541</u> | <u>2,663,247</u> | <u>40,196,079</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 522,983</u> | <u>\$ 12,295,530</u> | <u>\$ 15,306,877</u> | <u>\$ 117,541</u> | <u>\$ 2,663,247</u> | <u>\$ 43,560,276</u> |

Vallejo City Unified School District

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

Year Ended June 30, 2023

| | Student Activity Fund | Charter Schools Fund | Child Development Fund | Cafeteria Fund | Capital Facilities Fund | State School Building Lease Purchase Fund | County School Facilities Fund |
|---|-----------------------------|-------------------------|------------------------------|-------------------|-------------------------------|---|-------------------------------------|
| Revenues | | | | | | | |
| Local Control Funding Formula | \$ - | \$ 4,567,221 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Federal sources | - | 65,343 | 460,481 | 5,709,310 | - | - | - |
| Other State sources | - | 1,480,038 | 3,063,889 | 2,051,972 | - | - | - |
| Other local sources | 271,604 | 393,414 | 166,423 | 136,918 | 821,283 | 2 | 7,202 |
| Total revenues | 271,604 | 6,506,016 | 3,690,793 | 7,898,200 | 821,283 | 2 | 7,202 |
| Expenditures | | | | | | | |
| Current | | | | | | | |
| Instruction | - | 2,545,249 | 2,079,264 | - | - | - | - |
| Instruction-related activities | | | | | | | |
| Supervision of instruction | - | 813,504 | 238,904 | - | - | - | - |
| School site administration | - | 367,738 | 920,040 | - | - | - | - |
| Pupil services | | | | | | | |
| Food services | - | - | - | 6,642,695 | - | - | - |
| All other pupil services | - | 153,105 | - | - | - | - | - |
| Administration | | | | | | | |
| Data processing | - | 19,903 | - | - | - | - | - |
| All other administration | - | 437,516 | 267,655 | 219,810 | - | - | - |
| Plant services | - | 689,151 | - | - | - | - | - |
| Ancillary services | 303,563 | - | - | - | - | - | - |
| Facility acquisition and construction | - | - | - | - | - | - | - |
| Debt service | | | | | | | |
| Principal | - | - | - | - | - | - | - |
| Interest and other | - | - | - | - | - | - | - |
| Total expenditures | 303,563 | 5,026,166 | 3,505,863 | 6,862,505 | - | - | - |
| Excess (Deficiency) of Revenues Over Expenditures | (31,959) | 1,479,850 | 184,930 | 1,035,695 | 821,283 | 2 | 7,202 |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers in | - | 93,696 | - | - | - | - | - |
| Capital related debt issued | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | 93,696 | - | - | - | - | - |
| Special Item | | | | | | | |
| Proceeds from sale of capital assets | - | - | - | - | - | - | - |
| Net Change in Fund Balances | (31,959) | 1,573,546 | 184,930 | 1,035,695 | 821,283 | 2 | 7,202 |
| Fund Balance - Beginning | 519,776 | 436,461 | 807,456 | 1,939,623 | 1,657,375 | 123 | 338,388 |
| Fund Balance - Ending | \$ 487,817 | \$ 2,010,007 | \$ 992,386 | \$ 2,975,318 | \$ 2,478,658 | \$ 125 | \$ 345,590 |

