

CENTRAL UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2023

CENTRAL UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES	14
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - GOVERNMENTAL FUNDS	15
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	16
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	17
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES	18
STATEMENT OF NET POSITION - PROPRIETARY FUNDS	20
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUNDS	21
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	22
NOTES TO FINANCIAL STATEMENTS	23
REQUIRED SUPPLEMENTARY INFORMATION:	
GENERAL FUND BUDGETARY COMPARISON SCHEDULE	57
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY	58
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	59
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS	61
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	63

CENTRAL UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023
(Continued)

CONTENTS

SUPPLEMENTARY INFORMATION:

COMBINING BALANCE SHEET - ALL NON-MAJOR FUNDS	64
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - ALL NON-MAJOR FUNDS.....	65
ORGANIZATION.....	66
SCHEDULE OF AVERAGE DAILY ATTENDANCE.....	67
SCHEDULE OF INSTRUCTIONAL TIME.....	68
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	69
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS.....	71
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS - UNAUDITED	72
SCHEDULE OF CHARTER SCHOOLS	73
NOTES TO SUPPLEMENTARY INFORMATION	74
INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE.....	75
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.....	79
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE	81
FINDINGS AND RECOMMENDATIONS:	
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS	84
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS	90

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Central Unified School District
Fresno, California

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Central Unified School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Central Unified School 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, the business-type activities, each major fund, and the aggregate remaining fund information of Central Unified School 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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Central Unified School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Central Unified School 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.

(Continued)

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 Central Unified School 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 Central Unified School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 12 and the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 57 to 63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Unified School District's basic financial statements. The accompanying 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* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and, except for that portion marked "unaudited," was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2024 on our consideration of Central Unified School 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 Central Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Unified School District's internal control over financial reporting and compliance.


Crowe LLP

Sacramento, California
March 15, 2024



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **For the Year Ended June 30, 2023**

This section of Central Unified School District's (District) annual financial report represents the Fiscal Services Management Discussion and Analysis of the District's financial performance during the fiscal year (FY) that ended on June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The *Government-Wide Financial Statements* are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of the Governmental Accounting Standards Board Codification Section (GASB Cod. Sec) N50 118-121.

The *Fund Financial Statements* include statements for two categories of activities: governmental and business-type.

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

The *Business-Type Activities* 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.

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 and liabilities 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 considered regardless of when cash is received or paid.

District Administration

*Tami Boatright Ed.D., Assistant Superintendent, Educational Services · Amer Iqbal, Assistant Chief Business Officer
Jack Kelejian, Assistant Superintendent, Human Resources*

These two statements report the District's *net position* and changes in them. Net positions are the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources, one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* 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 Board's responsibility is to provide services to our students and not to generate a 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 – Most 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.

Business-type activities – The District charges fees to help cover the costs of certain services it provides. The District's after school services are included here.

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 – Most 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 each governmental fund financial statement.

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 and 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. 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 governmental activities net position was \$186.6 million for the fiscal year ended June 30, 2023, and \$128.2 million for the fiscal year ended June 30, 2022; an increase of \$58.4 million. Of the government-wide total net position at June 30, 2023, (\$112.7) million was unrestricted, \$126.8 million was restricted and \$172.4 million was the net investment in capital assets. The negative \$112.7 million unrestricted net position from governmental activities represents the accumulated results of all past years' operations and is also inclusive of the total OPEB liability and net pension liability and related deferred inflows and outflows of resources for CalSTRS and CalPERS. As of June 30, 2023, the District's total OPEB liability and net pension liability was \$43.9 million and \$150.46 million, respectively. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net positions for day to day operations. Our analysis below focuses on the net position (Table 1) and change in the net position (Table 2) of the District's activities for the past two fiscal years.

TABLE 1

Net Position	Governmental Activities		Business-Type Activities		Total School District		Change
	2023	2022	2023	2022	2023	2022	
Current and other assets	340,554,075	297,657,161	\$ 601,948	\$ 627,755	\$ 341,156,023	\$ 298,284,916	14%
Capital assets	401,543,726	371,823,361			\$401,543,726	\$371,823,361	8%
Total Assets	742,097,801	669,480,522	601,948	627,755	\$742,699,749	\$670,108,277	11%
Deferred Outflows of Resources	69,898,669	51,056,334	290,700	105,700	\$70,189,369	\$51,162,034	37%
Current liabilities	40,076,709	29,934,046	19,368	42,175	\$40,096,077	\$29,976,221	34%
Long-term liabilities	554,221,383	478,816,253	785,000	468,000	\$555,006,383	\$479,284,253	16%
Total Liabilities	594,298,092	508,750,299	804,368	510,175	\$595,102,460	\$509,260,474	17%
Deferred Inflows of Resources	31,061,761	83,557,761	88,280	223,280	\$31,150,041	\$83,781,041	
Net investment in capital assets	172,486,371	132,367,713			\$172,486,371	\$132,367,713	30%
Restricted	126,850,298	115,378,039			\$126,850,298	\$115,378,039	10%
Unrestricted	(112,700,052)	(119,516,956)	-	-	(\$112,700,052)	(\$119,516,956)	-6%
Total Net Position	\$ 186,636,617	\$ 128,228,796	\$ -	\$ -	\$ 186,636,617	\$ 128,228,796	46%

Unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

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

TABLE 2
Statement of Activities

	Governmental Activities		Business-Type Activities		Total School District		Change
	2023	2022	2023	2022	2023	2022	
Program Revenues							
Charges for Services	\$3,000,038	\$3,577,258	\$335,775	\$332,105	\$3,335,813	\$3,909,363	-15%
Operating Grants & Contributions	98,136,763	82,225,478	0	0	98,136,763	82,225,478	19%
Capital Grants and Contributions	0	35,092,874			0	35,092,874	-100%
General Revenues							
Taxes and Subventions	35,896,322	35,203,188			35,896,322	35,203,188	2%
Federal and State Aid, Unrestricted	178,847,503	152,722,827			178,847,503	152,722,827	17%
Interagency Revenues	-	-			0	0	
Interest and Investment Earnings	\$4,927,547	(\$6,978,660)	\$9,339	(\$11,077)	4,936,886	(6,989,737)	-171%
Special and extraordinary items	-	-			0	0	0%
Internal Transfers	(284,001)	(215,572)	284,001	215,572	0	0	0%
Other General Revenues	1,170,516	3,305,407			1,170,516	3,305,407	-65%
Enterprise Activities							
Total Revenues	321,694,688	304,932,800	629,115	536,600	322,323,803	305,469,400	6%
Expenses							
Instructional Related	168,689,682	143,376,901			168,689,682	143,376,901	18%
Student Support Services	39,581,976	33,080,567			39,581,976	33,080,567	20%
General Administrative	8,761,305	13,276,406			8,761,305	13,276,406	-34%
Maintenance and Operations	28,703,537	25,287,924			28,703,537	25,287,924	14%
Other	17,529,334	41,663,660			17,529,334	41,663,660	-58%
Enterprise Activities	21,033.00	0	629,115	536,600	650,148	536,600	21%
Total Expenses	\$263,286,867	\$256,685,458	\$629,115	\$536,600	\$263,915,982	\$257,222,058	3%
Change in Net Position	\$58,407,821	\$48,247,342	\$0	\$0	\$58,407,821	\$48,247,342	21%

Governmental Activities

As reported in the Statement of Activities, the cost of all District governmental activities for FY 2022-2023 was \$263.2 million as compared to \$256.6 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$35.8 million because the remaining costs were covered by those who benefited from the programs of \$3 million or by other governments and organizations who subsidized certain programs with operating grants and contributions of \$98.1 million. The District paid for the remaining "public benefit" portion of our governmental activities with \$178.8 million in State and Federal funds and other revenue of \$1.1 million. The district had an internal transfer of (\$284 thousand) and had \$4.9 million in interest and investment earnings.

Business Type Activities

As reported in the Statement of Activities, the cost of the District business type activities for FY 2022-2023 was \$629,115 as compared to \$536,600 in the prior year, which is an increase of \$92,515.

THE DISTRICT'S FUNDS

As the District completed FY 2022-23, governmental funds reported a combined fund balance of \$289.8 million as compared to \$264.5 million in the prior year, which is an increase of \$25.2 million.

TABLE 3
Comparative Schedule of Fund Balances

	Fund Balance			
	June 30, 2023	June 30, 2022	\$ Change	% Change
General Fund	\$106,975,833	\$72,319,529	\$34,656,304	47.92%
Building Fund	\$124,118,110	\$92,407,192	\$31,710,918	34.32%
Bond Interest & Redemption	\$21,099,306	\$44,160,671	(\$23,061,365)	-52.22%
All Non Major Funds	\$37,675,014	\$55,681,280	(\$18,006,266)	-32.34%
Totals	\$289,868,263	\$264,568,672	\$25,299,591	9.56%

As can be seen in the scheduled fund balances (Table 3), the \$289.8 million total fund balance includes the General Fund of \$106.9 million, Building Fund of \$124.1 million, and \$37.7 million in All Non-Major Funds, which includes: the Adult Education, Cafeteria, Child Development, Deferred Maintenance, Capital Facilities, County School Facilities, and Special Reserve Fund for Capital Outlay.

The Building Fund increase of \$31.7 million was due to the sale of Bonds for the completion of the Justin Garza High School and a new elementary school.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the District had \$371.8 million (net) in a broad range of capital assets, including land, buildings, and furniture and equipment, net of depreciation. At June 30, 2023, net fixed assets totaled \$401.5 million. This amount represents a net increase (including additions, deductions and depreciation) of approximately \$29.7 million from last year. The primary increase was due to the construction of the new High School and technology.

TABLE 4
Governmental Activities,
Capital Assets

	2023	2022	\$ Change	% Change
Land	\$18,816,534	\$18,816,534	\$0	0.00%
Work-in-process	\$63,861,920	\$145,792,537	(\$81,930,617)	-56.20%
Land improvements	\$44,936,888	\$44,849,821	\$87,067	0.19%
Buildings	\$385,221,403	\$267,048,388	\$118,173,015	44.25%
Equipment	\$45,245,196	\$38,745,867	\$6,499,329	16.77%
Leased equipment	\$3,209,778	\$3,179,614	\$30,164	0.95%
Capital Assets, cost	\$561,291,719	\$518,432,761	\$42,858,958	5.97%
Accumulated Depreciation	(\$159,747,993)	(\$146,609,400)	(\$13,138,593)	8.96%
Governmental Activities Capital Assets, net	\$401,543,726	\$371,823,361	\$29,720,365	7.99%

Long-Term Obligations

At the end of this year, the District had \$554.2 million in long-term obligations outstanding versus \$478.8 million last year, an increase of approximately \$75.4 million.

The change in long-term debt was due mainly to the increase in the General Obligation Bonds of \$24.3 million and the increase in Net Pension Liability of \$61.7 million.

TABLE 5
Summary of Long-Term Liabilities

	2023	2022	\$ Change	% Change
General Obligation Bonds	\$311,530,995	\$286,817,843	\$24,713,152	8.62%
Accreted Interest	\$1,780,312	\$9,482,411	-\$7,702,099	-81.23%
Certificates of Participation	\$27,648,042	\$30,141,469	-\$2,493,427	-8.27%
Capitalized Lease Obligations	\$7,700,847	\$8,219,523	-\$518,676	-6.31%
Total OPEB Obligations	\$43,957,005	\$43,504,289	\$452,716	1.04%
QZABs	\$10,418,268	\$11,334,488	-\$916,220	-8.08%
Compensated Absences	\$772,914	\$701,230	\$71,684	10.22%
Net Pension Liability	\$150,413,000	\$88,615,000	\$61,798,000	69.74%
Total Long-Term Liabilities	\$554,221,383	\$478,816,253	\$75,405,130	15.75%

ECONOMIC FACTORS

Economic Factors

In order to address some of the financial costs that have arisen due to the COVID-19 pandemic, such as facilities cleaning, the costs of personal protective equipment, and learning loss mitigation, the District has been awarded one-time COVID relief funds from various federal and state sources.

The 2022-23 State Budget Act provided a Local Control Funding Formula (LCFF) cost of living adjustment of 6.56 % and an ongoing LCFF base funding increase of 6.28%. This additional infusion of funding toward the base is to help school districts address fiscal pressures, staffing shortages, and other operational needs. The State budget also established new one-time funds through the Learning Recovery Emergency Block Grant and the Arts, Music and Instructional Materials Block Grant.

The District cannot predict the short or long term impacts the COVID-19 emergency and the responses of federal, State or local governments will have on global, State-wide and local economies, which could impact District operations and finances, and local property values.

2023/2024 Budget Assumptions and rates

In considering the District Budget for the 2023/2024 year, the Governing Board and management used the following criteria:

General Fund Revenues

General Fund revenue is estimated at \$308.6 million generated from Local Control Funding Formula (LCFF), Federal Revenue, Other State Revenue, Local and Other Revenue, and Other Sources. The single largest source of income is LCFF. The LCFF revenue is calculated by the District's Average Daily Attendance (ADA) multiplied by a base amount per grade level (K-3, 4-6, 7-8 and 9-12), a base adjustment add-on multiplied by the District's ADA for class reduction (K-3) and Career Technical Education (9-12) and additional funding based on the demographics for English Learners, Foster Youth and Low Income. The LCFF revenue comes from two sources: State Aid and Local Property tax.

