



Financial Statements
June 30, 2024

Palo Alto Unified School District

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Independent Auditor's Report

To the Governing Board
Palo Alto Unified School District
Palo Alto, California

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Menlo Park, California
December 14, 2024

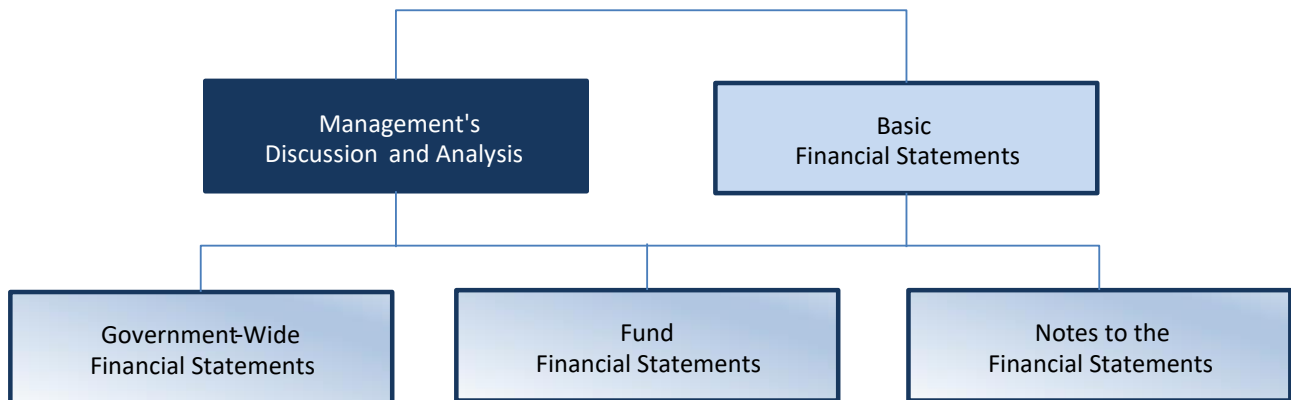
Management's Discussion and Analysis June 30, 2024

Introduction

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2024. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

Required Components of the Annual Financial Report



Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2024 were as follows:

- Total net position increased by \$53.05 million (55.5%) from June 30, 2023 to June 30, 2024, which was mainly due to reduction in long term liabilities, changes in the CalPERS and CalSTRS net pension liabilities.

The District recorded deferred outflows of resources of \$79.67 million, an increase of 6.32%, and deferred inflows of resources of \$100.45 million, a decrease of 12.55%, as required by governmental accounting standards for pensions, other postemployment benefits and leases. The significant decrease in the deferred inflows of resources is mainly due to changes from amounts related to pension. Deferred outflows of resources are not assets but increase the Statement of Net Position similarly to an asset and deferred inflows of resources are not liabilities but decrease the Statement of Net Position similarly to liabilities.

- The District had \$370.67 million in government-wide expenses which is 87.47% of total government-wide revenues versus 82.15% in the prior year. Program specific revenues in the form of operating grants and contributions and charges for services accounted for \$45.86 million, or 11% of the total revenues of \$423.75 million.
- General revenue of \$377.89 million which includes property taxes, unrestricted federal and state grants and LCFF sources, was 89.18% of total revenues in 2024 versus 86.99% in 2023.
- The fund balances of all governmental funds decreased by \$54.08 million, which is an -12.78% decrease from 2023.
- Total governmental fund revenues and expenditures totaled \$421.4 million and \$475.4 million, respectively for the fiscal year ended 2024.

Using the Annual Report

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statement and provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The Fund financial statements also look at the District's most significant funds with all other-nonmajor funds presented in total in one column. The basic financial statements also include notes that explain some of the information on the financial statements and provide more detailed data.

Overview of the Financial Statements

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, government-wide and fund statements.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
- Notes to the financial statements, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

Government-Wide Financial Statements – Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during the fiscal year 2023-2024?”. The Statement of Net Position and the Statement of Net Activities answer this question. These statements include all assets of the District (including capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins with the balance sheet. Fund financial reports provide detailed information about the District's major funds. The District's uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds were the General Fund, Building Fund, and Bond Interest and Redemption Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting.

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. We use internal service funds (a component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities – such as the District's Self-Insurance Fund. The internal service fund is reported with governmental activities in the government-wide financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We excluded these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The District as A Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2024 as compared to June 30, 2023.

Table 1 - Summary of Statement of Net Position						
(Amounts in millions)	2024		2023		Change	Percentage Change
Assets						
Current and other assets	\$	484.51	\$	536.00	\$ (51.49)	-9.61%
Capital assets		511.66		446.70	64.96	14.54%
Total Assets		996.18		982.70	13.48	1.37%
Total Deferred Outflows of Resources		79.67		74.93	4.74	6.32%
Liabilities						
Current liabilities		45.10		37.78	7.32	19.36%
Long-term liabilities		781.64		809.37	(27.73)	-3.43%
Total Liabilities		826.73		847.15	(20.42)	-2.41%
Total Deferred Inflows of Resources		100.45		114.87	(14.42)	-12.55%
Net Position						
Net investment in capital assets		236.93		229.94	6.99	3.04%
Restricted		39.63		43.27	(3.64)	-8.40%
Unrestricted: excluding pension activities		70.48		23.07	47.41	205.51%
Unrestricted: related to pension activities		(198.39)		(200.67)	2.28	1.14%
Total Net Position	\$	148.66	\$	95.61	\$ 53.05	55.48%

The District's net position was a surplus of \$148.66 million for the fiscal year ended June 30, 2024. Of this amount, \$128 million deficit will be paid with unrestricted net position. The deficit in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. 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 the net position for day-to-day operations.