See Notes to Supplementary Information

Vallejo City Unified School District

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

Year Ended June 30, 2023

| | Special Reserve Fund for Capital Outlay Projects | Capital Projects Fund for Blended Component Units | Bond Interest and Redemption Fund | Debt Service Fund for Blended Component Units | Debt Service Fund | Total nonmajor Governmental Funds |
|---|--|--|--|--|-------------------------|--|
| Revenues | | | | | | |
| Local Control Funding Formula | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,567,221 |
| Federal sources | - | - | - | - | - | 6,235,134 |
| Other State sources | - | - | 97,380 | - | - | 6,693,279 |
| Other local sources | 132,313 | 4,299,672 | 15,106,663 | 4,568 | 74,865 | 21,414,927 |
| Total revenues | 132,313 | 4,299,672 | 15,204,043 | 4,568 | 74,865 | 38,910,561 |
| Expenditures | | | | | | |
| Current | | | | | | |
| Instruction | - | - | - | - | - | 4,624,513 |
| Instruction-related activities | | | | | | |
| Supervision of instruction | - | - | - | - | - | 1,052,408 |
| School site administration | - | - | - | - | - | 1,287,778 |
| Pupil services | | | | | | |
| Food services | - | - | - | - | - | 6,642,695 |
| All other pupil services | - | - | - | - | - | 153,105 |
| Administration | | | | | | |
| Data processing | - | - | - | - | - | 19,903 |
| All other administration | - | - | - | - | - | 924,981 |
| Plant services | - | - | - | - | - | 689,151 |
| Ancillary services | - | - | - | - | - | 303,563 |
| Facility acquisition and construction | - | 17,606 | - | - | - | 17,606 |
| Debt service | | | | | | |
| Principal | - | - | 11,645,000 | 2,425,224 | 3,471,780 | 17,542,004 |
| Interest and other | - | 1,800 | 3,969,375 | 216,830 | 111,305 | 4,299,310 |
| Total expenditures | - | 19,406 | 15,614,375 | 2,642,054 | 3,583,085 | 37,557,017 |
| Excess (Deficiency) of Revenues Over Expenditures | 132,313 | 4,280,266 | (410,332) | (2,637,486) | (3,508,220) | 1,353,544 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | - | - | - | 2,642,056 | 5,172,373 | 7,908,125 |
| Capital related debt issued | - | - | 1,011,578 | - | - | 1,011,578 |
| Transfers out | - | (2,642,055) | - | - | - | (2,642,055) |
| Total other financing sources (uses) | - | (2,642,055) | 1,011,578 | 2,642,056 | 5,172,373 | 6,277,648 |
| Special Item | | | | | | |
| Proceeds from sale of capital assets | 384,392 | 15,603 | - | - | - | 399,995 |
| Net Change in Fund Balances | 516,705 | 1,653,814 | 601,246 | 4,570 | 1,664,153 | 8,031,187 |
| Fund Balance - Beginning | 6,278 | 10,641,716 | 14,705,631 | 112,971 | 999,094 | 32,164,892 |
| Fund Balance - Ending | \$ 522,983 | \$ 12,295,530 | \$ 15,306,877 | \$ 117,541 | \$ 2,663,247 | \$ 40,196,079 |

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 Vallejo City Unified School District (the District) under programs of the federal government for the year ended June 30, 2023. 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 financial position, changes in net assets (or net position or fund balance), or cash flows of District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual 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.

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 Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District and displays information for each Charter School on whether or not the Charter School is included in the District audit.

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

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



Independent Auditor's Reports
June 30, 2023

Vallejo City 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
Vallejo City Unified School District
Vallejo, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Vallejo City Unified School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 8, 2024.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

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

Menlo Park, California
March 8, 2024



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
Vallejo City Unified School District
Vallejo, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Vallejo City Unified School District's (District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Menlo Park, California
March 8, 2024



Independent Auditor's Report on State Compliance

To the Governing Board
Vallejo City Unified School District
Vallejo, California

Report on Compliance

Qualified and Unmodified Opinions on State Compliance

We have audited Vallejo City Unified School District's (District) compliance with the requirements specified in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2023.

Qualified Opinion on Attendance Reporting

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023, except as described in the accompanying Schedule of Findings and Questioned Costs.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Matter Giving Rise to Qualified Opinion on Attendance Reporting

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding attendance reporting (2023-003).

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.

- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal controls over compliance. Accordingly, we express no such opinion; and.
- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

| 2022-2023 K-12 Audit Guide Procedures | Procedures Performed |
|--|----------------------|
| Local Education Agencies Other Than Charter Schools | |
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Independent Study | Yes |
| Continuation Education | Yes |
| Instructional Time | Yes |
| Instructional Materials | Yes |
| Ratio 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 |
| Juvenile Court Schools | No, see below |
| Middle or Early College High Schools | No, see below |
| K-3 Grade Span Adjustment | Yes |
| Transportation Maintenance of Effort | Yes |
| Apprenticeship: Related and Supplemental Instruction | No, see below |
| Comprehensive School Safety Plan | Yes |
| District of Choice | No, see below |
| Home to School Transportation Reimbursement | Yes |
| Independent Study Certification for ADA Loss Mitigation | Yes |
| School Districts, County Offices of Education, and Charter Schools | |
| California Clean Energy Jobs Act | No, see below |
| After/Before School Education and Safety Program | Yes |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study-Course Based | No, see below |
| Immunizations | No, see below |
| Educator Effectiveness | Yes |
| Expanded Learning Opportunities Grant (ELO-G) | Yes |
| Career Technical Education Incentive Grant | No, see below |
| Transitional Kindergarten | Yes |

| 2022-2023 K-12 Audit Guide Procedures | Procedures Performed |
|---|----------------------|
| Charter Schools | |
| Attendance | Yes |
| Mode of Instruction | Yes |
| Nonclassroom-Based Instruction/Independent Study | No, see below |
| Determination of Funding for Nonclassroom-Based Instruction | No, see below |
| Annual Instructional Minutes – Classroom Based | Yes |
| Charter School Facility Grant Program | No, see below |
| Early Retirement Incentive | |
| 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. | |
| Juvenile Court Schools | |
| We did not perform Juvenile Court Schools procedures because the program is not offered by the District. | |
| Middle or Early College High Schools | |
| We did not perform Middle or Early College High Schools procedures because the program is not offered by the District. | |
| Apprenticeship: Related and Supplemental Instruction | |
| We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District. | |
| District of Choice | |
| The District did not elect to operate as a school district of choice; therefore, we did not perform procedures related to District of Choice. | |
| California Clean Energy Jobs Act | |
| We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year. | |
| Independent Study - Course Based | |
| 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. | |
| Immunization | |
| The District was not listed on the immunization assessment reports; therefore, we did not perform any related procedures. | |
| Career Technical Education Incentive Grant | |
| We did not perform Career Technical Education Incentive Grant procedures because the District did not receive funding for this grant. | |

Nonclassroom-Based Instruction/Independent Study/Determination of Funding for
Nonclassroom-Based Instruction

We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study nor for Determination of Funding for Nonclassroom-Based Instruction because the Charter School is classroom-based.

Charter School Facility Grant Program

Additionally, we did not perform procedures for the Charter School Facility Grant Program because the District did not receive funding for this program.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs as item 2023-003.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-003 to be a material weakness.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-2023 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.

Menlo Park, California
March 8, 2024



Schedule of Findings and Questioned Costs
June 30, 2023

Vallejo City Unified School District

Financial Statements

| | |
|--|------------|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting | |
| Material weaknesses identified | Yes |
| Significant deficiencies identified not considered to be material weaknesses | Yes |
| 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 Number</u> |
|---|--|
| COVID-19, Education Stabilization Fund (ESF) Child Nutrition Cluster | 84.425C, 84.425D, 84.425U, 84.425W 10.553, 10.555 |
| Dollar threshold used to distinguish between type A and type B programs | \$1,028,990 |
| Auditee qualified as low-risk auditee? | No |

State Compliance

| | |
|--|---------------|
| Internal control over state compliance programs | |
| Material weaknesses identified | Yes |
| Significant deficiencies identified not considered to be material weaknesses | None Reported |
| Type of auditor's report issued on compliance | |
| Unmodified for all programs except for the following program which was qualified | |
| Attendance Reporting | |