LCFF Revenue

- Cost of Living Adjustment (COLA) 8.22%
- ADA projections: 14,863 (93% of estimated District CBEDs enrollment)
 - Funded LCFF ADA – 15,108.15 "Prior 3 Year Average" (Hold Harmless-greater of current year, prior year or 3-prior year average)
- LCFF calculation was determined using the FCMAT LCFF calculator assumptions, Demographic study, prior year second period (P2) Property Tax, and projected ADA

Federal Revenues

- Projections are based on prior-year entitlements/apportionments and excludes carryover and deferred revenue (carryover/deferred revenue will be included after 2022-23 financials are closed)

Other State Revenues

- Projections are based on prior-year entitlements/apportionments and excludes carryover and deferred revenues (carryover/deferred revenue will be included after 2022-23 financials are closed)

Local and Other Revenues

- Projections are based on prior-year entitlements/apportionments, grant award letters and excludes carryover and deferred revenues (carryover/deferred revenue will be included after 2022-23 financials are closed)
 - Local Grant/Contributions- Regional Occupational Program (ROP), After School Program (ASP), Aquatics, Class projects, technology leases, State water resource- bottle water, Dual Enrollment
 - Removed one-time local grants/awards –Census Grant, The Central Foundation (mini-grant), Equipment grants, Kaiser grants, Fresno State Grant, and State Water Resource grant
 - Removed donations, fees, refunds/rebates, and miscellaneous deposits

General Fund Expenditures

The District's general fund total expenditures are estimated at \$296.9 million dollars. Restricted expenditures are estimated at \$110.4 million and unrestricted at \$186.5 million.

Certificated and Classified Salaries

- Salaries adjusted for step and column and adjusted based on board approved salary schedules.

Employee Benefits

- Benefits reflect current available rates when the budget was prepared, STRS remained unchanged; PERS 1.31% increase, and Workers Compensation estimated to be a .067% decrease. The rates used for benefits are as follows:
 - STRS 19.10%
 - PERS 26.68%
 - Social Security 6.20%
 - Medicare 1.45%
 - Alt Retire 3.75%
 - Health/Welfare 85% employer contribution
 - SUI 0.5%
 - Workers Comp 1.378% estimate

Books, Supplies and Other Materials

- Increase in Unrestricted Textbooks and Core Curricula
- Decreased for one-time expenditures
- Adjustments to restricted expenditures due to the removal of carryover and deferred revenue

Services/Other Operating Expenses

- Decrease for one-time allocations
- Adjustments made to District Contracts
- Increase to Insurance (Property and Liability)
- Increase to all Utilities
- Adjustments to restricted expenditures due to the removal of carryover and deferred revenue

Capital Outlay

- Decrease for one-time allocations – buses, vehicles, equipment, and facilities
- Adjustments to restricted expenditures due to the removal of carryover and deferred revenue

General Fund Contribution

The District's General Fund contributes additional funds to successfully operate programs that the State does not adequately fund and that are required by either the Education Code or the terms of the grant. Special Education and Transportation represents the majority of the district's contributions needed to operate the programs successfully.

In addition, the District is required to contribute 3% of the General Funds actual expenditures to Routine Restricted Maintenance – estimated \$5.59 million.

Reserve for Economic Uncertainties and Commitments

The District's Reserve for Economic Uncertainties meets the State minimum requirement of 3%. Additional 2% is set aside for Reserve in Other Designation to maintain a 5% reserve, per Board Policy (BP3100). The District projected ending reserve for the 2023-24 Adopted Budget is 9.99%.

General Fund Multi-Year Projections

Multi-Year Projections (MYP) are projections, not forecasts nor predictions. Projections are the mathematical result of today's decisions, based on a given set of assumptions and are expected to change as the assumptions change. Forecasts are predictions of the future and they have a higher implied reliability factor than projections.

Revenues for the multi-year projections follow the 2023-24 SSC's recommendations and the FCMAT LCFF calculator. Changes in the LCFF revenue represent projected changes in ADA and projected COLAs.

Expenditures have been adjusted to reflect any necessary reductions or increases to maintain the district's goals and the required reserve. Multi-year projections are aligned with current law and will be updated as additional information becomes available.

BASIC FINANCIAL STATEMENTS

CENTRAL UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$ 323,511,112	\$ 316,103	\$ 323,827,215
Receivables	17,245,341	2,442	17,247,783
Internal balances (Note 3)	(283,403)	283,403	-
Stores inventory	81,025	-	81,025
Non-depreciable capital assets (Note 4)	82,678,454	-	82,678,454
Depreciable capital assets, net of accumulated depreciation and amortization (Note 4)	<u>318,865,272</u>	<u>-</u>	<u>318,865,272</u>
Total assets	<u>742,097,801</u>	<u>601,948</u>	<u>742,699,749</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding of debt	4,122,687	-	4,122,687
Deferred outflows of resources - OPEB (Note 10)	9,158,956	-	9,158,956
Deferred outflows of resources - pensions (Notes 8 and 9)	<u>56,617,026</u>	<u>290,700</u>	<u>56,907,726</u>
Total deferred outflows of resources	<u>69,898,669</u>	<u>290,700</u>	<u>70,189,369</u>
LIABILITIES			
Accounts payable	31,120,398	12,235	31,132,633
Unearned revenue	6,326,311	7,133	6,333,444
Self-insurance claims liability (Note 5)	2,630,000	-	2,630,000
Long-term liabilities (Note 6):			
Due within one year	13,578,889	-	13,578,889
Due after one year	<u>540,642,494</u>	<u>785,000</u>	<u>541,427,494</u>
Total liabilities	<u>594,298,092</u>	<u>804,368</u>	<u>595,102,460</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions (Notes 8 and 9)	25,474,720	88,280	25,563,000
Deferred inflows of resources - OPEB (Note 10)	<u>5,587,041</u>	<u>-</u>	<u>5,587,041</u>
Total deferred inflows of resources	<u>31,061,761</u>	<u>88,280</u>	<u>31,150,041</u>
NET POSITION			
Net investment in capital assets	172,486,371	-	172,486,371
Restricted:			
Legally restricted programs	67,974,257	-	67,974,257
Capital projects	24,059,289	-	24,059,289
Debt service	21,099,306	-	21,099,306
Self-Insurance	13,717,446	-	13,717,446
Unrestricted	<u>(112,700,052)</u>	<u>-</u>	<u>(112,700,052)</u>
Total net position	<u>\$ 186,636,617</u>	<u>\$ -</u>	<u>\$ 186,636,617</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Instruction	\$ 140,948,058	\$ 2,491,353	\$ 55,810,348	\$ (82,646,357)	\$ -	\$ (82,646,357)
Instruction-related services:						
Supervision of instruction	7,308,931	31,544	12,599,483	5,322,096	-	5,322,096
Instructional library, media and technology	3,221,147	941	113,972	(3,106,234)	-	(3,106,234)
School site administration	17,211,546	18,161	1,837,010	(15,356,375)	-	(15,356,375)
Pupil services:						
Home-to-school transportation	9,302,942	17,528	466,053	(8,819,361)	-	(8,819,361)
Food services	10,308,362	68,005	10,205,961	(34,396)	-	(34,396)
All other pupil services	19,970,672	24,756	10,725,707	(9,220,209)	-	(9,220,209)
General administration:						
Centralized data processing	2,675,547	46,518	2,094	(2,626,935)	-	(2,626,935)
All other general administration	6,085,758	63,111	2,920,923	(3,101,724)	-	(3,101,724)
Plant services	28,703,537	84,437	1,120,604	(27,498,496)	-	(27,498,496)
Ancillary services	6,520,027	11,082	2,334,608	(4,174,337)	-	(4,174,337)
Community services	499,547	55,874	-	(443,673)	-	(443,673)
Enterprise activities	21,033	-	-	(21,033)	-	(21,033)
Interest on long-term liabilities	8,713,160	-	-	(8,713,160)	-	(8,713,160)
Other outgo	1,796,600	86,728	-	(1,709,872)	-	(1,709,872)
Total governmental activities	263,286,867	3,000,038	98,136,763	(162,150,066)	-	(162,150,066)
Business-type activities:						
Enterprise activities						
Total governmental and business-type activities	\$ 629,115	\$ -	\$ -	(629,115)	(629,115)	(629,115)
	\$ 263,915,982	\$ 3,000,038	\$ 98,136,763	(162,150,066)	(629,115)	(162,779,181)
General revenues:						
Taxes and subventions:						
Taxes levied for general purposes				23,284,271	-	23,284,271
Taxes levied for debt service				12,580,398	-	12,580,398
Taxes levied for other specific purposes				31,653	-	31,653
Federal and state aid not restricted to specific purposes				178,847,503	-	178,847,503
Interest and investment earnings (loss)				4,927,547	9,339	4,936,886
Internal transfers				(284,001)	284,001	-
Miscellaneous				1,170,516	335,775	1,506,291
Total general revenues				220,557,887	629,115	221,187,002
Change in net position				58,407,821	-	58,407,821
Net position, July 1, 2022				128,228,796	-	128,228,796
Net position, June 30, 2023				\$ 186,636,617	\$ -	\$ 186,636,617

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 119,977,964	\$ 125,473,089	\$ 15,134,955	\$ 27,201,345	\$ 287,787,353
Cash in revolving fund	25,000	-	-	-	25,000
Cash on hand and in banks	23,052	-	-	1,158,737	1,181,789
Cash with Fiscal Agent	-	-	5,863,492	12,473,161	18,336,653
Collections awaiting deposit	3,170	-	-	-	3,170
Receivables	14,500,690	754,022	100,859	1,802,628	17,158,199
Due from other funds	1,859,969	-	-	915,809	2,775,778
Stores inventory	24,112	-	-	56,913	81,025
Total assets	<u>\$ 136,413,957</u>	<u>\$ 126,227,111</u>	<u>\$ 21,099,306</u>	<u>\$ 43,608,593</u>	<u>\$ 327,348,967</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 21,884,510	\$ 2,109,001	\$ -	\$ 3,980,527	\$ 27,974,038
Unearned revenue	6,234,474	-	-	91,837	6,326,311
Due to other funds	1,319,140	-	-	1,861,215	3,180,355
Total liabilities	<u>29,438,124</u>	<u>2,109,001</u>	<u>-</u>	<u>5,933,579</u>	<u>37,480,704</u>
Fund balances:					
Nonspendable	49,112	-	-	56,913	106,025
Restricted	52,845,695	124,118,110	21,099,306	37,618,101	235,681,212
Unassigned	54,081,026	-	-	-	54,081,026
Total fund balances	<u>106,975,833</u>	<u>124,118,110</u>	<u>21,099,306</u>	<u>37,675,014</u>	<u>289,868,263</u>
Total liabilities and and fund balances	<u>\$ 136,413,957</u>	<u>\$ 126,227,111</u>	<u>\$ 21,099,306</u>	<u>\$ 43,608,593</u>	<u>\$ 327,348,967</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023

Total fund balances - Governmental Funds		\$ 289,868,263
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$561,291,719 and the accumulated depreciation and amortization is \$159,747,993 (Note 4).		401,543,726
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2023 consisted of (Note 6):		
General Obligation Bonds	\$ (289,619,107)	
Qualified Zone Academy Bonds (QZABs)	(10,418,268)	
Certificates of Participation (COPS)	(25,211,684)	
Unamortized premiums on GO Bonds	(21,911,888)	
Unamortized premiums on COPS	(2,436,358)	
Accreted interest	(1,780,312)	
Lease liabilities	(7,700,847)	
Net pension liability (Notes 8 and 9)	(150,413,000)	
Total OPEB liability (Note 10)	(43,957,005)	
Compensated absences	<u>(772,914)</u>	(554,221,383)
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shorter life of the refunded or refunding debt.		4,122,687
In government funds, deferred outflows and inflows of resources related to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position deferred outflows and inflows of resources relating to pensions and OPEB are reported:		
Deferred outflows of resources - pensions (Notes 8 and 9)	\$ 56,617,026	
Deferred outflows of resources - OPEB (Note 10)	9,158,956	
Deferred inflows of resources - OPEB (Note 10)	(5,587,041)	
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>(25,474,720)</u>	34,714,221
Unmatured interest on long-term liabilities is recognized in the period incurred.		(3,108,343)
Internal service funds are used for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities.		<u>13,717,446</u>
Total net position - governmental activities		<u>\$ 186,636,617</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 173,274,225	\$ -	\$ -	\$ -	\$ 173,274,225
Local sources	<u>21,913,254</u>	<u>-</u>	<u>-</u>	<u>1,372,593</u>	<u>23,285,847</u>
Total LCFF	<u>195,187,479</u>	<u>-</u>	<u>-</u>	<u>1,372,593</u>	<u>196,560,072</u>
Federal sources	29,651,036	-	-	9,013,898	38,664,934
Other state sources	59,069,784	-	110,394	5,172,134	64,352,312
Other local sources	<u>14,965,169</u>	<u>2,180,582</u>	<u>12,725,576</u>	<u>5,288,279</u>	<u>35,159,606</u>
Total revenues	<u>298,873,468</u>	<u>2,180,582</u>	<u>12,835,970</u>	<u>20,846,904</u>	<u>334,736,924</u>
Expenditures:					
Current:					
Certificated salaries	99,003,506	-	-	502,478	99,505,984
Classified salaries	36,947,874	-	-	4,066,516	41,014,390
Employee benefits	64,980,712	-	-	2,056,401	67,037,113
Books and supplies	14,362,680	16,280	-	7,291,474	21,670,434
Contract services and operating expenditures	27,083,707	548,447	-	1,822,064	29,454,218
Other outgo	1,796,600	-	-	-	1,796,600
Capital outlay	15,602,657	14,902,113	-	22,647,691	53,152,461
Debt service:					
Principal retirement	3,287,257	-	20,613,575	104,243	24,005,075
Interest	<u>1,227,123</u>	<u>-</u>	<u>17,653,925</u>	<u>3,654</u>	<u>18,884,702</u>
Total expenditures	<u>264,292,116</u>	<u>15,466,840</u>	<u>38,267,500</u>	<u>38,494,521</u>	<u>356,520,977</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,581,352</u>	<u>(13,286,258)</u>	<u>(25,431,530)</u>	<u>(17,647,617)</u>	<u>(21,784,053)</u>
Other financing sources (uses):					
Transfers in	358,953	-	-	-	358,953
Transfers out	(284,001)	(304)	-	(358,649)	(642,954)
Proceeds from issuance of debt	-	44,997,480	-	-	44,997,480
Debt issuance premiums	<u>-</u>	<u>-</u>	<u>2,370,165</u>	<u>-</u>	<u>2,370,165</u>
Total other financing sources (uses)	<u>74,952</u>	<u>44,997,176</u>	<u>2,370,165</u>	<u>(358,649)</u>	<u>47,083,644</u>
Net change in fund balances	34,656,304	31,710,918	(23,061,365)	(18,006,266)	25,299,591
Fund balances, July 1, 2022	<u>72,319,529</u>	<u>92,407,192</u>	<u>44,160,671</u>	<u>55,681,280</u>	<u>264,568,672</u>
Fund balances, June 30, 2023	<u>\$ 106,975,833</u>	<u>\$ 124,118,110</u>	<u>\$ 21,099,306</u>	<u>\$ 37,675,014</u>	<u>\$ 289,868,263</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Net change in fund balances - Total Governmental Funds \$ 25,299,591