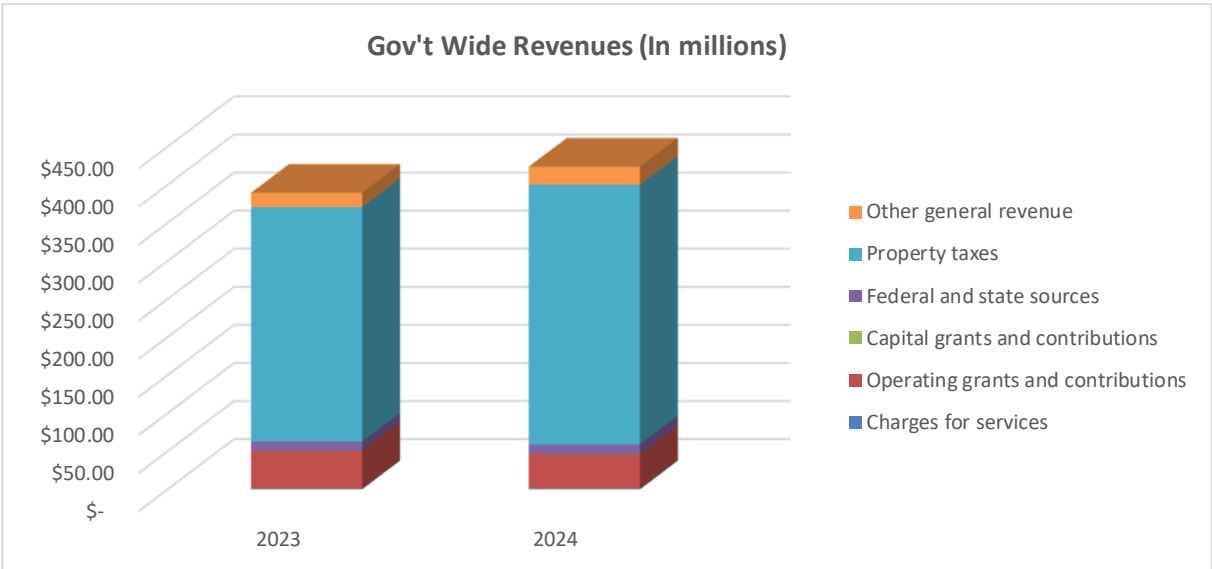
The assets have increased by 1.37% mainly due to the cash received from the state and federal one-time funds, increase in revenue and recognizing resources from leases to increase by \$6.2 million.

Table 2 shows the changes in net position for fiscal year 2024 as compared to 2023:

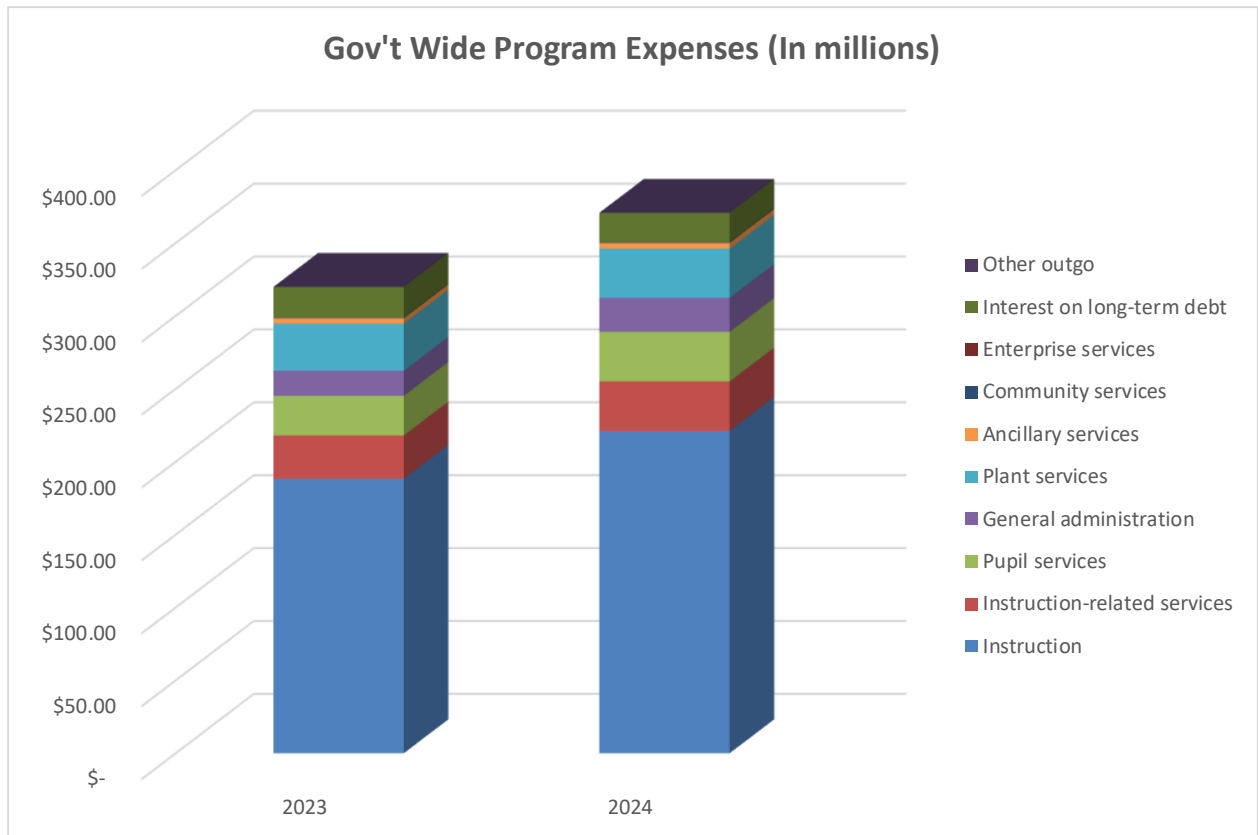
(Amounts in millions)	2024	2023	Change	Percentage Change
Revenues				
Program revenues	\$ 45.86	\$ 50.66	\$ (4.80)	-10.47%
General revenues				
Federal and state sources	13.22	12.23	0.99	7.49%
Property taxes	340.90	307.75	33.15	9.72%
Other general revenue	23.77	18.76	5.01	21.08%
Total Revenues	423.75	389.40	34.35	8.11%
Program Expenses				
Instruction	221.14	188.34	32.80	14.83%
Instruction-related services	33.88	29.65	4.23	12.49%
Pupil services	33.98	27.17	6.81	20.04%
General administration	23.39	17.24	6.15	26.29%
Plant services	33.74	32.29	1.45	4.30%
Ancillary services	3.96	3.67	0.29	7.32%
Community services	0.53	0.43	0.10	18.87%
Interest on long-term debt	20.08	21.10	(1.02)	-5.08%
Total Expenditures	370.70	319.89	50.81	13.71%
Change in Net Position	53.05	69.49	(16.46)	31.03%
Net Position - Beginning	95.61	26.09	69.52	-72.71%
Net Position - Ending	\$ 148.66	\$ 95.58	\$ (53.06)	-41.68%

The District’s expenses for instructional services was 68.79% of total expenses in the fiscal year ended June 30, 2024 as compared to 68.15% in the fiscal year ended June 30, 2023. The purely administrative activities of the District accounted for 6.31% of total costs in the fiscal year ended June 30, 2024 as compared to 5.39% in the fiscal year ended June 30, 2023. Interest on long-term debt represented 5.42% of total expenses in the fiscal year ended June 30, 2024 as compared to 6.60% in the fiscal year ended June 30, 2023. Total expenses were 87.47% of revenue in the fiscal year ended June 30, 2024 versus 82.15% in the fiscal year ended June 30, 2023. Program revenues were 10.82% of total revenues in the fiscal year ended June 30, 2024 and 13.01% of total revenues in the fiscal year ended June 30, 2023. Programs revenues decreased by \$4.8 million from the prior fiscal year.