The following findings represent significant deficiencies and material weaknesses related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

| | Five Digit Code | AB 3627 Finding Type |
|-----------------|--|----------------------|
| | 30000 | Internal Control |
| 2023-001 | 30000 – Material Weakness in Internal Control over Financial Reporting, Restatement and Material Audit Adjustments | |
| | Criteria | |
| | 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. Additionally, management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP). | |
| | Condition | |
| | We were requested to draft the financial statements and related notes to the financial statements. We also identified material audit adjustments, based on our audit procedures, which were proposed to management and ultimately posted to the District's accounting records. Accordingly, it was determined that the prior year's financial statements contained an error that was discovered during the current year. The error was due to an overstatement of long-term liabilities related to the state emergency apportionment loan. In addition, we noted accounts receivables were understated due to activities related to property sales and insurance claims. | |
| | Effect | |
| | Material adjustments were necessary for the financial statements to comply with governmental accounting rules in all material respects. | |
| | Cause | |
| | The misstatements noted above appear to be due to lack of timely reconciliation of the accounts and lack of management oversight. | |
| | Repeat Finding | |
| | Yes (see 2022-002). | |
| | Recommendation | |
| | We recommend management continue its effort to ensure account reconciliations are performed timely and ensure all year end transactions are properly accrued. | |

Views of Responsible Officials

The District agrees with the auditor's recommendation. General ledger reconciliation procedures are approved, and staff will receive follow-up training. All receivables and payables will be reviewed and confirmed using the receipt and payment between July 1 and August 31 of the subsequent fiscal year.

Completed All General Reconciliation: June 30, 2024

Responsible Officer: Rosalina Flores, Director, Business Services, Budget and General Accounting

2023-002 30000 – Significant Deficiency in Internal Control Over Financial Reporting, Year End Account Reconciliations, Uncorrected Immaterial Financial Statement Misstatements**Criteria**

A effective system of internal accounting control contemplates an adequate system for recording, processing, and reconciling account balances to the financial statements.

Condition

During fieldwork, it became apparent that certain analysis and adjustments were yet to be performed. It appeared that various accounts in the District's general ledger had not been fully analyzed and adjusted. Throughout the audit process, the District's Finance staff provided us with the necessary analysis and adjustments, as requested.

Effect

There is a higher risk of errors related to financial reporting.

Cause

Management is aware of the importance of timely reconciliation of the account balances, however, it appears that the Business Office did not have the adequate resources to complete the task timely.

Repeat Finding

Yes (see 2022-001).

Recommendation

We recommend the District take steps to evaluate the current accounting policies and procedures, and determine what revisions may be necessary to ensure timely and accurate financial reporting. In addition to the formal accounting policies and procedures manual, we recommend the District prepare a schedule of accounting procedures to be performed each month, quarter, and at year-end, as applicable. The schedule should include a detailed description of the required analysis and adjustments, along with due dates for the various procedures.

Views of Responsible Officials

The District agrees with the auditor's recommendation. General ledger reconciliation procedures are approved, and staff will receive follow-up training. All receivables and payables will be reviewed and confirmed using the receipt and payment between July 1 and August 31 of the subsequent fiscal year.

Completed All Payroll Liability Reconciliation: June 30, 2024

Responsible Officer: Gillian Valenzuela, Assistant Director, Business Services of Payroll and Benefits.

None reported.

The following finding represents a material weakness, and a material instance of noncompliance including questioned costs that are required to be reported by the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The finding has been coded as follows:

| | |
|-----------------|----------------------|
| Five Digit Code | AB 3627 Finding Type |
| 10000 | Attendance |

2023-003 10000 – Material Weakness in Internal Control over State Compliance, Attendance Reporting

Criteria

Management of the District is responsible for the completeness and accuracy of average daily attendance (ADA) reported on the “P-2” and “Annual” reports of attendance.