Amounts reported for governmental activities in the statement of activities are different because:

Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4). \$ 43,096,317

Depreciation and amortization of capital assets is an expense that is not recorded in the governmental funds (Note 4). (13,195,569)

In government funds, the entire proceeds from disposal of capital assets are reported as revenue. In the government-wide statements, only the resulting gain or loss is reported (Note 4). (210,547)

Losses on refundings of debt are categorized as deferred outflows and are amortized over the shorter life of the refunded or refunding debt (Note 6). (527,796)

Proceeds from issuance of long-term liabilities are reported as other financing sources in the governmental funds, but are reported as increase to long-term liabilities in the statement of net position (Note 6). (44,997,480)

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6). 24,005,075

Accretion of interest is not recorded in the governmental funds. It increases the long-term liabilities in the statement of net position (Note 6). 7,702,099

Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due. 873,626

In governmental funds, premiums received on the issuance of debt are recognized as revenue. In the government-wide statements debt issued at a premium is amortized as interest over the life of the debt (Note 6). 207,576

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (Note 6, 8, and 9). 10,830,552

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Activities of the internal service funds are reported with governmental activities.	\$ 6,581,034
In governmental funds, OPEB costs are recognized when employer contributions are made. In statement of activities OPEB costs are recognized on the accrual basis (Note 6 and 10).	(1,184,973)
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	<u>(71,684)</u> <u>\$ 33,108,230</u>
Change in net position of governmental activities	<u>\$ 58,407,821</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2023

	Business-Type Activities	Governmental Activities
	Enterprise Fund <u>Campus Connection</u>	Internal Service Fund Self-Insurance
ASSETS		
Current assets:		
Cash and investments (Note 2):		
Cash in County Treasury	\$ 316,103	\$ 15,061,462
Cash on hands and in banks	-	1,115,685
Due from other funds	284,149	121,174
Receivables	<u>2,442</u>	<u>87,142</u>
Total assets	<u>602,694</u>	<u>16,385,463</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions (Notes 8 and 9)	<u>290,700</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	12,235	38,017
Due to other funds	746	-
Unearned revenues	7,133	-
Claims liability	<u>-</u>	<u>2,630,000</u>
Current liabilities	<u>20,114</u>	<u>2,668,017</u>
Net pension liability - long-term (Note 6)	<u>785,000</u>	<u>-</u>
Total liabilities	<u>805,114</u>	<u>2,668,017</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>88,280</u>	<u>-</u>
NET POSITION		
Unrestricted	<u>\$ -</u>	<u>\$ 13,717,446</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE NET POSITION – PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Business-Type Activities	Governmental Activities
	Enterprise Fund <u>Campus Connection</u>	Internal Service Fund Self-Insurance
Operating revenues:		
Self insurance premiums	\$ -	\$ 28,569,344
Other local revenues	<u>335,775</u>	<u>1,687,388</u>
Total operating revenues	<u>335,775</u>	<u>30,256,732</u>
Operating expenses:		
Classified salaries	397,618	-
Employee benefits	212,270	161,893
Books and supplies	3,946	-
Contract services and operating expenses	<u>15,281</u>	<u>23,751,056</u>
Total operating expenses	<u>629,115</u>	<u>23,912,949</u>
Operating (loss) income	(293,340)	6,343,783
Non-operating revenue:		
Interest income	<u>9,339</u>	<u>237,251</u>
(Loss) income before transfers	(284,001)	6,581,034
Transfer from other funds	<u>284,001</u>	-
Change in net position	-	6,581,034
Total net position, July 1, 2022	<u>-</u>	<u>7,136,412</u>
Total net position, June 30, 2023	<u><u>\$ -</u></u>	<u><u>\$ 13,717,446</u></u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Business-Type Activities	Governmental Activities
	Enterprise Fund Campus Connection	Internal Service Fund Self-Insurance
Cash flows from operating activities:		
Cash received from user charges	\$ 335,156	\$ -
Cash received from self-insurance premiums	-	30,199,238
Cash paid for services and employee benefits	(704,272)	(23,692,893)
Cash paid for other expenses	(19,227)	-
Net cash (used in) provided by operating activities	(388,343)	6,506,345
Cash flows from financing activities:		
Net transfers from (to) other funds	284,001	-
Cash flows provided by investing activities:		
Interest income received	9,339	237,251
Net cash provided by investing activities	9,339	237,251
(Decrease) Increase in cash and investments	(95,003)	6,743,596
Cash and investments, July 1, 2022	411,106	9,433,551
Cash and investments, June 30, 2023	\$ 316,103	\$ 16,177,147
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:		
Operating (loss) income	\$ (293,340)	\$ 6,343,783
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
(Increase) decrease in:		
Receivables	(977)	(57,494)
Due from the District	(68,577)	-
Deferred outflows of resources - pensions	(185,000)	-
Increase (decrease) in:		
Accounts payable	(22,807)	30,156
Pension liability	317,000	-
Due to other funds	358	-
Claims liability	-	189,900
Deferred inflows of resources - pensions	(135,000)	-
Total adjustments	(95,003)	162,562
Net cash (used in) provided by operating activities	\$ (388,343)	\$ 6,506,345

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity: The Board of Trustees is the level of government which has governance responsibilities over all activities related to public school education in the Central Unified School District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds

General Fund: The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund, are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Building Fund: The Building Fund is a capital projects fund used to account for resources used for the acquisition or construction of major capital facilities by the District.

Bond Interest and Redemption Fund: The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term liabilities principal, interest, and related costs.

B - Other Funds

Special Revenue Funds: The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Student Activity, Adult Education, Child Development, Cafeteria, and Deferred Maintenance Funds.

Capital Projects Funds: The Capital Projects Funds are used to account for resources used for the acquisition or construction of major capital facilities by the District. This classification includes the Capital Facilities, County School Facilities, and Special Reserve for Capital Outlay Projects Funds.

Self-Insurance Fund: The Self-Insurance Fund is an internal service fund which is used to account for medical and surgical benefits provided to the District's employees.

Campus Connection Fund: The Campus Connection Fund is a business-type activity fund which is used to account for the financial transactions of the District's after-school services.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual: Governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Board of Trustees must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Trustees complied with these requirements.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables: Receivables are made up principally of amounts due from the State of California and categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2023.

Stores Inventory: Inventory consists mainly of consumable supplies held for future use and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools and offices.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost, except for intangible right-to-use lease assets, the measurement of which is discussed in the "Leases" note below. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 2 - 50 years depending on asset types.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods, and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. The District has also recognized deferred outflows of resources related to the recognition of the total OPEB liability and net pension liability.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized deferred inflows of resources related to the recognition of the total OPEB liability and net pension liability.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value.

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 32,633,205	\$ 24,274,521	\$ 56,907,726
Deferred inflows of resources	\$ 23,915,000	\$ 1,648,000	\$ 25,563,000
Net pension liability	\$ 88,043,000	\$ 63,155,000	\$ 151,198,000
Pension expense	\$ 13,482,352	\$ 8,945,274	\$ 22,427,626

The District has allocated approximately 1.12 percent of the total proportionate share of the PERF B net pension liability and related deferred inflows of resources and outflows of resources, to the District's business-type activities.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases: From time to time, the District may enter into agreements as a lessee for leases of buildings or equipment for District use. Upon entering into a lease agreement as lessee, the District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual total liability of \$50,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and the lease liability is reported with long-term liabilities, on the statement of net position.

Interfund Activity: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Compensated Absences: Compensated absences benefits are recorded as a liability of the District. The liability of \$772,914 is for the earned but unused benefits.

Accumulated Sick Leave: Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the District since cash payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period that sick leave is taken.

Unearned Revenue: Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Net Position: Net position is displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. It is the District's policy to use restricted net position first when allowable expenditures are incurred.

Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide and proprietary fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Trustees is required to remove any commitment from any fund balance. At June 30, 2023, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances, however, as of June 30, 2023, no such designation has occurred. At June 30, 2023, the District had no assigned fund balances.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At June 30, 2023, the District has a minimum fund balance policy which requires a reserve of at least 5% of total General Fund revenue. At June 30, 2023 the District has not established a stabilization arrangement.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of January 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Fresno bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates: The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncements: In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. GASB 96 defines a subscription-based information technology arrangement and requires the recognition of a right to use subscription asset and corresponding subscription liability. This statement was effective for fiscal years beginning after June 15, 2022. There was no impact to the District's July 1, 2022 net position as a result of the implementation of GASB Statement No. 96.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2023 consisted of the following:

	Governmental Activities			Business-Type
	Governmental Funds	Proprietary Fund	Total	Activities
Pooled Funds:				
Cash in County Treasury	\$ 287,787,353	\$ 15,061,462	\$ 302,848,815	\$ 316,103
Deposits:				
Cash in revolving fund	25,000	-	25,000	-
Collections awaiting deposit	3,170	-	3,170	-
Cash on hand and in banks	1,181,789	1,115,685	2,297,474	-
Total deposits	1,209,959	1,115,685	2,325,644	-
Cash with Fiscal Agent	18,336,653	-	18,336,653	-
Total cash and investments	\$ 307,333,965	\$ 16,177,147	\$ 323,511,112	\$ 316,103

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Fresno County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value 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.

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

In accordance with applicable state laws, the Fresno County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2023, the Fresno County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2023, the carrying amount of the District's FDIC insured accounts was \$1,218,448 and the bank balances totaled \$1,213,225, of which \$347,540 was FDIC insured. In addition, cash balances held in credit unions are insured by the National Credit Union Association (NCUA). At June 30, 2023, the carrying amount of the District's NCUA insured accounts was \$1,107,196 and the bank balance was \$1,196,401, of which \$250,000 was NCUA insured. All uninsured amounts in banks and credit union accounts remained collateralized at June 30, 2023.

Cash with Fiscal Agent: Cash with Fiscal Agent represents amounts held by a third party custodian in the District's name. The balances are comprised entirely of cash equivalents and are carried at amortized cost.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS (Continued)

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2023, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2023, the District had no concentration of credit risk.

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2023 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities</u>		
Major Fund:		
General	\$ 1,859,969	\$ 1,319,140
Non-Major Funds:		
Adult Education	10,214	14,092
Child Development	-	2,735
Cafeteria	33,002	324,496
Deferred Maintenance	872,593	1,512,837
Capital Facilities	-	7,055
Internal Service Fund:		
Self-Insurance	121,174	-
<u>Business-Type Activities</u>		
Enterprise Fund:		
Campus Connection	<u>284,149</u>	<u>746</u>
Totals	<u>\$ 3,181,101</u>	<u>\$ 3,181,101</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

Transfers: Transfers consists of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Transfers for the 2022-23 fiscal year were as follows:

Transfer from the General Fund to the Campus Connection Fund for operational support.	\$ 284,001
Transfer from the Adult Education Fund to the General Fund for indirect cost support.	42,482
Transfer from the Child Development Fund to the General Fund for indirect cost support.	7,100
Transfer from the Building Fund to the General Fund for miscellaneous reimbursement.	304
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	<u>309,067</u>
	<u>\$ 642,954</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2023 is shown below:

	Balance July 1, <u>2022</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2023</u>
Non-depreciable:				
Land	\$ 18,816,534	\$ -	\$ -	\$ 18,816,534
Work-in-process	145,792,537	36,621,488	(118,552,105)	63,861,920
Depreciable:				
Land improvements	44,849,821	87,067	-	44,936,888
Buildings and improvements	267,048,388	118,397,514	(224,499)	385,221,403
Equipment	<u>38,745,867</u>	<u>6,542,353</u>	<u>(43,024)</u>	<u>45,245,196</u>
Totals, at cost	<u>515,253,147</u>	<u>161,648,422</u>	<u>(118,819,628)</u>	<u>558,081,941</u>
Less accumulated depreciation:				
Land improvements	(16,260,372)	(1,542,453)	-	(17,802,825)
Buildings and improvements	(106,605,974)	(6,793,108)	29,933	(113,369,149)
Equipment	<u>(22,143,184)</u>	<u>(3,250,100)</u>	<u>27,043</u>	<u>(25,366,241)</u>
Total accumulated depreciation	<u>(145,009,530)</u>	<u>(11,585,661)</u>	<u>56,976</u>	<u>(156,538,215)</u>
Lease assets:				
Equipment	<u>3,179,614</u>	<u>30,164</u>	<u>-</u>	<u>3,209,778</u>
Accumulated amortization:				
Equipment	<u>(1,599,870)</u>	<u>(1,609,908)</u>	<u>-</u>	<u>(3,209,778)</u>
Lease assets, net	<u>1,579,744</u>	<u>(1,579,744)</u>	<u>-</u>	<u>-</u>
Capital assets, net	<u>\$ 371,823,361</u>	<u>\$ 148,483,017</u>	<u>\$ (118,762,652)</u>	<u>\$ 401,543,726</u>

Depreciation and amortization expense was charged to governmental activities for the year ended June 30, 2023 as follows:

Instruction	\$ 9,970,872
School site administration	1,725
Home to school transportation	1,277,544
Food services	118,528
Ancillary services	16,707
General administration	161,605
Centralized data processing	710,431
Plant services	<u>938,157</u>
Total depreciation expense	<u>\$ 13,195,569</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - SELF-INSURANCE

The District has established a self-insurance fund to account for the risk of loss for employee medical, dental, vision and medical prescription benefits. The District records an estimated liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses, based on claims lag data from the District's claim system.