The following is a summary of government-wide revenues for the fiscal year ended June 30, 2024:



The following is a summary of expenses by function for the fiscal year ended June 30, 2024:



Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the net cost of services as compared to the prior fiscal year. That is, it identifies the cost of these services supported by general revenues for the government-wide statements (not the General Fund).

Table 3 - Net Cost of Services					
(Amounts in millions)	2024	2023	Change	Percentage Change	
Instruction	\$ 188.11	\$ 159.67	\$ 28.44	17.81%	
Instruction-related services	30.52	25.68	4.84	18.85%	
Pupil services	26.57	20.23	6.34	31.34%	
General administration	22.88	16.18	6.70	41.41%	
Plant services	33.62	32.12	1.50	4.67%	
Ancillary services	2.53	2.20	0.33	15.00%	
Community services	0.52	0.42	0.10	23.81%	
Interest on long-term debt	20.08	12.72	7.36	57.86%	
Total Net Cost	\$ 324.83	\$ 269.22	\$ 55.61	20.66%	

The following summarizes the District's most significant functions:

- *Instruction* expenditures include activities directly dealing with the teaching of pupils.
- *Instruction-related services* include the activities involved with assisting staff with the content and process of educating students.
- *Pupil services* include guidance and counseling, psychological, health, speech and testing services, transporting students, as well as preparing, delivering, and serving meals to students.
- *General administration* reflects expenditures associated with the administrative and financial supervision of the School District. Typical functions would include the Board of Trustees and Superintendent, Human Resources, Data Processing and Business Services.
- *Plant services* involve keeping the school grounds and equipment in effective working conditions.

The District's Funds

As the District completed this year, governmental funds had a reported combined fund balance of \$367.69 million, which is a decrease of \$53.39 million from last year.

Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

Table 4 - Summary of Fund Balances				
(Amount in millions)	2024	2023	Change	Percentage Change
General Fund	\$ 144.96	\$ 124.63	\$ 20.33	16.31%
Building Fund	152.95	232.16	(79.21)	-34.12%
Bond Interest and Redemption Fund	49.70	51.60	(1.90)	-3.69%
Student Activity Fund	0.50	0.52	(0.02)	-4.08%
Adult Education Fund	1.22	1.14	0.09	7.66%
Child Development Fund	0.17	0.15	0.02	13.43%
Cafeteria Fund	3.37	3.30	0.07	2.02%
Deferred Maintenance Fund	7.45	5.19	2.26	43.51%
Capital Facilities Fund	3.01	4.36	(1.35)	-31.03%
County School Facilities Fund	4.37	0.03	4.33	12905.42%
Total Fund Balance	\$ 367.69	\$ 423.08	\$ (55.39)	-13.09%

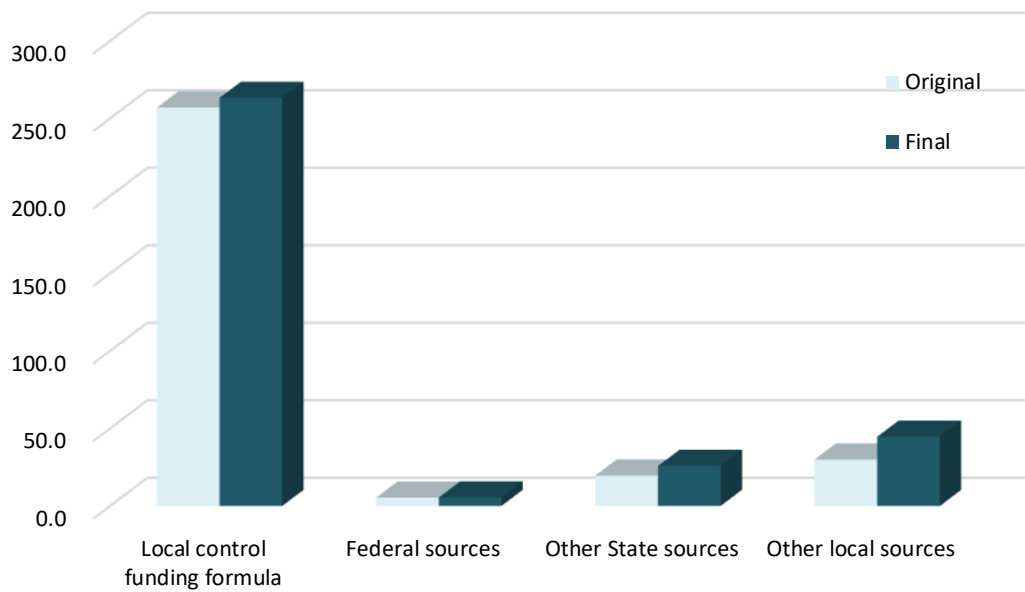
The significant changes in total fund balances is primarily attributed to the following:

- **General Fund:** Increased by \$20.33 million (16.31%), mainly due to higher property tax revenues.
- **Building Fund:** Decreased by \$79.21 million (34.12%), primarily due to the completion of various projects and the utilization of funds for ongoing projects.
- **Bond Interest and Redemption Fund:** Decreased by \$1.90 million (3.69%), reflecting adjustments after the issuance of the 2023 series of General Obligation Bonds.