Condition

Inappropriately reported units of ADA, by grade span, identified through the State prescribed audit procedures are as follows:

| | <u>Second Period Report</u> | <u>Annual Report</u> |
|---|---------------------------------|--------------------------|
| Regular ADA | | |
| Transitional kindergarten through third | (1.91) | (29.67) |
| Fourth through sixth | (0.94) | (7.89) |
| Seventh and eighth | (0.67) | (0.29) |
| Ninth through twelfth | (13.07) | 1.16 |
| | <u> </u> | <u> </u> |
| Total Regular ADA | (16.59) | (36.69) |
| | <u> </u> | <u> </u> |
| Extended Year Special Education | | |
| Ninth through twelfth | (79.63) | (79.63) |
| | <u> </u> | <u> </u> |
| Total ADA | (96.22) | (116.32) |
| | <u> </u> | <u> </u> |

Questioned Costs

The current year’s “funded ADA” is based on the “three prior year average.” The current year’s funded ADA is unchanged by the overstatement of ADA noted herein. Accordingly, no questioned costs are associated with the condition.

Effect

Multi-year budget projections may require revision. Furthermore, the District may receive future State funding based on the overstated ADA amounts. Such amounts must be tracked for financial reporting purposes in future fiscal years and remitted back to the State.

Cause

The discrepancies appear to be caused by data input errors and deficiencies in internal controls.

Repeat Finding

No.

Recommendation

We recommend that the District promptly revise the ADA amounts on file with the State's Department of Education. The District should also remain cognizant that the ADA currently on file with the State is overstated and may result in increased principal apportionment that must be tracked for financial reporting purposes to avoid overstating future financial statements.

We also recommend establishing internal controls over monitoring. Someone independent of the preparer should review and approve the attendance reports before submission.

Views of Responsible Officials

The District agrees with the auditor's recommendation. Revised P2 and Annual will be submitted to reflect the overstatement of Special Education and Transitional Kindergarten.

Revised P2 and Annual: February 2024

Responsible Officer: Rosalina Flores, Director, Business Services, Budget and General Accounting

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

Five Digit Code
30000

AB 3627 Finding Type
Internal Control

Financial Statement Findings

**2022-001 Year End Account Reconciliations (30000)
(Significant Deficiencies)**

Condition

During the audit, we noted passed (uncorrected) adjustments for various account balances. In addition, we noted that payroll liability accounts have not been reconciled.

Recommendation

We recommend management continue its effort to include account balance reconciliation as part of the year-end closing procedures to ensure all account balances correct for the fiscal year.

Current Status

Not implemented, see current year finding 2023-002.

2022-002 Restatement and Material Audit Adjustments (30000)
(Material Weakness)

Condition

We were requested to draft the financial statements and related notes to the financial statements. The prior year financial statements contained an error that was discovered during the current year. The error was due to an understatement of long-term liabilities related to the state emergency apportionment loan. In addition, we noted the charter school apportionment revenue was overstated which required an audit adjustment.

Recommendation

We recommend management improve internal controls over financial statement preparation process and ensure all account balances are reconciled timely in order for the financial statements to be presented accurately.

Current Status

Not implemented, see current year finding 2023-001.

State Compliance Findings

2022-003 10000 – Independent Study – Long Term

Condition

We noted 1 student out of 25 tested did not have the required written agreement on file.

Recommendation

The District needs to revise the Second Period Attendance Report and the Annual Period Attendance Report to reflect the audited ADA for independent study program.

Current Status

Implemented.

2022-004 40000 –Unduplicated Local Control Funding Formula

Condition

We noted 1 student out of 60 tested for the English Learner (EL) designation did not have the supporting documentation to show the student was eligible for the EL designation.

Recommendation

Management should review the compliance requirements for Unduplicated Local Control Funding Formula program and implement procedures to ensure supporting documents are on file for each student indicated as EL designation.

Current Status

Implemented.

2022-005 72000 –School Accountability Report Card (SARC)

Condition

During our review of the SARC reports for Dan Mini ES, Federal Terrance ES, Glen Cove ES, Lincoln ES, Hogan MS, Jesse Bethel HS, John Finney HS, Vallejo Charter, we noted the information related to School Facility Conditions reported on SARC was based on the 2021 FIT report, however, we were not able to obtain the FIT reports prepared in 2021 to complete the test.

Recommendation

Management should review the compliance requirements related to SARC reporting and establish procedures to ensure FIT is completed each year and the related information is properly included in the SARC report for the school.

Current Status

Implemented.