Changes in the claims liability for the year ended June 30, 2023 were as follows:

Claims liability at July 1, 2021	\$ 2,400,000
Incurred claims and changes in estimates	15,245,644
Paid claims	<u>(15,205,544)</u>
Claims liability at June 30, 2022	<u>2,440,100</u>
Incurred claims and changes in estimates	14,498,955
Paid claims	<u>(14,309,055)</u>
Claims liability at June 30, 2023	<u>\$ 2,630,000</u>

NOTE 6 - LONG-TERM LIABILITIES

General Obligation Bonds: In December 2012, the District issued Election of 2008, Series B General Obligation Bonds (Capital Appreciation Bonds) in the amount of \$12,999,862.

In May 2014, the District issued 2014 General Obligation Refunding Bonds in the amount of \$22,665,000 to refund on a current basis, all of the District's outstanding 2005 General Obligation Refunding Bonds and to pay the cost of issuance of the 2014 Refunding Bonds.

In July 2014, the District issued General Obligation Bonds, Election 2008, Series C in the amount of \$7,497,871. The proceeds from the Series C bonds were be used to pay the District's 2013 General Obligation Bond Anticipation Notes and to construct a portion of the projects specified in the District's proposition submitted at an election of the registered voters of the District held on November 4, 2008.

In December 2014, the District issued 2014 General Obligation Refunding Bonds, Series B in the amount of \$12,495,000 to refund a portion of the District's outstanding Election of 2004 Series B Bonds and to pay costs of issuance of the Bonds.

In June 2016, the District issued 2016 General Obligation Refunding Bonds in the amount of \$34,380,000 to refund, on an advance basis, a portion of the District's outstanding Election of 2008 Series A Bonds and to pay the cost of issuance of the 2016 Refunding Bonds.

In March 2017, the District issued 2008 Election, Series D in the amount of \$4,500,000. The proceeds from the Series D bonds are to be used to construct projects specified in the District's proposition submitted at an election of the registered voters of the District held on November 4, 2008.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (Continued)

In March 2017, the District issued 2016 Election, Series A (GO Reauthorization Bonds) in the amount of \$25,000,000. The proceeds from the Series A bonds were authorized at an election of the registered voters of the District held on November 8, 2016, which reauthorized the issuance of \$87,300,000 principal amount of general obligation bonds for the purpose of financing the replacement and upgrading of school facilities.

In December 2018, the District issued 2016 Election, Series B (GO Reauthorization Bonds) in the amount of \$42,000,000. The proceeds from the Series B bonds were authorized at an election of the registered voters of the District held on November 8, 2016, which reauthorized the issuance of \$87,300,000 principal amount of general obligation bonds for the purpose of financing the replacement and upgrading of school facilities.

In October 2020, the District issued 2020 Refunding General Obligation Bonds, Series A (2020 Refunding Series A), in the amount of \$22,425,000. The proceeds will be used to refund, on an advance crossover basis, certain maturities of the District's 2008 Series B GO Bonds (2008B Bonds), and to pay interest on the 2020 Refunding Series A Bonds until the crossover date of August 1, 2022. The refunded 2008B Bonds will continue to be reported as liabilities and the District will continue to be responsible for interest and principal payments until the crossover date. At the crossover date, the 2008B Bonds will be considered defeased and will be removed from the books of the District.

In October 2020, the District issued 2020 Refunding General Obligation Bonds, Series B (2020 Refunding Series B), in the amount of \$5,160,000. The proceeds will be used to refund, on an advance crossover basis, certain maturities of the District's 2008 Series C GO Bonds (2008C Bonds), and to pay interest on the 2020 Refunding Series B Bonds until the crossover date of July 1, 2024. The refunded 2008C Bonds will continue to be reported as liabilities and the District will continue to be responsible for interest and principal payments until the crossover date. At the crossover date, the 2008C Bonds will be considered defeased and will be removed from the books of the District.

In February 2021, the District issued Election of 2008, Series E General Obligation Bonds (Capital Appreciation Bonds) in the amount of \$3,697,469. The proceeds from the Series E bonds are to be used to construct projects specified in the District's proposition submitted at an election of the registered voters of the District held on November 4, 2008.

In February 2021, the District issued 2016 Election, Series C (GO Reauthorization Bonds) in the amount of \$20,300,000. The proceeds from the Series C bonds were authorized at an election of the registered voters of the District held on November 8, 2016, which reauthorized the issuance of \$87,300,000 principal amount of general obligation bonds for the purpose of financing the replacement and upgrading of school facilities.

On September 28, 2021, the District issued General Obligation Bonds, 2020 Election, Series A (2020 Series A) with a principal amount totaling \$75,000,000. Proceeds from the issuance of the 2020 Series A Bonds are to be used for the completion of Justin Garza High School, the construction of a new elementary school, other improvements to security and technology infrastructure, and school and classroom renovations, as authorized by ballot Measure D in the November 3, 2020 election. The 2020 Series A Bonds bear interest at rates ranging from 0.16% to 4.0% and are scheduled to mature through August 1, 2048.

On May 10, 2023, the District issued General Obligation Bonds, 2020 Election, Series B (2020 Series B) with a principal amount totaling \$44,997,470. Proceeds from the issuance of the 2020 Series B Bonds are to be used to construct and improve school facilities as approved by ballot Measure D in the November 3, 2020 election. The 2020 Series B Bonds bear interest at rates ranging from 3.79% to 5.00% and are scheduled to mature through August 1, 2052.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (Continued)

A summary of General Obligation Bonds payable as of June 30, 2023 follows:

<u>Series</u>	<u>Interest Rate %</u>	<u>Fiscal Year of Issuance</u>	<u>Current Maturity Year</u>	<u>Amount of Original Issuance</u>	<u>Outstanding July 1, 2022</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2023</u>
2008 Series B	5.00 - 5.25%	2013	2037	\$ 12,999,862	\$ 12,999,862	\$ -	\$ 12,513,575	\$ 486,287
2014 Refunding	2.00 - 5.00%	2014	2030	22,665,000	16,295,000	-	1,550,000	14,745,000
2008 Series C	2.00 - 5.00%	2015	2045	7,497,871	7,372,871	-	80,000	7,292,871
2014 Refunding, Series B	2.00 - 5.00%	2015	2032	12,495,000	10,385,000	-	420,000	9,965,000
2016 Refunding	2.00 - 5.00%	2016	2033	34,380,000	31,610,000	-	1,670,000	29,940,000
2008 Series D	2.00 - 5.00%	2017	2031	4,500,000	2,695,000	-	265,000	2,430,000
2016 Series A	2.00 - 4.08%	2017	2048	25,000,000	20,750,000	-	-	20,750,000
2016 Series B	3.00 - 5.00%	2019	2048	42,000,000	40,050,000	-	-	40,050,000
2008 Series E	1.960 - 2.300%	2021	2037	3,697,469	3,697,469	-	-	3,697,469
2016 Series C	0.180 - 4.000%	2021	2043	20,300,000	19,850,000	-	755,000	19,095,000
2020 Refunding, Series A	2.129 - 2.886%	2021	2042	22,425,000	22,425,000	-	3,360,000	19,065,000
2020 Refunding, Series B	1.929 - 2.936%	2021	2043	5,160,000	5,160,000	-	-	5,160,000
2020 Series A	0.16 - 4.00%	2022	2049	75,000,000	71,945,000	-	-	71,945,000
2020 Series B	3.79 - 5.00%	2023	2053	44,997,480	-	44,997,480	-	44,997,480
Total				\$ 333,117,682	\$ 265,235,202	\$ 44,997,480	\$ 20,613,575	\$ 289,619,107

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The District's General Obligation Bonds outstanding as of June 30, 2023, are scheduled to mature as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 8,985,000	\$ 9,215,990	\$ 18,200,990
2025	9,445,000	10,261,838	19,706,838
2026	6,590,000	9,891,538	16,481,538
2027	7,510,000	9,584,288	17,094,288
2028	8,459,106	9,286,554	17,745,660
2029-2033	47,039,589	41,798,183	88,837,772
2034-2038	39,808,447	42,095,847	81,904,294
2039-2043	58,437,699	26,774,178	85,211,877
2044-2048	56,344,266	16,321,988	72,666,254
2049	47,000,000	6,210,788	53,210,788
	<u>\$ 289,619,107</u>	<u>\$ 181,441,192</u>	<u>\$ 471,060,299</u>

Certificates of Participation: In June 2016, the District issued Refunding Certificates of Participation (2016 Refunding COPs) in the total amount of \$13,668,513. The 2016 Refunding COPs bear interest at 2.21% and mature annually through the year ended June 30, 2027.

The annual payments required to amortize the 2016 Refunding COPs outstanding as of June 30, 2023, are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,252,245	\$ 105,939	\$ 1,358,184
2025	1,287,850	78,068	1,365,918
2026	1,316,589	49,447	1,366,036
2027	<u>1,250,000</u>	<u>13,813</u>	<u>1,263,813</u>
	<u>\$ 5,106,684</u>	<u>\$ 247,267</u>	<u>\$ 5,353,951</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (Continued)

In October 2017, the District issued Refunding Certificates of Participation (2017 Refunding COPs) in the total amount of \$6,110,000. The 2017 Refunding COPs bear interest at 2.29% and mature annually through the year ended June 30, 2028. The annual payments required to amortize the 2017 Refunding COPs outstanding as of June 30, 2023, are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 715,000	\$ 69,902	\$ 784,902
2025	725,000	53,414	778,414
2026	745,000	36,583	781,583
2027	760,000	19,351	779,351
2028	465,000	5,324	470,324
	<u>\$ 3,410,000</u>	<u>\$ 184,574</u>	<u>\$ 3,594,574</u>

In August 2019, the District issued Certificates of Participation (2019 COPs) in the total amount of \$16,695,000. The 2019 COPs bear interest at 5.0% and mature annually through the year ended June 30, 2034. The annual payments required to amortize the 2019 COPs outstanding as of June 30, 2023, are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 834,750	\$ 834,750
2025	-	834,750	834,750
2026	-	834,750	834,750
2027	75,000	832,875	907,875
2028	1,650,000	789,750	2,439,750
2029-2033	12,160,000	2,282,000	14,442,000
2034	2,810,000	70,250	2,880,250
	<u>\$ 16,695,000</u>	<u>\$ 6,479,125</u>	<u>\$ 23,174,125</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Lease Liabilities: The District has entered into lease agreements with third party vendors for the acquisition of certain assets such as modular buildings, equipment, and energy efficient lighting and solar systems throughout several district sites. The combined net present value of lease liabilities is based on stated rates in the respective agreements between the District and the vendors. The payments required to amortize the District's lease liabilities as of June 30, 2023, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 76,661	\$ 168,341	\$ 245,002
2025	101,766	166,665	268,431
2026	128,487	164,440	292,927
2027	156,911	161,631	318,542
2028	1,276,962	742,866	2,019,828
2029-2033	2,299,706	561,176	2,860,882
2034	3,660,354	253,665	3,914,019
	<u>\$ 7,700,847</u>	<u>\$ 2,218,784</u>	<u>\$ 9,919,631</u>

Qualified Zone Academy Bonds: In June 2014, the District issued Qualified Zone Academy Bonds (2014 QZABs) under an agreement with Debuque Bank & Trust Company to finance the acquisition, construction and installation of certain solar and related energy improvements to school facilities within buildings or on land owned by the District totaling \$6,825,000. The bonds bear no interest, and in lieu of periodic interest payments to purchasers of the bonds, the bonds qualify for an annual federal income tax credit to the purchasers.

In December 2016, the District issued Qualified Zone Academy Bonds (2016 QZABs) under an agreement with Public Property Financing Corporation, a nonprofit benefit corporation, to finance the costs of certain improvements to school facilities within buildings or on land owned by the District totaling \$10,295,000. The bonds bear no interest, and in lieu of periodic interest payments to purchasers of the bonds, the bonds qualify for an annual federal income tax credit to the purchasers.