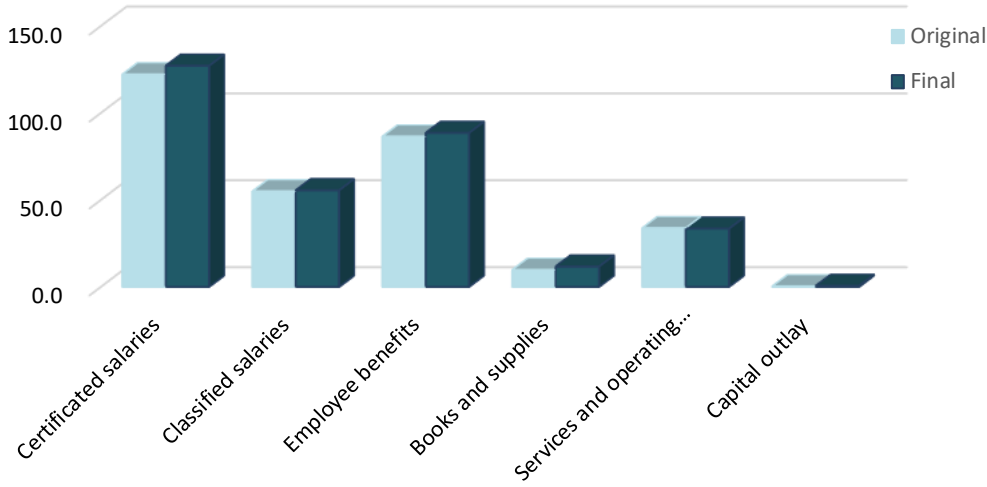
Financial Analysis of the General Fund and Budgeting Highlights

The District’s budget is prepared accordingly to California law and in the modified accrual basis of accounting. During the course of the 2023-24 fiscal year, the District revised its General Fund budget twice, at 1st interim and 2nd interim. The following charts summarize the changes from the District’s original and final budgets.

General Fund Budgeted Revenues (\$ in Million)



General Fund Budgeted Expenditures (\$ in Million)



Capital Asset and Long-Term Liabilities

Capital Assets

As of June 30, 2024, the District had \$511.66 million in a broad range of capital assets, including land, buildings, furniture, and equipment. The \$64.96 million increase in capital assets is due to \$47.31 million additions of construction in progress funded from proceed of general obligation bonds. Additionally, the District recognized \$19.0 million of depreciation. Additional information regarding the District's capital assets can be found in Note 5 to the basic financial statements.

Table 5 - Summary of Capital Assets Net of Depreciation					
(Amounts in millions)	2024	2023	Change	Percentage Change	
Land	\$ 10.47	\$ 10.47	\$ -	0.00%	
Construction in progress	146.03	98.72	47.31	47.92%	
Land improvements	27.60	25.03	2.57	10.28%	
Buildings and improvement	324.62	310.07	14.55	4.69%	
Furniture and equipment	2.94	2.41	0.53	21.94%	
Total Capital Assets	\$ 511.66	\$ 446.70	\$ 64.96	14.54%	

Long-Term Liabilities

At the end of this year, the District had \$518.22 million in general obligation bonds debt outstanding versus \$552.05 million last year, a decrease of 6.13%, which mainly due to scheduled debt service payments partly offset by accreted interest.

Table 6 - Summary of Long-term Liabilities					
(Amounts in millions)	2024	2023	Change	Percentage Change	
General obligation bonds	\$ 518.22	\$ 552.05	\$ (33.83)	-6.13%	
Net pension liabilities	246.14	236.25	9.89	4.19%	
Net OPEB liability	15.60	20.02	(4.42)	-22.06%	
Compensated absences and claims	1.63	1.72	(0.09)	-5.05%	
Total Long-term Liabilities	\$ 781.60	\$ 810.04	\$ (28.44)	-3.51%	

At year-end, the District has a net pension liability of \$246.14 million versus \$236.25 million last year, an increase of \$9.89 million (or 4.19%).

Other long-term liabilities include compensated absences payable, other postemployment benefits (OPEB) liability (not including health benefits). We present more detailed information regarding our long-term liabilities in Note 11 of the financial statements.

Significant Accomplishments of Fiscal Year 2023-2024 Are Noted Below:

The District's budget is prepared according to California law and is based on the modified accrual basis of accounting. During the 2023-2024 fiscal year, the District revised its General Fund budget twice: once in December based on October 31, 2023, data, and a second time in March based on January 31, 2024, data. The District settled with both bargaining unit associations for the fiscal year 2023-2024 and fiscal year 2024-2025. The District reached agreements with the California School Employees Association (CSEA) Chapter 301 and the Palo Alto Educators Association (PAEA) for salary increases, schedule restructuring, and one-time payments. Both classified and certificated staff received a 4% ongoing salary increase retroactive to July 1, 2023. For the 2024-25 school year, classified employees were granted another 4% increase effective July 1, 2024, along with a one-time \$2,000 payment for those in paid status as of November 15, 2024, and a restructured salary schedule adding a new Step 6 (F). Similarly, certificated staff under PAEA received an additional 4% increase over the 2023-24 Teachers' Salary Schedule and Appendix H - Special Salaries and Stipends, effective July 1, 2024, along with the implementation of a revised salary schedule.

The overall tax revenues showed a growth of 5.9%.

The District contributed an additional \$5.0 million to reduce the outstanding OPEB liability, bringing it down to \$15.6 million as of June 30, 2024.

Finally, it is important to note that the District maintains a 3% reserve for economic uncertainties and a 7% in the Basic Aid Reserve Fund, for a total of 10%.

Economic Factors and Next Year's Budgets and Rates

In considering the District Budget for the 2024-2025 year, the governing board and management used the following criteria:

1. **Community Funded District:** Property tax revenues will increase by 3.4%.
2. The District's activities and budget continue to be guided by the Board approved priority goals:
 - a. Serve and Celebrate Others
 - b. Mental Health and Wellness
 - c. Literacy
 - d. Equity and Excellence
 - e. Innovation
3. The Palo Alto Partners in Education (PiE) Foundation's annual donation for 2024-25 is estimated to be \$5 million. Funds are allocated per pupil and based on current enrollment data.
4. Voters passed the Measure O parcel tax renewal measure at the November 3, 2020, election. The revenue from this parcel tax is estimated at \$16.3 million per year. The term is six years and is effective July 1, 2021 (following the current Measure A parcel tax expiration on June 30, 2021) through the end of the 2026-2027 fiscal year.
5. Interest income is projected to be at 3%.