The required annual payments required to amortize the combined outstanding balances of the 2014 QZABs and 2016 QZABs as of June 30, 2023, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>
2024	\$ 916,220
2025	916,221
2026	916,221
2027	916,221
2028	916,221
2029-2033	3,778,164
2034-2038	<u>2,059,000</u>
Total payments	<u>\$ 10,418,268</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2023 is shown below:

<u>Governmental Activities</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>	<u>Amounts Due Within One Year</u>
<i>Debt:</i>					
General Obligation Bonds	\$ 265,235,202	\$ 44,997,480	\$ 20,613,575	\$ 289,619,107	\$ 8,985,000
Qualified Zone Academy					
Bonds (QZABs)	11,334,488	-	916,220	10,418,268	916,220
Certificates of participation	27,168,288	-	1,956,604	25,211,684	1,967,245
Unamortized premiums on Bonds	21,582,641	2,370,165	2,040,918	21,911,888	1,069,475
Unamortized premiums on COPS	2,973,181	-	536,823	2,436,358	564,288
Accreted interest	9,482,411	1,413,447	9,115,546	1,780,312	-
Lease liabilities	8,219,523	-	518,676	7,700,847	76,661
<i>Other Long-Term Liabilities:</i>					
Net pension liability (Notes 8 and 9)	88,615,000	61,798,000	-	150,413,000	-
Total OPEB liability (Note 10)	43,504,289	452,716	-	43,957,005	-
Compensated absences	701,230	71,684	-	772,914	-
Totals	\$ 478,816,253	\$ 111,103,492	\$ 35,698,362	\$ 554,221,383	\$ 13,578,889
 <u>Business-Type Activities:</u>	 <u>Balance July 1, 2022</u>	 <u>Additions</u>	 <u>Deletions</u>	 <u>Balance June 30, 2023</u>	 <u>Amounts Due Within One Year</u>
Net pension liability (Notes 8 and 9)	\$ 468,000	\$ 317,000	\$ -	\$ 785,000	\$ -

Payments on the General Obligation Bonds are made from the Bond Interest Redemption Fund. Payments on the Certificates of Participation, QZABs and lease liabilities are made from the General and Capital Facilities Funds. Payments toward the total OPEB liability, compensated absences, and net pension liability are made from the fund for which the related employees worked.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 7 - FUND BALANCES

Governmental fund balances, by category, at June 30, 2023 consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Nonspendable:					
Revolving cash fund	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Stores inventory	24,112	-	-	56,913	81,025
	<u>49,112</u>	<u>-</u>	<u>-</u>	<u>56,913</u>	<u>106,025</u>
Subtotal nonspendable					
Restricted:					
Legally restricted:					
Grants	52,845,695	-	-	-	52,845,695
Student body activities	-	-	-	1,107,196	1,107,196
Adult education program	-	-	-	1,130,511	1,130,511
Cafeteria program	-	-	-	5,764,845	5,764,845
Other restrictions	-	-	-	5,556,260	5,556,260
Capital projects	-	124,118,110	-	24,059,289	148,177,399
Debt service	-	-	21,099,306	-	21,099,306
	<u>52,845,695</u>	<u>124,118,110</u>	<u>21,099,306</u>	<u>37,618,101</u>	<u>235,681,212</u>
Subtotal restricted					
Unassigned:					
Undesignated	54,081,026	-	-	-	54,081,026
	<u>54,081,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,081,026</u>
Total Fund balances	<u>\$ 106,975,833</u>	<u>\$ 124,118,110</u>	<u>\$ 21,099,306</u>	<u>\$ 37,675,014</u>	<u>\$ 289,868,263</u>

(Continued)

NOTE 8 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certificated employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit (DB) Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60 - CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor up to the 2.4 percent maximum.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

CalSTRS 2% at 62 - CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers, and the State of California to bring CalSTRS toward full funding by fiscal year 2046. California Senate Bill 90 and California Assembly Bill 84 (collectively the "Special Legislation") were signed into law in June 2019 and June 2020, respectively, and provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021–22.

A summary of statutory contribution rates and other sources of contributions to the DB Program pursuant to the CalSTRS Funding Plan and the Special Legislation, are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.250 percent of applicable member earnings for fiscal year 2022-23. Under CalSTRS 2% at 62, pay 9% toward the normal cost and an additional 1.205 percent as per the CalSTRS Funding Plan for a total member contribution rate of 10.205 percent. The contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1% since the last time the member contribution rate was set. Based on the June 30, 2021, valuation adopted by the CalSTRS board in May 2022, the increase in normal cost was less than 1 percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2022.

Employers – Employers are required to contribute a base contribution rate set in statute at 8.25%. Pursuant to the CalSTRS Funding Plan, employers also have a supplemental contribution rate to eliminate their share of the CalSTRS unfunded actuarial obligation by 2046.

Beginning in fiscal year 2021–22, the CalSTRS Funding Plan authorized the CalSTRS board to adjust the employer supplemental contribution rate up or down by a maximum of 1% for a total rate of no higher than 20.25% and no lower than 8.25%. In May 2022, the CalSTRS board voted to keep the employer supplemental contribution rate at 10.85% for fiscal year 2022–23 for a total employer contribution rate of 19.10%.

Through the Special Legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately \$2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Specifically, employers will remit 1.03%, 2.95% and 2.18% less than is required by the CalSTRS Funding Plan for fiscal years 2019–20, 2020–21 and 2021–22, respectively.

The CalSTRS employer contribution rates effective for fiscal year 2022-2023 through fiscal year 2045-46 are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>Total</u>
July 1, 2022	8.250%	10.850%	19.100%
July 1, 2023 to June 30, 2046	8.250%	(1)	(1)
July 1, 2046	8.250%	Increase from AB 1469 rate ends in 2046-47	

(1) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down by up to 1% each year, but no higher than 20.250% total and no lower than 8.250%.

The District contributed \$18,195,205 to the plan for the fiscal year ended June 30, 2023.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

State – 10.828 percent of the members' calculated based on creditable compensation from two fiscal years prior.

The state is required to contribute a base contribution rate set in statute at 2.017%. Pursuant to the CalSTRS Funding Plan, the state also has a supplemental contribution rate, which the board can increase by up to 0.5% each fiscal year to help eliminate the state's share of the CalSTRS unfunded actuarial obligation by 2046. In May 2022, the CalSTRS board voted to keep the state supplemental contribution rate at 6.311% for fiscal year 2022–23 for a total contribution rate of 10.828%.

Special legislation appropriated supplemental state contributions to reduce the state's portion of the unfunded actuarial obligation of the DB Program in fiscal years 2019-20 through 2021-22. These contributions are funded from future excess General Fund revenues, pursuant to the requirements of California Proposition 2, the "Rainy-Day Budget Stabilization Fund Act", which passed in 2014. Accordingly, the contribution amounts are subject to change each year based on the availability of funding. For fiscal year 2021–22, CalSTRS received \$410.0 million in supplemental state contributions from Proposition 2 funds. Additionally, CalSTRS received a one-time supplemental payment of \$173.7 million from the General Fund in fiscal year 2021–22 to offset forgone contributions due to the suspension of the 0.5% increase to the state supplemental contribution rate in fiscal year 2020–21.

The CalSTRS state contribution rates effective for fiscal year 2022-2023 and beyond are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>SBMA Funding⁽¹⁾</u>	<u>Total</u>
July 01, 2022	2.017%	6.311%	2.50%	10.828%
July 01, 2023 to				
June 30, 2046	2.017%	(2)	2.50%	(2)
July 01, 2046	2.017%	(3)	2.50%	(3)

- (1) The SBMA contribution rate excludes the \$72 million that is reduced from the required contribution in accordance with Education Code section 22954.
- (2) The CalSTRS board has limited authority to adjust the state contribution rate annually through June 2046 in order to eliminate the remaining unfunded actuarial obligation. The board cannot increase the supplemental rate by more than 0.5% in a fiscal year, and if there is no unfunded actuarial obligation, the supplemental contribution rate imposed would be reduced to 0%.
- (3) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining unfunded actuarial obligation.

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

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.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 88,043,000
State's proportionate share of the net pension liability associated with the District	<u>49,764,000</u>
Total	<u>\$ 137,807,000</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2022, the District's proportion was 0.127 percent, which was an increase of 0.008 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$13,482,352 and revenue of \$7,984,288 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 72,000	\$ 6,601,000
Changes of assumptions	4,366,000	-
Net differences between projected and actual earnings on investments	-	4,305,000
Changes in proportion and differences between District contributions and proportionate share of contributions	10,000,000	13,009,000
Contributions made subsequent to measurement date	<u>18,195,205</u>	<u>-</u>
Total	<u>\$ 32,633,205</u>	<u>\$ 23,915,000</u>

\$18,195,205 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

Year Ending	
<u>June 30,</u>	
2024	\$ (557,100)
2025	\$ (5,115,100)
2026	\$ (7,231,600)
2027	\$ 5,513,734
2028	\$ (2,649,267)
2029	\$ 562,333

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2022 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a 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 actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB, maintain 85% Purchasing power level for DB, not applicable for DBS/CBB

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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 investment staff and investment consultants as inputs to the process.

The actuarial investment rate of return assumption was adopted by the CalSTRS board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Public Equity	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)

* 20-year geometric average

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

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

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
District's proportionate share of the net pension liability	<u>\$ 149,530,000</u>	<u>\$ 88,043,000</u>	<u>\$ 36,991,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

(Continued)

NOTE 9 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B

General Information about the Public Employer’s Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer’s Retirement Fund B (PERF B) is administered by the California Public Employees’ Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and non-certified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at: <https://www.calpers.ca.gov/docs/forms-publications/acfr-2022.pdf>.

Benefits Provided: The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2023 were as follows:

Members - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2022-23.

Employers - The employer contribution rate was 25.37 percent of applicable member earnings.

The District contributed \$9,248,521 to the plan for the fiscal year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$63,155,000 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2022 the District’s proportion was 0.18 percent, which was an increase of 0.012 percent from its proportion measured as of June 30, 2021.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

For the year ended June 30, 2023, the District recognized pension expense of \$8,945,274. 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
Difference between expected and actual experience	\$ 285,000	\$ 1,571,000
Changes of assumptions	4,672,000	-
Net differences between projected and actual earnings on investments	7,457,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,612,000	77,000
Contributions made subsequent to measurement date	9,248,521	-
Total	<u>\$ 24,274,521</u>	<u>\$ 1,648,000</u>

\$9,248,521 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2024	\$ 3,465,250
2025	\$ 2,918,250
2026	\$ 2,446,750
2027	\$ 4,547,750

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 3.9 years as of the June 30, 2022 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a 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 actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	June 30, 2000 through June 30, 2019
Actuarial Cost Method	Entry age normal
Investment Rate of Return	6.90%
Consumer Price Inflation	2.30%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies, 2.30% thereafter

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 80% of scale MP2020. For more details on this table, please refer to the 2021 experience study report.

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from 2000 to 2019, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

During the 2021-22 measurement period, the financial reporting discount rate for PERF B was lowered from 7.15 percent to 6.90 percent. In addition, the inflation assumption was reduced from 2.50 percent to 2.30 percent. Lastly, demographic assumptions for mortality rates were updated.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Expected Real Rates of Return Years 1-10 (1, 2)</u>
Global Equity – cap-weighted	30.00%	4.45%
Global Equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	.27%
Mortgage-backed Securities	5.00%	.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

(1) An expected inflation rate of 2.30% used for this period

(2) Figures are based on the 2021-22 CalPERS Asset Liability Management Study

Discount Rate: The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

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.

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.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:
The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease <u>(5.90%)</u>	Current Discount Rate <u>(6.90%)</u>	1% Increase <u>(7.90%)</u>
District’s proportionate share of the net pension liability	\$ <u>91,231,000</u>	\$ <u>63,155,000</u>	\$ <u>39,952,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

General Information about the Other Postemployment Benefits (OPEB) Plan

Plan Description: In addition to the pension benefits described in Notes 8 and 9, the District administers a single-employer defined benefit healthcare plan which provides post-employment medical, drug, dental and vision insurance coverage, as prescribed in various employee labor agreements and plan documents, to retirees meeting eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when requirements are met. There are no separate financial statements issued for the defined benefit healthcare plan offered by the District.

The District’s Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The District’s Board of Trustees has the authority to establish or amend the benefit terms offered by the Plan, and also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2023, the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District’s total OPEB liability.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2023:

	Number of <u>Participants</u>
Retirees	151
Active employees	<u>1,285</u>
	<u>1,436</u>

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided and Coverage Period:

Prior to Age 65:

Retirees are eligible to receive a continuation of the health insurance benefits (medical, drug, dental, and vision) they received as active employees until age 65. Retirees must make the same monthly premium payments that are required of actives.

After Age 65:

Retirement Date Prior to June 30, 2005

Less than 20 years of service

No District contribution after age 65.

At least 20 years of service

Retiree is eligible for medical benefits, plus prescription drug coverage up to \$3,000 per year. Retiree may purchase dental and vision coverage for themselves as well as medical, drug, dental, and vision coverage for their spouse.

At least 25 years of service

In addition to above coverage, District pays for dental and vision coverage. Retiree may purchase coverage for their spouse (medical, drug, dental, and vision).

At least 30 years of service

In addition to above coverage, District pays for spouse benefits. Surviving spouses continue to receive benefits for their lifetime.

Retirement Date After June 30, 2005

Less than 30 years of service or retired before age 57

No District contribution after age 65.

"Sunset" Provision - At least 30 years of service and 57 years of age at Retirement

District pays for entire cost of medical, drug, dental, and vision benefits for retirees and their spouses. Surviving spouses continue to receive benefits for their lifetime. This sunset provision expired June 30, 2012. Any employees who had not yet retired by this date are not eligible for the lifetime District contribution regardless of service at retirement.

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board.

Contributions to the Plan from the District were \$2,300,985 for the year ended June 30, 2023. Employees are not required to contribute to the OPEB plan. In determining the actuarially determined contribution, the total OPEB liability is amortized as a level dollar amount over 30 years on an open basis.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

Actuarial Assumptions: The District's total OPEB liability was measured as of June 30, 2023 based on an actuarial valuation as of July 1, 2023. Standard actuarial update procedures were used to determine the liability between the valuation and measurement dates. The actuarial valuation included the following assumptions:

<u>Valuation Date</u>	July 1, 2023
<u>Mortality Rate</u>	Rates developed by CalPERS and CalSTRS in their most recent demographic experience studies.
<u>Retirement</u>	Vary by age and service. Rates developed by CalPERS and CalSTRS in their most recent demographic experience studies.
<u>Discount Rate</u>	3.65%. Based on the 20 year Bond Buyer GO Index
<u>Assumed Investment Return</u>	Not applicable since the plan is unfunded.
<u>Inflation Rate</u>	2.50% per year
<u>Salary Increases</u>	3.25% per year
<u>Spouse Coverage</u>	70% of employees and retirees are assumed to have a covered spouse in retirement (no dependent children are assumed). Female spouses are assumed to be three years younger than male spouses.
<u>Medicare Coverage</u>	All current and future participating retirees and spouses will qualify for Medicare coverage and enroll in Parts A and B upon age 65.
<u>Health Care Inflation</u>	The medical cost inflation trend was derived from the "Getzen Model" published by the Society of Actuaries for developing long term medical cost trends. The "Getzen Model" was then updated to reflect the latest economic growth factors, and an adjustment was made to reflect the value of expected excise taxes payable in 2022 and later. The medical inflation developed for this valuation was based on an underlying inflation (CPI) assumption of 2.50%.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability:

	Total OPEB Liability
Balance at June 30, 2022	\$ 43,504,289
Changes for the year:	
Service cost	1,573,141
Interest	1,555,368
Difference between actual and expected experience	-
Changes in assumptions	(374,808)
Benefit payments	(2,300,985)
Net change	452,716
Balance at June 30, 2023	\$ 43,957,005

The changes in assumptions include an update of the discount rate from 3.54% at the June 30, 2022 measurement date, to 3.65% at the June 30, 2023 measurement date.

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 percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease in Discount Rate (2.65%)	Current Discount Rate (3.65%)	1% Increase in Discount Rate (4.65%)
Total OPEB liability	\$ 47,469,130	\$ 43,957,005	\$ 40,682,689

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: 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 percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (4.50 - 2.80%)	Healthcare Cost Trend Rate (5.50 - 3.80%)	1% Increase (6.50 - 4.80%)
Total OPEB liability	\$ 39,213,044	\$ 43,957,005	\$ 49,476,742

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 \$3,485,958. At June 30, 2023 the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,465,640	\$ 3,692,781
Changes of assumptions	<u>3,693,316</u>	<u>1,894,260</u>
	<u>\$ 9,158,956</u>	<u>\$ 5,587,041</u>

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

Year Ending <u>June 30,</u>	
2024	\$ 357,449
2025	\$ 357,449
2026	\$ 357,449
2027	\$ 357,449
2028	\$ 357,449
Thereafter	\$ 1,784,670

Deferred outflows related to differences between expected and actual experience, and changes of assumptions, are netted and amortized over a closed 12-year period.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 - JOINT POWERS AGREEMENTS

California Risk Management Authority I: The District is a member with other school districts of a Joint Powers Authority, California Risk Management Authority I (CRMA I), which provides property and liability coverage to educational agencies in the Central Valley of California. CRMA I is governed by a board consisting of a Representative and Alternate Representative who are appointed by each district's Board of Trustees. The CRMA I Board controls the operations of the Joint Powers Authority, independent of any influence by the member districts beyond their representation on the Board. Settled claims resulting from these risks have not exceeded insurance coverage on any of the past three years. There have been no significant reductions in insurance coverage from coverage in the prior year. The following is a summary of financial information of CRMA I as of June 30, 2022 (the most recent information available):

Total assets	\$	5,072,395
Total liabilities	\$	2,329,088
Net position	\$	2,743,307
Total revenues	\$	6,978,043
Total expenses	\$	7,383,735
Change in net position	\$	(405,692)

California Risk Management Authority II: The District is a member with other school districts of a Joint Powers Authority, California Risk Management Authority II (CRMA II), which provides workers compensation coverage to educational agencies in the Central Valley of California. CRMA II is governed by a board consisting of a Representative and Alternate Representative who are appointed by each district's Board of Trustees. The CRMA II Board controls the operations of the Joint Powers Authority, independent of any influence by the member districts beyond their representation on the Board. Settled claims resulting from these risks have not exceeded insurance coverage on any of the past three years. There have been no significant reductions in insurance coverage from coverage in the prior year. The following is a summary of financial information of CRMA II as of June 30, 2022 (the most recent information available):

Total assets	\$	36,760,356
Total liabilities	\$	14,901,930
Net position	\$	21,858,426
Total revenues	\$	8,300,471
Total expenses	\$	7,039,889
Change in net position	\$	1,260,582

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 - JOINT POWERS AGREEMENTS (Continued)

School Project for Utility Rate Reduction: The District is a member with other school districts of a Joint Powers Authority, School Project for Utility Rate Reduction (SPURR), which seeks to reduce and control the utility costs by aggregating members utility needs to obtain a lower average cost for each member entity. SPURR is governed by a board consisting of a Representative and Alternate Representative who are appointed by each district's Board of Trustees. The SPURR controls the operations of the Joint Powers Authority, independent of any influence by the member districts beyond their representation on the Board. The following is a summary of financial information of SPURR as of June 30, 2022 (the most recent information available):

Total assets	\$ 20,724,164
Total liabilities	\$ 15,094,369
Net position	\$ 5,629,795
Total revenues	\$ 64,718,155
Total expenses	\$ 65,821,881
Change in net position	\$ (1,103,726)

The relationship between Central Unified School District and the Joint Powers Authorities are such that they are not component units of the District for financial reporting purposes.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Contingent Liabilities: The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District. Also, the District has received federal and state funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Construction Commitments: As of June 30, 2023, the District had approximately \$50.1 million in outstanding commitments on construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2023

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Local Control Funding				
Formula (LCFF):				
State apportionment	\$ 177,683,425	\$ 173,274,225	\$ 173,274,225	\$ -
Local sources	<u>8,574,993</u>	<u>21,913,254</u>	<u>21,913,254</u>	<u>-</u>
Total LCFF	<u>186,258,418</u>	<u>195,187,479</u>	<u>195,187,479</u>	<u>-</u>
Federal sources	12,717,268	29,651,036	29,651,036	-
Other state sources	13,120,408	59,069,784	59,069,784	-
Other local sources	<u>14,965,169</u>	<u>14,965,169</u>	<u>14,965,169</u>	<u>-</u>
Total revenues	<u>227,061,263</u>	<u>298,873,468</u>	<u>298,873,468</u>	<u>-</u>
Expenditures:				
Current:				
Certificated salaries	84,592,556	99,003,506	99,003,506	-
Classified salaries	31,852,725	36,947,874	36,947,874	-
Employee benefits	61,405,488	64,980,712	64,980,712	-
Books and supplies	9,310,061	14,362,680	14,362,680	-
Contract services and				
operating expenditures	18,728,853	27,083,707	27,083,707	-
Other outgo	1,765,494	1,796,600	1,796,600	-
Capital outlay	22,598	17,115,494	15,602,657	1,512,837
Debt service:				
Principal retirement	3,234,167	3,287,257	3,287,257	-
Interest	<u>1,057,791</u>	<u>1,227,123</u>	<u>1,227,123</u>	<u>-</u>
Total expenditures	<u>211,969,733</u>	<u>265,804,953</u>	<u>264,292,116</u>	<u>1,512,837</u>
Excess of revenues				
over expenditures	<u>15,091,530</u>	<u>33,068,515</u>	<u>34,581,352</u>	<u>1,512,837</u>
Other financing (uses) sources:				
Transfers in	-	358,953	358,953	-
Transfers out	-	<u>(284,001)</u>	<u>(284,001)</u>	<u>-</u>
Total other financing				
(uses) sources	<u>-</u>	<u>74,952</u>	<u>74,952</u>	<u>-</u>
Net change in fund balance	15,091,530	33,143,467	34,656,304	1,512,837
Fund balance, July 1, 2022	<u>72,319,529</u>	<u>72,319,529</u>	<u>72,319,529</u>	<u>-</u>
Fund balance, June 30, 2023	<u>\$ 87,411,059</u>	<u>\$ 105,462,996</u>	<u>\$ 106,975,833</u>	<u>\$ 1,512,837</u>

See accompanying notes to required supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2023

	Last 10 Fiscal Years					
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total OPEB liability						
Service cost	\$ 1,326,164	\$ 1,369,263	\$ 1,512,447	\$ 1,700,936	\$ 1,756,216	\$ 1,573,141
Interest	1,290,753	1,341,736	1,309,917	832,505	838,173	1,555,368
Differences between actual and expected experience	-	-	(5,418,381)	-	6,493,982	-
Change in assumptions	-	1,275,859	4,155,502	156,597	(1,840,592)	(374,808)
Benefit payments	<u>(1,298,882)</u>	<u>(1,387,190)</u>	<u>(1,359,418)</u>	<u>(1,646,470)</u>	<u>(1,574,730)</u>	<u>(2,300,985)</u>
Net change in total OPEB liability	1,318,035	2,599,668	200,067	1,043,568	5,673,049	452,716
Total OPEB liability - beginning of year	<u>32,669,902</u>	<u>33,987,937</u>	<u>36,587,605</u>	<u>36,787,672</u>	<u>37,831,240</u>	<u>43,504,289</u>
Total OPEB liability - end of year	<u>\$ 33,987,937</u>	<u>\$ 36,587,605</u>	<u>\$ 36,787,672</u>	<u>\$ 37,831,240</u>	<u>\$ 43,504,289</u>	<u>\$ 43,957,005</u>
Covered payroll	\$ 80,897,497	\$ 83,324,422	\$ 109,105,423	\$ 110,194,944	\$ 122,536,748	\$ 141,173,227
Total OPEB liability as a percentage of covered-employee payroll	42.0%	43.9%	33.7%	34.3%	35.5%	31.1%

This is a 10-year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior. All years prior to 2018 are not available.

See accompanying notes to required supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2023

State Teachers' Retirement Plan Last 10 Fiscal Years									
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of the net pension liability	0.120%	0.127%	0.124%	0.129%	0.133%	0.134%	0.140%	0.119%	0.127%
District's proportionate share of the net pension liability	\$ 70,408,000	\$ 85,339,000	\$ 100,428,000	\$ 119,174,000	\$ 121,790,000	\$ 120,960,000	\$ 135,556,000	\$ 54,208,000	\$ 88,043,000
State's proportionate share of the net pension liability associated with the District	<u>42,516,000</u>	<u>45,135,000</u>	<u>57,177,000</u>	<u>70,503,000</u>	<u>69,731,000</u>	<u>65,992,000</u>	<u>69,888,000</u>	<u>32,253,000</u>	<u>49,764,000</u>
Total net pension liability	<u>\$ 112,924,000</u>	<u>\$ 130,474,000</u>	<u>\$ 157,605,000</u>	<u>\$ 189,677,000</u>	<u>\$ 191,521,000</u>	<u>\$ 186,952,000</u>	<u>\$ 205,444,000</u>	<u>\$ 86,461,000</u>	<u>\$ 137,807,000</u>
District's covered payroll	\$ 53,665,000	\$ 58,834,000	\$ 61,882,000	\$ 68,502,000	\$ 71,240,000	\$ 74,022,000	\$ 75,528,000	\$ 76,404,000	\$ 73,864,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	148.83%	170.96%	163.41%	179.48%	70.95%	119.20%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%	87.21%	81.20%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2023

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of the net pension liability	0.157%	0.167%	0.164%	0.167%	0.172%	0.170%	0.172%	0.172%	0.184%
District's proportionate share of the net pension liability	\$ 17,807,000	\$ 24,564,000	\$ 32,445,000	\$ 39,956,000	\$ 45,946,000	\$ 49,581,000	\$ 52,789,000	\$34,875,000	\$ 63,155,000
District's covered payroll	\$ 16,466,000	\$ 18,450,000	\$ 19,708,000	\$ 21,453,000	\$ 22,884,000	\$ 23,729,000	\$ 24,783,000	\$24,606,000	\$ 28,181,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.63%	186.25%	200.78%	208.95%	213.00%	141.73%	224.10%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%	70.00%	80.97%	69.76%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2023

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 5,224,489	\$ 6,639,904	\$ 8,617,505	\$ 10,279,880	\$ 12,050,713	\$ 13,285,619	\$ 12,339,261	\$14,108,064	\$ 18,195,205
Contributions in relation to the contractually required contribution	5,224,489	6,639,904	8,617,505	10,279,880	12,050,713	13,285,619	12,339,261	14,108,064	18,195,205
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 58,834,000	\$ 61,882,000	\$ 68,502,000	\$ 71,240,000	\$ 74,022,000	\$ 75,528,000	\$ 76,404,000	\$73,864,000	\$ 95,263,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%*	16.15%**	16.92%***	19.10%

* This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB 90.

*** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.18 percentage points to be paid on behalf of employers pursuant to SB 90.

All years prior to 2015 are not available.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2023

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 2,171,718	\$ 2,334,850	\$ 2,979,364	\$ 3,547,920	\$ 4,285,906	\$ 4,924,565	\$ 5,093,442	\$ 6,456,274	\$ 9,248,521
Contributions in relation to the contractually required contribution	<u>2,171,718</u>	<u>2,334,850</u>	<u>2,979,364</u>	<u>3,547,920</u>	<u>4,285,906</u>	<u>4,924,565</u>	<u>5,061,638</u>	<u>6,456,274</u>	<u>9,248,521</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 18,450,000	\$ 19,708,000	\$ 21,453,000	\$ 22,884,000	\$ 23,729,000	\$ 24,783,000	\$ 24,606,000	\$ 28,181,000	\$ 36,455,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.87%	20.70%	22.91%	25.37%

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule: The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as Generally Accepted Accounting Principles (GAAP).

Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability: The Schedule of Changes in Total OPEB liability is presented to illustrate the elements of the District's total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's total OPEB liability.

Schedule of the District's Proportionate Share of the Net Pension Liability: The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of the District's Contributions: The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available.

Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

Changes of Assumptions: The discount rates for the District's total OPEB liability were 3.50%, 2.21%, 2.16%, 3.54%, and 3.65% at the June 30, 2019, 2020, 2021, 2022 and 2023 measurement periods, respectively.

The discount rates used for the Public Employer's Retirement Fund B (PERF B) plan were 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, 7.15, 7.15 and 6.90 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 actuarial reports, respectively.