6. Developer fee collections are based on approximate new housing units to be constructed. The fees are used for the construction and reconstruction of school facilities necessary as a result of new development. As of July 9, 2022, the fees are \$4.79 per square foot for residential construction and \$0.78 per square foot for commercial construction.
7. Federal and State revenue is not expected to increase, except for one-time funding.
8. Changes to other funds are anticipated to be minimal.

The District's primary funding source is property taxes, relying on increases in assessed property values within its boundaries. While property tax revenues have been strong in recent years, the District remains cautious, as an economic downturn could negatively impact school funding.

Pension contributions continue to be a significant factor. Both CalPERS and CalSTRS have adjusted their expected rates of return, resulting in increased employer contribution rates. CalSTRS will maintain a stable rate of 19.10% through 2027-28, while CalPERS rates are projected to rise from 26.68% in 2023-24 to 29.20% by 2027-28.

Additionally, health and welfare costs are projected to rise, further adding to the District's financial obligations.

Given these rising costs and future uncertainties, careful and strategic planning is crucial to ensure that the District can meet student needs and manage inflationary pressures in the coming years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Chief Business Officer, Business Services, at Palo Alto Unified School District, 25 Churchill Avenue, Palo Alto, California, 94306.

Palo Alto Unified School District
Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Deposits and investments	\$ 397,590,869
Receivables	13,467,849
Prepaid expense	82,737
Stores inventories	336,302
Lease receivables	73,032,565
Capital assets not depreciated	156,499,476
Capital assets, net of accumulated depreciation	355,165,351
Total assets	996,175,149
Deferred Outflows of Resources	
Related to OPEB	9,113,653
Related to pensions	70,555,239
Total deferred outflows of resources	79,668,892
Liabilities	
Accounts payable	28,807,990
Interest payable	5,084,248
Unearned revenue	11,203,276
Long-term liabilities	
Long-term liabilities other than OPEB and pensions	
Due within one year	41,330,273
Due in more than one year	478,564,050
Net other postemployment benefits liability (OPEB)	15,604,378
Aggregate net pension liabilities	246,140,689
Total liabilities	826,734,904
Deferred Inflows of Resources	
Related to OPEB	10,596,097
Related to pension	22,804,982
Related to leases	67,051,249
Total deferred inflows of resources	100,452,328
Net Position	
Net investment in capital assets	236,932,069
Restricted for	
Self insurance	7,921,012
Capital projects	7,357,375
Educational programs	21,033,800
Food programs	3,322,074
Unrestricted (deficit)	(127,909,521)
Total net position	\$ 148,656,809

Palo Alto Unified School District

Statement of Activities

Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 221,142,644	\$ 1,226,489	\$ 31,808,080	\$ (188,108,075)
Instruction-related activities				
Supervision of instruction	9,735,368	4,818	997,217	(8,733,333)
Instructional library, media, and technology	3,203,275	5,775	135,832	(3,061,668)
School site administration	20,940,511	6,170	2,204,900	(18,729,441)
Pupil services				
Home-to-school transportation	4,215,851	-	-	(4,215,851)
Food services	5,753,998	(221,961)	5,754,493	(221,466)
All other pupil services	24,010,805	16,849	1,857,130	(22,136,826)
Administration				
Data processing	10,140,908	-	393	(10,140,515)
All other administration	13,250,551	-	507,851	(12,742,700)
Plant services	33,737,051	6	119,194	(33,617,851)
Ancillary services	3,962,951	98	1,428,343	(2,534,510)
Community services	525,192	-	6,081	(519,111)
Interest on long-term liabilities	20,078,241	-	-	(20,078,241)
Total governmental activities	<u>\$ 370,697,346</u>	<u>\$ 1,038,244</u>	<u>\$ 44,819,514</u>	<u>(324,839,588)</u>
General Revenues and Subventions				
Property taxes, levied for general purposes				274,913,690
Property taxes, levied for debt service				50,183,086
Taxes levied for other specific purposes				15,802,876
Federal and State aid not restricted to specific purposes				13,223,602
Interest and investment earnings				21,163,012
Miscellaneous				2,603,613
Subtotal, general revenues and subventions				<u>377,889,879</u>
Change in Net Position				53,050,291
Net Position - Beginning				<u>95,606,518</u>
Net Position - Ending				<u>\$ 148,656,809</u>

Palo Alto Unified School District

Balance Sheet – Governmental Funds

June 30, 2024

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 150,732,014	\$ 168,878,653	\$ 49,390,950	\$ 20,213,424	\$ 389,215,041
Accounts Receivables	10,350,639	2,197,465	304,834	543,678	13,396,616
Due from other funds	63,620	-	-	3,982	67,602
Prepaid expenditures	69,342	-	-	13,395	82,737
Stores inventories	289,536	-	-	46,766	336,302
Lease receivables	73,032,565	-	-	-	73,032,565
Total assets	\$ 234,537,716	\$ 171,076,118	\$ 49,695,784	\$ 20,821,245	\$ 476,130,863
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 10,304,200	\$ 17,884,918	\$ -	\$ 618,872	\$ 28,807,990
Due to other funds	3,982	9,384	-	54,236	67,602
Unearned revenue	11,135,987	-	-	67,289	11,203,276
Total liabilities	21,444,169	17,894,302	-	740,397	40,078,868
Deferred Inflows of Resources					
Unavailable revenues	1,080,106	235,238	-	-	1,315,344
Leases	67,051,249	-	-	-	67,051,249
Total Deferred Inflow of Resources	68,131,355	235,238	-	-	68,366,593
Fund Balances					
Nonspendable	6,347,634	-	-	60,161	6,407,795
Restricted	20,020,624	152,946,578	49,695,784	11,692,625	234,355,611
Committed	23,465,728	-	-	-	23,465,728
Assigned	18,342,881	-	-	8,328,062	26,670,943
Unassigned	76,785,325	-	-	-	76,785,325
Total fund balances	144,962,192	152,946,578	49,695,784	20,080,848	367,685,402
Total liabilities, deferred inflows of resources, and fund balances	\$ 234,537,716	\$ 171,076,118	\$ 49,695,784	\$ 20,821,245	\$ 476,130,863

Palo Alto Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2024

Total Fund Balance - Governmental Funds		\$ 367,685,402
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 938,764,044	
Accumulated depreciation is	<u>(427,099,217)</u>	
Net capital assets		511,664,827
Revenues earned but not available to pay for current expenditures for governmental funds are reported as unavailable revenue in the governmental fund balance sheet.		1,315,344
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(5,084,248)
An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position.		7,921,012
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Other postemployment benefits (OPEB)	9,113,653	
Net pension liability	<u>70,555,239</u>	
Total deferred outflows of resources		79,668,892
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits (OPEB)	(10,596,097)	
Net pension liability	<u>(22,804,982)</u>	
Total deferred inflows of resources		(33,401,079)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(246,140,689)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(15,604,378)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds, including premiums	(427,679,336)	

Palo Alto Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2024

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of

General obligation bonds, including premiums	(427,679,336)
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Compensated absences (vacations)	(1,148,005)
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In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is

<u>(90,540,933)</u>

Total long-term liabilities	<u>(519,368,274)</u>
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Total net position - governmental activities	<u><u>\$ 148,656,809</u></u>
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Palo Alto Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2024

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local control funding formula (LCFF)	\$ 263,330,984	\$ -	\$ -	\$ -	\$ 263,330,984
Federal sources	5,478,782	-	128,633	2,174,800	7,782,215
Other State sources	25,848,875	-	73,473	11,086,207	37,008,555
Other local sources	44,719,986	11,484,417	51,639,143	4,073,207	111,916,753
Total revenues	339,378,627	11,484,417	51,841,249	17,334,214	420,038,507
Expenditures					
Current					
Instruction	203,792,881	-	-	2,526,017	206,318,898
Instruction-related activities					
Supervision of instruction	9,434,915	-	-	2,020	9,436,935
Instructional library, media, and technology	3,101,757	-	-	-	3,101,757
School site administration	19,014,642	-	-	1,256,149	20,270,791
Pupil services					
Home-to-school transportation	4,073,926	-	-	-	4,073,926
Food services	41,738	-	-	5,510,471	5,552,209
All other pupil services	23,104,829	-	-	155,210	23,260,039
Administration					
Data processing	9,782,178	-	-	-	9,782,178
All other administration	12,597,316	-	-	111,159	12,708,475
Plant services	28,630,194	-	-	100,787	28,730,981
Ancillary services	2,419,965	-	-	1,397,178	3,817,143
Community services	507,708	-	-	-	507,708
Capital outlay	565,748	90,696,876	-	2,856,760	94,119,384
Debt service					
Principal	-	-	41,105,000	-	41,105,000
Interest and other	-	-	12,636,738	-	12,636,738
Total expenditures	317,067,797	90,696,876	53,741,738	13,915,751	475,422,162
Excess (Deficiency) of Revenues Over Expenditures	22,310,830	(79,212,459)	(1,900,489)	3,418,463	(55,383,655)
Other Financing Sources (Uses)					
Transfers in	39,606	-	-	2,015,929	2,055,535
Transfers out	(2,015,929)	-	-	(39,606)	(2,055,535)
Net Financing Sources (Uses)	(1,976,323)	-	-	1,976,323	-
Net Change in Fund Balances	20,334,507	(79,212,459)	(1,900,489)	5,394,786	(55,383,655)
Fund Balance - Beginning	124,627,685	232,159,037	51,596,273	14,686,062	423,069,057
Fund Balance - Ending	\$ 144,962,192	\$ 152,946,578	\$ 49,695,784	\$ 20,080,848	\$ 367,685,402

Palo Alto Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2024

Total Net Change in Fund Balances - Governmental Funds	\$ (55,383,655)
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Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

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

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

Depreciation	\$ (19,002,153)
Capital outlay	<u>86,256,330</u>

Net expense adjustment	67,254,177
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Revenues that did not meet the criteria for recognition were recorded as unavailable revenues in the governmental funds. In the Government-Wide Financial Statements, these amounts were recorded as revenues. This amount represents the change in unavailable revenue from the prior year.	1,315,344
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The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was:	(8,304,652)
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Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.	(2,288,741)
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In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.	(88,909)
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In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	2,282,591
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Palo Alto Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2024

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		5,622,558
Governmental funds report the effect of premiums, discounts, and the deferred charge on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Premium amortization		1,025,347
Deferred charge on refunding amortization		(513,989)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
General obligation bonds		41,105,000
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.		
		351,791
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		
		<u>673,429</u>
Change in net position of governmental activities		<u>\$ 53,050,291</u>

Palo Alto Unified School District
Statement of Net Position – Proprietary Fund
June 30, 2024

	Governmental Activities - Internal Service Fund
Assets	
Current assets	
Deposits and investments	\$ 8,375,828
Receivables	<u>71,233</u>
Total current assets	<u>8,447,061</u>
Liabilities	
Current liabilities	
Current portion of claims liabilities	<u>71,827</u>
Total current liabilities	<u>71,827</u>
Noncurrent liabilities	
Claims	<u>454,222</u>
Total liabilities	<u>526,049</u>
Net Position	
Restricted for workers' compensation	<u><u>\$ 7,921,012</u></u>

Palo Alto Unified School District
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund
Year Ended June 30, 2024

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for services	\$ 2,029,967
Total operating revenues	<u>2,029,967</u>
Operating Expenses	
Payroll costs	31,686
Supplies and materials	5,386
Claims and excess insurance	1,683,285
Total operating expenses	<u>1,720,357</u>
Operating Income	309,610
Nonoperating Revenues	
Fair market value adjustments	97,179
Interest income	266,640
Total nonoperating revenues	<u>363,819</u>
Change in Net Position	673,429
Total Net Position - Beginning	<u>7,247,583</u>
Total Net Position - Ending	<u><u>\$ 7,921,012</u></u>

Palo Alto Unified School District
Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2024

	Governmental Activities - Internal Service Fund
Operating Activities	
Cash receipts from customers	\$ 2,029,967
Cash receipts from interfund services provided	304,745
Cash payments to other suppliers of goods or services	(15,392)
Cash payments to employees for services	(31,686)
Cash payments for insurance claims	(1,817,449)
	<u>470,185</u>
Net Cash Provided from Operating Activities	470,185
Investing Activities	
Interest on investments	363,819
	<u>363,819</u>
Net Change in Cash and Cash Equivalents	834,004
Cash and Cash Equivalents, Beginning	7,541,824
	<u>7,541,824</u>
Cash and Cash Equivalents, Ending	<u>\$ 8,375,828</u>
Reconciliation of Operating Income to Net Cash Provided from Operating Activities	
Operating income	\$ 309,610
Changes in assets and liabilities	
Receivables	(10,006)
Due from other fund	304,745
Accrued liabilities	(134,164)
	<u>470,185</u>
Net Cash Provided from Operating Activities	<u>\$ 470,185</u>