The inflation rates used for the PERF B plan were 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, and 2.30 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

<u>Assumption</u>	<u>Measurement Period</u>							
	As of June 30, 2022	As of June 30, 2021	As of June 30, 2020	As of June 30, 2019	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Consumer price inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

CENTRAL UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2023

ASSETS

Cash and investments:

Cash in County Treasury

Cash on hand and in banks

Cash with Fiscal agent

Receivables

Due from other funds

Stores inventory

Total assets

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable

Unearned revenue

Due to other funds

Total liabilities

Fund balances:

Nonspendable

Restricted

Total fund balances

Total liabilities and fund
balances

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Total
\$	-	\$ 972,341	\$ 447,532	\$ 4,870,215	\$ 107,033	\$ 6,320,026	\$ 14,282,327	\$ 201,871	\$ 27,201,345
1,107,196	-	-	-	51,541	-	-	-	-	1,158,737
-	-	-	-	-	5,808,424	-	-	6,664,737	12,473,161
-	276,958	116,852	1,233,673	1,219	1,219	43,438	97,999	32,489	1,802,628
-	10,214	-	33,002	56,913	872,593	-	-	-	915,809
-	-	-	-	-	-	-	-	-	56,913
\$ 1,107,196	\$ 1,259,513	\$ 564,384	\$ 6,245,344	\$ 6,789,269	\$ 6,363,464	\$ 14,380,326	\$ 6,899,097	\$ 43,608,593	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
-	114,910	38,890	99,090	242,931	453,728	81,988	2,948,990	3,980,527	
-	-	-	-	-	91,837	-	-	91,837	
-	14,092	2,735	324,496	1,512,837	7,055	-	-	1,861,215	
-	129,002	41,625	423,586	1,755,768	552,620	81,988	2,948,990	5,933,579	
-	-	-	56,913	-	-	-	-	56,913	
1,107,196	1,130,511	522,759	5,764,845	5,033,501	5,810,844	14,298,338	3,950,107	37,618,101	
1,107,196	1,130,511	522,759	5,821,758	5,033,501	5,810,844	14,298,338	3,950,107	37,675,014	
\$ 1,107,196	\$ 1,259,513	\$ 564,384	\$ 6,245,344	\$ 6,789,269	\$ 6,363,464	\$ 14,380,326	\$ 6,899,097	\$ 43,608,593	

CENTRAL UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2023

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Total
Revenues:									
Local Control Funding Formula (LCFF):									
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 1,372,593	\$ -	\$ -	\$ -	\$ 1,372,593
Total LCFF	-	-	-	-	1,372,593	-	-	-	1,372,593
Federal sources	-	214,971	-	8,798,927	-	-	-	-	9,013,898
Other state sources	-	1,228,449	1,006,563	2,937,122	-	-	-	-	5,172,134
Other local sources	2,065,461	19,309	113,443	384,682	22,805	2,355,884	318,756	7,939	5,288,279
Total revenues	2,065,461	1,462,729	1,120,006	12,120,731	1,395,398	2,355,884	318,756	7,939	20,846,904
Expenditures:									
Current:									
Certificated salaries	-	413,181	89,297	-	-	-	-	-	502,478
Classified salaries	-	241,315	548,160	3,058,057	2,611	216,373	-	-	4,066,516
Employee benefits	-	239,447	272,764	1,458,541	251	85,398	-	-	2,056,401
Books and supplies	1,310,654	139,483	60,223	5,389,618	167,287	-	-	224,209	7,291,474
Contract services and operating expenditures	617,142	89,051	29,021	241,479	196,068	496,634	-	152,669	1,822,064
Capital outlay	-	10,797	-	254,977	2,400,052	5,324,311	322,417	14,335,137	22,647,691
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	104,243	-	-	104,243
Total expenditures	1,927,796	1,133,274	999,465	10,402,672	2,766,269	6,230,613	322,417	14,712,015	38,494,521
Excess (deficiency) of revenues over (under) expenditures	137,665	329,455	120,541	1,718,059	(1,370,871)	(3,874,729)	(3,661)	(14,704,076)	(17,647,617)
Other financing uses (sources):									
Transfers out	-	(42,482)	(7,100)	(309,067)	-	-	-	-	(358,649)
Net change in fund balances	137,665	286,973	113,441	1,408,992	(1,370,871)	(3,874,729)	(3,661)	(14,704,076)	(18,006,266)
Fund balance, July 1, 2022	969,531	843,538	409,318	4,412,766	6,404,372	9,685,573	14,301,999	18,654,183	55,681,280
Fund balance, June 30, 2023	\$ 1,107,196	\$ 1,130,511	\$ 522,759	\$ 5,821,758	\$ 5,033,501	\$ 5,810,844	\$ 14,298,338	\$ 3,950,107	\$ 37,675,014

CENTRAL UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2023

The Central Unified School District, a political subdivision of the State of California, was established in 1982 and encompasses an area of approximately 88 square miles in Fresno County. There were changes in the District's school boundaries during the year to be implemented for the 2022-2023 school year. The District serves preschool age, grades transitional kindergarten through twelve, and adults. Central Unified operates five state preschools, one fee based preschool, fourteen elementary, three middle, three high schools, one continuation high school, one independent study center, two community day schools, one online home school, and one adult school.

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

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Naindeep Singh Chann	President	2026
Yesenia Z. Carrillo	Vice President	2026
Nabil Kheerfan	Clerk	2026
Phillip Cervantes	Member	2024
Jeremy A. Mehling	Member	2024
Joshua Sellers	Member	2026
Richard Solis	Member	2024

The Superintendent's Executive Staff at June 30, 2023 was comprised of the following:

Ketti Davis
Superintendent

Vacant*
Assistant Superintendent, Chief Business Officer

Tami Boatright, Ed.D.
Assistant Superintendent, Educational Services

Jack Kelejian
Assistant Superintendent, Human Resources

* Mr. Amer Iqbal was hired as the District's Assistant Superintendent - Chief Business Officer, in July 2023.

See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
June 30, 2023

	Second Period <u>Report</u>	Audited* Second Period <u>Report</u>	Annual <u>Report</u>	Audited* Annual <u>Report</u>
Certificate Number:	C517B35D	*	A7E4F9B6	*
Regular ADA:				
Elementary:				
Transitional Kindergarten through Third	4,345	4,340	4,409	4,404
Fourth through Sixth	3,426	3,423	3,453	3,450
Seventh and Eighth	2,277	2,271	2,249	2,243
Special Education	3	3	3	3
Community Day School	6	6	9	9
Subtotal Elementary	<u>10,057</u>	<u>10,043</u>	<u>10,123</u>	<u>10,109</u>
Secondary:				
Ninth through Twelfth	4,129	4,121	4,078	4,070
Special Education	1	1	1	1
Community Day School	7	7	8	8
Continuation Education	89	89	67	67
Subtotal Secondary	<u>4,226</u>	<u>4,218</u>	<u>4,154</u>	<u>4,146</u>
District Total	<u><u>14,283</u></u>	<u><u>14,261</u></u>	<u><u>14,277</u></u>	<u><u>14,255</u></u>

* The District's ADA has been adjusted to reflect the impact of Finding 2023-002.

See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2023

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2022-2023 Actual Minutes</u>	<u>Number of Days</u>	<u>Status</u>
Kindergarten	36,000	48,680	180	In compliance
Grade 1	50,400	54,130	180	In compliance
Grade 2	50,400	54,130	180	In compliance
Grade 3	50,400	54,130	180	In compliance
Grade 4	54,000	54,130	180	In compliance
Grade 5	54,000	54,130	180	In compliance
Grade 6	54,000	54,130	180	In compliance
Grade 7	54,000	57,150	180	In compliance
Grade 8	54,000	57,150	180	In compliance
Grade 9	64,800	66,234	180	In compliance
Grade 10	64,800	66,234	180	In compliance
Grade 11	64,800	66,234	180	In compliance
Grade 12	64,800	66,234	180	In compliance

See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Assistance Listing (AL) Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Passed through</u>			
<u>California Department of Education</u>			
ESEA: Title I Programs:			
84.010	ESEA: Title I, Part A, Basic Grants - Low Income	14329	\$ 8,447,768
84.010	ESEA: School Improvement (CSI) Funding for LEAs	15438	<u>1,464,004</u>
Subtotal Title I Programs			<u>9,911,772</u>
Title I Migrant Ed Programs:			
84.011	ESEA: Title I, Part C, Migrant Ed	14326	76,724
84.011	ESEA: Title I, Migrant Ed Summer Program	10005	<u>18,963</u>
Subtotal Title I Migrant Ed Programs			<u>95,687</u>
Special Education Cluster:			
84.027	Special Ed: IDEA Basic Local Assistance Entitlement	13379	3,175,390
84.173	Special Ed: IDEA Preschool Grant, Part B, Sec. 619	13430	86,203
84.027	COVID-19: Special Ed: ARP IDEA Part B, Sec. 611, Basic Local Assistance Grants	15638	522,272
84.173	COVID-19: Special Ed: ARP IDEA Part B, Sec. 619, Preschool Grant	15639	<u>30,378</u>
Subtotal Special Education Cluster			<u>3,814,243</u>
Adult Education Programs:			
84.002A	Adult Education: English Literacy & Civics Education - Local Grant	14109	26,915
84.002A	Adult Education: Adult Basic Education and ESL	14508	65,899
84.002	Adult Education: Secondary Education	13978	<u>117,045</u>
Subtotal Adult Education Programs			<u>209,859</u>
Vocational Education Programs:			
84.048	Carl D. Perkins Career and Technical Education, Sec. 131	14894	120,751
84.048	Vocational Programs: Adult Secondary	14893	<u>5,113</u>
Subtotal Vocational Education Programs			<u>125,864</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Assistance Listing (AL) Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Passed through</u>			
<u>California Department of Education (Continued)</u>			
	COVID-19: Education Stabilization Fund (ESF) Programs:		
84.425	COVID-19: Elementary and Secondary School Emergency Relief II	15547	\$ 5,233,363
84.425	COVID-19: Elementary and Secondary School Emergency Relief III	15559	7,042,846
84.425U	COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	10155	43,735
84.425D	COVID-19: Expanded Learning Opportunities Grant ESSER II State Reserve	15618	427,983
84.425U	COVID-19: Expanded Learning Opportunities Grant: ESSER III State Reserve, Emergency Needs	15620	294,368
84.425C	COVID-19: Expanded Learning Opportunities: GEER II	15619	198,992
84.425	COVID-19: American Rescue Plan - Homeless Children and Youth II (ARP HYC II)	15566	1,528
	Subtotal COVID-19: ESF Programs		13,242,815
	Title III Programs:		
84.365	ESEA: Title III, Immigrant Student Program	15146	21,643
84.365	ESEA: Title III, English Learner Student Program	14346	240,613
	Subtotal Title III Programs		262,256
84.367	ESEA: Title II, Part A Supporting Effective Instruction	14341	2,203,511
	Total U.S Department of Education		29,866,007
<u>U.S Department of Agriculture - Passed through</u>			
<u>California Department of Education</u>			
	Child Nutrition Cluster:		
10.555	Child Nutrition: School Programs	13755	8,116,344
10.555	Child Nutrition: Supply Chain Assistance (SCA) Funds	15655	320,429
	Total Child Nutrition Cluster		8,436,773
10.558	Child Nutrition: Child Care Food Program	13393	215,375
	Total U.S. Department of Agriculture		8,652,148
	Total Federal Programs		\$ 38,518,155

See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

	Bond Interest and Redemption Fund
June 30, 2023 Unaudited Actual Financial Reporting Ending Fund Balance	\$ 42,501,363
To record the net effect of repayments made through the 2020 crossover advance refunding General Obligation bonds which were not recorded in the Unaudited Actuals.	<u>(21,402,057)</u>
June 30, 2023 Audited Financial Statements Ending Fund Balance	<u>\$ 21,099,306</u>
	General Fund
June 30, 2023 Unaudited Actual Financial Reporting Ending Fund Balance	\$ 105,462,996
To record interfund payable from the Deferred Maintenance Fund to the General Fund for reimbursement of equipment purchased with Deferred Maintenance Fund resources.	<u>1,512,837</u>
June 30, 2023 Audited Financial Statements Ending Fund Balance	<u>\$ 106,975,833</u>
	Deferred Maintenance Fund
June 30, 2023 Unaudited Actual Financial Reporting Ending Fund Balance	\$ 6,546,338
To record interfund payable from the Deferred Maintenance Fund to the General Fund for reimbursement of equipment purchased with Deferred Maintenance Fund resources.	<u>(1,512,837)</u>
June 30, 2023 Audited Financial Statements Ending Fund Balance	<u>\$ 5,033,501</u>

Refer to Finding 2023-001 for further details regarding the adjustments above.

There were no audit adjustments proposed to any other funds of the District.

See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2023
(UNAUDITED)

	(Budgeted) 2024	2023	2022	2021
<u>General Fund</u>				
Revenues and other financing sources	\$ 308,476,265	\$ 299,232,421	\$ 232,720,911	\$ 224,786,533
Expenditures	324,508,485	264,292,116	225,690,765	203,629,824
Other uses and transfers out	<u>205,599</u>	<u>284,001</u>	<u>215,572</u>	<u>214,062</u>
Total outgo	<u>324,714,084</u>	<u>264,576,117</u>	<u>225,906,337</u>	<u>203,843,886</u>
Change in fund balance	<u>\$ (16,237,819)</u>	<u>\$ 34,656,304</u>	<u>\$ 6,814,574</u>	<u>\$ 20,942,647</u>
Ending fund balance	<u>\$ 90,738,014</u>	<u>\$ 106,975,833</u>	<u>\$ 72,319,529</u>	<u>\$ 65,504,955</u>
Available reserves	<u>\$ 37,282,553</u>	<u>\$ 54,081,026</u>	<u>\$ 56,734,329</u>	<u>\$ 57,063,774</u>
Designated for economic uncertainties	<u>\$ 13,286,500</u>	<u>\$ -</u>	<u>\$ 11,331,477</u>	<u>\$ 10,174,670</u>
Undesignated fund balance	<u>\$ 23,996,053</u>	<u>\$ 54,081,026</u>	<u>\$ 45,402,852</u>	<u>\$ 46,889,104</u>
Available reserves as percentages of total outgo	<u>11.5%</u>	<u>20.4%</u>	<u>25.1%</u>	<u>28.0%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 540,642,494</u>	<u>\$ 554,221,383</u>	<u>\$ 478,816,253</u>	<u>\$ 489,921,729</u>
Average daily attendance at P-2	<u>14,378</u>	<u>14,283</u>	<u>14,198</u>	<u>15,039</u>

The fund balance of the General Fund has increased by \$60,900,688 over the past three years. The fiscal year 2023-2024 budget projects a decrease of \$16,237,819. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2023, the District has met this requirement.