Palo Alto Unified School District
Statement of Net Position – Fiduciary Fund
June 30, 2024

	Private-Purpose Trust
	<u> </u>
Assets	
Deposits and investments	\$ 684,828
Receivables	<u> 6,839</u>
Total assets	<u><u> \$ 691,667</u></u>
Net Position	
Restricted for scholarships	<u> 691,667</u>
Total net position	<u><u> \$ 691,667</u></u>

Palo Alto Unified School District
Statement of Changes in Net Position – Fiduciary Fund
Year Ended June 30, 2024

	Private-Purpose Trust
Additions	
Contributions	
Private donations	\$ 50,215
Total contributions	<u>50,215</u>
Investment earnings	
Interest	20,256
Net decrease in the fair vlaue of investments	<u>(7,316)</u>
Total investment earnings	<u>12,940</u>
Total additions	63,155
Deductions	
Professional/Consulting Services	<u>72,400</u>
Total deductions	<u>72,400</u>
Net decrease in fiduciary net position	(9,245)
Net Position - Beginning	<u>700,912</u>
Net Position - Ending	<u><u>\$ 691,667</u></u>

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Palo Alto Unified School District was founded on March 20, 1893 under the laws of the State of California. The District operates under a locally elected five-member board form of government and provides educational services to grades K - 12 as mandated by the state and federal agencies. The District operates twelve elementary, three middle and two high schools, an adult education program, a Young Fives program and two children's centers.

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for and report all financial resources not accounted for or reported in another fund.

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

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

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

Nonmajor Governmental Funds

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only, except, for State revenues which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.
- **Child Development Fund** The Child Development Fund is used to account separately for federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).
- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted, committed or assigned for deferred maintenance purposes (*Education Code* Section 17582).

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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

- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

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

- **Internal Service Fund** Internal Service Funds may be used to account for goods or services provided to other funds of the District on a cost reimbursement basis. The District operates a workers' compensation, dental, vision, and property and liability programs that are accounted for in an internal service fund.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of the parties outside the District and are not available to support the District's own programs. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. Trust funds are used to account for resources held by the District under a trust agreement for individuals, private organizations, or other governments. The District's private-purpose trust fund accounts for contribution and payments related to scholarships.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

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

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

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor governmental funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

Cash and Cash Equivalents

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

Investments

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

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

Prepaid Expenditures (Expenses)

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

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the proprietary funds when consumed rather than when purchased.

Capital Assets and Depreciation/Amortization

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

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

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

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination.

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

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated within the governmental funds and governmental activities.

Compensated Absences

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

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Subscription-Based Information Technology Arrangements

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

Leases

As Lessee: 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.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

As Lessor: The District is a lessor for two noncancellable building leases. Accordingly, the District recognizes a lease receivable and a deferred inflow of resources.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Fund Balances - Governmental Funds

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

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

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

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

Assigned – amounts that do not meet the criteria to be classified as restricted or committed that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purpose.

Unassigned – all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in compliance with GASB 54 to establish fund balance policies in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties equal to no less than 10% of General Fund expenditures and other financing uses.

Net Position

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

Operating Revenues and Expenses

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

Interfund Activity

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

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

Estimates

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

Property Tax

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

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

Governmental funds	\$ 389,215,041
Proprietary funds	8,375,828
Fiduciary funds	<u>684,828</u>
Total deposits and investments	<u><u>\$ 398,275,697</u></u>

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

Cash on hand and in banks	\$ 2,171,310
Cash in revolving	30,000
Investments	<u>396,074,387</u>
Total deposits and investments	<u><u>\$ 398,275,697</u></u>

Policies and Practices

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

Investment in County Treasury

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District monitors the interest rate risk inherent in its portfolio by measuring the average maturity of its portfolio. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains cash with the County of Santa Clara Investment Pool. The fair value of the deposits with County Treasurer at June 30, 2024 approximates \$396 million, and the weighted average maturity of the pool was 548 days.

Credit Risk

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

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. As of June 30, 2024, \$1.6 million of the District's bank balances was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Fair Value Measurements

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

- Level 1 inputs – quoted prices in active markets for identical assets.
- Level 2 inputs – quoted prices in active or inactive for the same or similar assets.
- Level 3 inputs – estimates using the best information available when there is little or no market.

As of June 30, 2024, the District's investments in the Santa Clara County Treasury Investment Pool are uncategorized.

Note 4 - Receivables

On June 30, 2024, accounts receivable consisted of intergovernmental grants, entitlements, interest and other local sources as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds	Proprietary Fund	Fiduciary Funds
Federal Government							
Categorical aid	\$ 3,875,306	\$ -	\$ -	\$ 253,385	\$ 4,128,691	\$ -	\$ -
State Government							
LCFF apportionment	517,392	-	-	-	517,392	-	-
Categorical aid	843,460	-	-	88,602	932,062	-	-
Lottery	661,564	-	-	-	661,564	-	-
Local Government							
Interest	1,658,657	1,776,884	304,834	192,406	3,932,781	61,227	6,839
Other local sources	2,794,260	420,581	-	9,285	3,224,126	10,006	-
Total	<u>\$ 10,350,639</u>	<u>\$ 2,197,465</u>	<u>\$ 304,834</u>	<u>\$ 543,678</u>	<u>\$ 13,396,616</u>	<u>\$ 71,233</u>	<u>\$ 6,839</u>

All receivables are considered collectible in full.