The District has incurred an operating surplus in each of the past three years, but anticipates an operating deficit in fiscal year 2023-2024.

Total long-term liabilities have increased by \$64,299,654 over the past two years.

Average daily attendance has decreased by 756 over the past two years. An increase of 95 ADA is projected for the 2023-2024 fiscal year.

See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2023

Charter Schools Chartered by District

Included in District
Financial Statements, or
Separate Report

There are currently no charter schools in the District.

See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2023

NOTE 1 - PURPOSE OF SCHEDULES

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 neither met nor exceeded 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 46201 through 46206.

Schedule of Expenditures of Federal Awards: The Schedule of Expenditure of Federal Awards includes the federal award activity of Central Unified School District, and is presented on the accrual basis of accounting. The information in this schedule 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)*. 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. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements: This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis – Unaudited: This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2023-2024 fiscal year, as required by the State Controller's Office.

Schedule of Charter Schools: This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2023, the District did not adopt such a program.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Central Unified School District
Fresno, California

Report on Compliance***Opinion on State Compliance***

We have audited Central Unified School District's (the District) compliance with the requirements specified in the State of California *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.

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

Basis for Qualified Opinion on State Compliance

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 and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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.

Matters Giving Rise to Qualified Opinion on State Compliance

As described in the accompanying Schedule of Findings and Questioned Costs as Findings 2023-002, 2023-003, and 2023-004, the District did not comply with requirements regarding Independent Study, Teacher Certification and Misassignments, and Gann Limit Calculation, respectively. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

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.

(Continued)

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:

<u>2022-23 K-12 Audit Guide Procedures</u>	<u>Procedures Performed</u>
<i>Local Education Agencies Other than Charter Schools:</i>	
A. Attendance	Yes
B. Teacher Certification and Misassignments	Yes
C. Kindergarten Continuance	Yes
D. Independent Study	Yes
E. Continuation Education	N/A, see below
F. Instructional Time	Yes
G. Instructional Materials	Yes
H. Ratio of Administrative Employees to Teachers	Yes
I. Classroom Teacher Salaries	Yes
J. Early Retirement Incentive	N/A, see below
K. Gann Limit Calculation	Yes
L. School Accountability Report Card	Yes
M. Juvenile Court Schools	N/A, see below
N. Middle or Early College High Schools	N/A, see below
O. K-3 Grade Span Adjustment	Yes
P. Transportation Maintenance of Effort	Yes
Q. Apprenticeship: Related and Supplemental Instruction	Yes
R. Comprehensive School Safety Plan	Yes
S. District of Choice	N/A, see below
TT. Home to School Transportation Reimbursement	Yes
UU. Independent Study Certification for ADA Loss Mitigation	Yes

(Continued)

School Districts, County Offices of Education, and Charter Schools:

T. California Clean Energy Jobs Act	N/A, see below
U. After/Before School Education and Safety Program	N/A, see below
V. Proper Expenditure of Education Protection Account Funds	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts	Yes
X. Local Control and Accountability Plan	Yes
Y. Independent Study – Course-Based	N/A, see below
Z. Immunizations	N/A, see below
AZ. Educator Effectiveness	Yes
BZ. Expanded Learning Opportunities Grant (ELO-G)	Yes
CZ. Career Technical Education Incentive Grant	Yes
EZ. Transitional Kindergarten	Yes

Charter Schools:

AA. Charter Schools - Attendance	N/A, see below
BB. Charter Schools - Mode of Instruction	N/A, see below
CC. Charter Schools - Nonclassroom-Based Instruction/Independent Study	N/A, see below
DD. Charter Schools -Determination of Funding for Nonclassroom-Based Instruction	N/A, see below
EE. Charter Schools - Annual Instructional Minutes-Classroom Based	N/A, see below
FF. Charter Schools - Charter School Facility Grant Program	N/A, see below

We did not perform any procedures related to Continuation Education because the District's reported ADA was below the level that requires testing in the current audit year.

We did not perform any procedures related to Early Retirement Incentive because the District did not offer an Early Retirement Incentive during the current audit year.

We did not perform any procedures related to Juvenile Court Schools because the District did not operate any Juvenile Court Schools during the current audit year.

We did not perform any procedures related to Middle or Early College High Schools because the District did not operate any Middle or Early College High Schools during the current audit year.

We did not perform any procedures related to District of Choice because the District was not classified as a District of Choice by the California Department of Education in the current audit year.

We did not perform any procedures related to California Clean Energy Jobs Act because there were no clean energy jobs act expenditures incurred or projects completed in the current audit year.

We did not perform any procedures related to After / Before School Education and Safety Program because the District did not receive grant funds for the Program during the current audit year.

We did not perform any procedures related to Independent Study-Course because the District did not report any ADA for the Independent Study-Course Based program during the current audit year.

The District's schools submitted timely immunization assessment reports to the California Department of Public Health; therefore, we did not perform any procedures related to Immunizations program.

We did not perform any procedures related to Charter schools because the District did not include any charter schools in this report, specifically we did not perform procedures for section AA, BB, CC, DD, EE and FF.

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.

(Continued)

Other Matters

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-002 and 2023-003 to be material weaknesses.

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.

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.


Crowe LLP

Sacramento, California
March 15, 2024

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

Board of Trustees
Central Unified School District
Fresno, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Central Unified School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Central Unified School District's basic financial statements, and have issued our report thereon dated March 15, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify one deficiency in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Central Unified School District's Response to Finding

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

Purpose of this Report

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


Crowe LLP

Sacramento, California
March 15, 2024

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

Board of Trustees
Central Unified School District
Fresno, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Central Unified School District's 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 Central Unified School District's major federal programs for the year ended June 30, 2022. Central Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Central Unified School 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 Central Unified School 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 Central Unified School 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 Central Unified School District's federal programs.

(Continued)

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 Central Unified School 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 Central Unified School 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 Central Unified School 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 Central Unified School 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 Central Unified School 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.

(Continued)

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.


Crowe LLP

Sacramento, California
March 15, 2024

FINDINGS AND RECOMMENDATIONS

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified not considered
to be material weakness(es)? Yes X None reported

Noncompliance material to financial statements
noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:
Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? Yes X None reported

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

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster
84.425, 84.425C, 84.425D, 84.425U	COVID-19: ESF Programs

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 1,142,078

Auditee qualified as low-risk auditee? Yes X No

STATE AWARDS

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

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

2023-001 - MATERIAL WEAKNESS - INTERNAL CONTROL OVER FINANCIAL REPORTING (30000)

Criteria: Management is responsible for the preparation and fair presentation of the District's financial statements, as well as the design, implementation and maintenance of relevant internal controls to ensure the financial statements are free from material misstatement, whether due to fraud or error.

Condition: The following items were noted as deficiencies in internal control over financial reporting which were collectively determined to be a material weakness:

- The District previously issued 2020 Refunding General Obligation Bonds, Series A and 2020 Refunding General Obligation Bonds, Series B (2020 Refunding Bonds). The 2020 Refunding Bonds were issued as crossover advance refunding bonds and according to Generally Accepted Accounting Principles (GAAP) for this type of debt, both the refunded bonds and crossover bonds continue to be reported as a liability until the crossover date is reached, which is specified in the official debt agreement. The 2020 Refunding Bonds contained two crossover dates for the various refunded maturities. During the year ended June 30, 2023, the crossover date was reached and the refunded maturities were paid as scheduled. However, the District did not record the necessary entries to reflect the use of proceeds from 2020 Refunding Bonds, and the principal repayment of the refunded maturities. An adjusting journal entry was necessary to reflect the correct balance of Cash with Fiscal Agent, and debt service expenditures related to the debt repaid through the crossover refunding transaction.
- Challenges were encountered by management in preparing the District's capital asset records for audit. Management was initially unable to access capital asset systems and records. Upon obtaining the records, asset additions were not initially entered into in the system. In addition, projects which were previously reported as work-in-process, and then completed during the audit year were not initially moved from to the relevant depreciable asset categories. Various revised versions of capital asset records were provided for the auditor, resulting in additional time and effort required to complete audit procedures.
- The District was unable to provide documentation to demonstrate sufficient review and approval by an independent person, for time reported on the time sheets of 8 sampled hourly employees.
- Within the District's the general fund, the District improperly included \$2,978,591 as accounts payable for expenditures for services performed in the subsequent fiscal year. Within the District's Aggregate Remaining Fund Information reporting unit, specifically the Special Reserve for Capital Outlay Projects Fund, the District improperly excluded \$723,740 from accounts payable, although supporting documentation indicated these services were performed in the year ended June 30, 2023. These differences resulted were communicated as waived audit adjusting journal entries for the audit of the year ended June 30, 2023.
- The District omitted necessary entries for interfund payables from the Deferred Maintenance to the General Fund, for to repayment of amounts borrowed for equipment purchases using Deferred Maintenance Fund resources. An interfund payable was recorded totaling \$1,512,837 for the reimbursement.

Effect: Adjusting journal entries were necessary to report the financial position of the District in accordance with Generally Accepted Accounting Principles, and in accordance with the California School Accounting Manual. In addition, delays were encountered in auditing the significant financial statement components.

Cause: Turnover in the District's management team resulted in a lack of staff continuity and adherence to internal controls previously being followed by the fiscal team and others within the District. As a result, the District's internal controls over financial reporting did not function at a sufficient level of precision to identify the misstatement during the review process.

Recommendation: The District's management team should update or implement necessary internal controls to ensure the accuracy of financial reporting.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with the finding and is in the process of implementing updated internal control procedures to mitigate future findings of this nature. Proposed adjustments have been or will be reflected in the books and records of the District.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2023-002 – MATERIAL WEAKNESS - STATE COMPLIANCE – INDEPENDENT STUDY (40000)

Criteria: Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Section 401 and 421 (b) and Education Code Section 44809 – Each LEA must develop and maintain accurate and adequate records to support attendance report to the State of California.

Condition: The District was unable to provide completed signed independent study agreements and/or other relevant required information for a total of fifty students claimed for independent study attendance.

Context: We performed the audit procedures enumerated in the *2022-23 Guide Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above. This is a repeat finding identified in the 2021-22 Audit Report as Finding 2022-001.

Effect: The District is out of compliance with State requirements for Independent Study.

Cause: The error was caused by the District's inability to provide completed supporting documentation for independent study students files selected for testing.

Fiscal Impact: The fiscal impact of the finding is \$286,639, or 22 ADA which is the cumulative ADA generated by the selected student sample during the time period while they were on independent study.

Recommendation: The District should enforce controls to ensure signed independent study agreements and required work samples are maintained for all students claimed for ADA in the independent study program.

Views of Responsible Officials and Planned Corrective Action: Management concurs with the auditor's finding and will continue to provide training to staff who are responsible for documenting independent study agreements and maintaining student work at the school sites.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2023-003 – MATERIAL WEAKNESS - STATE COMPLIANCE - TEACHER CERTIFICATION AND MISASSIGNMENTS (71000)

Criteria: Teachers who instruct a class in which more than 20 percent of the pupils were English learners must be authorized to instruct limited English proficient pupils pursuant to Education Code section 44253.3, 44253.4 or 44253.10.

Condition: At one school site selected for testing, one teacher was not authorized to instruct limited English proficient pupils. The District was unable to provide supporting documents showing that the teacher was assigned to classes in which less than 20 percent of the pupils were limited English proficient.

Context: We performed the audit procedures enumerated in the State of California *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the findings described above.

Effect: The District is out of compliance with state requirements.

Cause: The internal controls over compliance for teacher certification were not designed sufficiently to ensure that the District was compliant with the requirements for teacher certification and misassignments.

Fiscal impact: The effect of this finding is a financial penalty of \$246,422.

Recommendation: The District should update or implement internal controls over compliance for teacher certification to ensure teachers have all proper certifications throughout the school year, relative to the classes they're assigned to teach.

Views of Responsible Officials and Planned Corrective Action: Management concurs with the auditor's finding, and will continue to provide training to staff who are responsible for monitoring compliance with teacher certifications.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2023-004 - DEFICIENCY – STATE COMPLIANCE – GANN LIMIT CALCULATION (40000)

Criteria: In accordance with Government Code 7902, Districts are required to report their current year appropriations limit calculation, commonly referred to as the Gann Limit Calculation, as part of their Unaudited Actuals supplementary forms. In preparing this form, Districts must input the prior year Gann ADA and prior year appropriations limit for an amount which agrees to the data previously submitted to the California Department of Education.

Condition: In preparing and reporting the Gann Limit Calculation for the 2022-23 audit year, the District input data in the supplementary SACS form, form Gann, which overstated prior year Gann ADA. The Form Gann provided to the auditor and submitted to the California Department of Education included this incorrect information.

Context: We performed the audit procedures enumerated in the *2022-23 Guide Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect: The District is out of compliance with state requirements for Gann Limit Calculation.

Cause: The internal controls over compliance for calculation and reporting for the Unaudited Actuals were not designed sufficiently to ensure that the District was compliant with the requirements for Gann Limit Calculation.

Fiscal Impact: There is no fiscal impact.

Recommendation: The District should update or implement internal controls over compliance to ensure data reported for Form Gann is complete and accurate.

Views of Responsible Officials and Planned Corrective Action: A revised Form Gann was subsequently submitted to the Fresno County Superintendent of Schools, and California Department of Education.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

CENTRAL UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2023

2022-001 – STATE COMPLIANCE – INDEPENDENT STUDY (40000)

Condition: The District was unable to provide completed signed independent study agreements and/or other relevant required information for a total of seven students claimed for independent study attendance.

Recommendation: The District should enforce controls to ensure signed independent study agreements and required work samples are maintained for all students claimed for ADA in the independent study program.

Current Status: Not implemented.

District Explanation if Not Implemented: See finding 2023-002.