Note 5 - Capital Assets

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

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 10,470,525	\$ -	\$ -	\$ 10,470,525
Construction in progress	98,722,532	81,511,673	(34,205,254)	146,028,951
Total capital assets not being depreciated	109,193,057	81,511,673	(34,205,254)	156,499,476
Capital assets being depreciated				
Land improvements	54,652,499	5,093,761	(593,641)	59,152,619
Buildings and improvements	687,203,619	32,706,364	(8,980,016)	710,929,967
Furniture and equipment	11,685,125	1,149,786	(652,930)	12,181,981
Total capital assets being depreciated	753,541,243	38,949,911	(10,226,587)	782,264,567
Total capital assets	862,734,300	120,461,584	(44,431,841)	938,764,043
Accumulated depreciation				
Land improvements	(29,622,861)	(2,329,559)	402,647	(31,549,773)
Buildings and improvements	(377,132,232)	(16,061,374)	6,887,420	(386,306,186)
Furniture and equipment	(9,279,816)	(611,220)	647,779	(9,243,257)
Total accumulated depreciation	(416,034,909)	(19,002,153)	7,937,846	(427,099,216)
Governmental activities capital assets, net	\$ 446,699,391	\$ 101,459,431	\$(36,493,995)	\$ 511,664,827

Depreciation expenses were charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 11,971,172
Supervision of Instruction	547,556
Instructional Library Media and Technology	179,972
School Administration	1,176,165
Pupil Transportation	236,380
Food Services	318,343
Other Pupil Services	1,349,609
Ancillary Services	221,481
Community Services	29,459
Other General Administration	737,380
Data Processing Services	567,588
Plant Maintenance and Operations	<u>1,667,048</u>
Total depreciation expenses governmental activities	<u><u>\$ 19,002,153</u></u>

Note 6 - Lease Receivables

The District is leasing seven of its building to third-parties under noncancellable lease agreements. The lease agreements expire through fiscal year 2063 and the district is currently receiving annual payments of \$6.8 million related to the leases. The District recognized \$6.3 million in lease revenue and \$2.6 million in interest revenue related to the leases. As of June 30, 2024, the District's receivable for lease payments was \$73.0 million and was calculated using a discount rate range of 1.72 percent to 3.57 percent. Also, the District has a deferred inflow of resources associated with the leases that will be recognized as revenue over the leases terms. As of June 30, 2024, the balance of deferred inflows of resources from leases was \$67.1 million.

Note 7 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

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

Due To	Due From		Total
	General Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 3,982	\$ 3,982
Building Fund	9,384	-	9,384
Nonmajor funds	54,236	-	54,236
Total	<u>\$ 63,620</u>	<u>\$ 3,982</u>	<u>\$ 67,602</u>

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

Operating Transfers

Interfund transfers for the year ended June 30, 2024, consisted of 1) \$2 million from the general fund to the deferred maintenance fund per the District's deferred maintenance plan, 2) The general fund provided contributions to the adult education program to ensure alignment with program funding requirements. and 3) the capital facilities fund reimbursed three percent indirect costs related to developed fees to the general fund.

Note 8 - Long-Term Liabilities Other than OPEB and Pensions**Summary**

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

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024	Due in One Year
General obligation bonds	\$ 538,895,140	\$ 8,304,652	\$ (41,105,000)	\$ 506,094,792	\$ 40,799,246
Unamortized premiums	13,150,824	-	(1,025,347)	12,125,477	-
Compensated absences	1,059,096	282,372	(193,463)	1,148,005	459,200
Claims liability	660,213	-	(175,772)	484,441	71,827
Total	\$ 553,765,273	\$ 8,587,024	\$ (42,499,582)	\$ 519,852,715	\$ 41,330,273

Payments on the general obligation bonds (GOB) are made by the Bond Interest and Redemption Fund with local property tax revenues. The claims liability is to be paid by the Internal Service Fund. The compensated absences will be paid by the fund for which the employee worked.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2023	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2024
Current Interest Bonds							
2011	2028	4.7-5.8%	\$ 25,000,000	\$ 21,770,000	\$ -	\$ (1,625,000)	\$ 20,145,000
2013	2037	2.0-3.5%	70,000,000	41,845,000	-	-	41,845,000
2013	2025	0.44-2.89%	52,845,000	1,975,000	-	(975,000)	1,000,000
2014	2034	2.0-3.25%	40,000,000	9,845,000	-	-	9,845,000
2016	2036	2.0-4.0%	45,000,000	17,500,000	-	-	17,500,000
2018	2039	2.5-5.0%	40,000,000	16,500,000	-	(500,000)	16,000,000
2019	2040	3.0-6.0%	30,000,000	10,600,000	-	-	10,600,000
2022	2043	0.05-5.0%	38,000,000	36,515,000	-	(5,890,000)	30,625,000
2022	2043	3.0-5.0%	240,000,000	212,670,000	-	(14,050,000)	198,620,000
Subtotal				369,220,000	-	(23,040,000)	346,180,000
Capital Appreciation Bonds							
2009	2034	5.0-5.5%	119,999,249	169,675,140	8,304,652	(18,065,000)	159,914,792
Total				\$ 538,895,140	\$ 8,304,652	\$ (41,105,000)	\$ 506,094,792

Debt Service Requirements to Maturity

The capital appreciation bonds mature as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2025	\$ 8,173,376	\$ 10,085,870	\$ 18,259,246	\$ 75,754	\$ 18,335,000
2026	7,820,108	9,784,750	17,604,858	1,005,142	18,610,000
2027	7,474,962	9,483,457	16,958,419	1,931,581	18,890,000
2028	7,138,661	9,181,757	16,320,418	2,854,582	19,175,000
2029	7,173,155	9,352,920	16,526,075	3,973,925	20,500,000
2030-2034	31,593,597	42,652,179	74,245,776	34,579,224	108,825,000
Total	<u>\$ 69,373,859</u>	<u>\$ 90,540,933</u>	<u>\$ 159,914,792</u>	<u>\$ 44,420,208</u>	<u>\$ 204,335,000</u>

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2025	\$ 22,540,000	\$ 11,727,794	\$ 34,267,794
2026	23,190,000	10,678,519	33,868,519
2027	10,260,000	9,822,038	20,082,038
2028	11,640,000	9,221,654	20,861,654
2029	12,015,000	8,679,701	20,694,701
2030-2034	65,635,000	37,866,206	103,501,206
2035-2039	121,700,000	21,251,326	142,951,326
2040-2042	79,200,000	5,249,183	84,449,183
Total	<u>\$ 346,180,000</u>	<u>\$ 114,496,421</u>	<u>\$ 460,676,421</u>

Note 9 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000
Stores inventories	289,536	-	-	46,766	336,302
Prepaid expenditures	46,782	-	-	13,395	60,177
Leases, as lessor	5,981,316	-	-	-	5,981,316
Total nonspendable	6,347,634	-	-	60,161	6,407,795
Restricted					
Education programs	20,020,624	-	-	1,013,176	21,033,800
Food service	-	-	-	3,322,074	3,322,074
Capital projects	-	152,946,578	-	7,357,375	160,303,953
Debt services	-	-	49,695,784	-	49,695,784
Total restricted	20,020,624	152,946,578	49,695,784	11,692,625	234,355,611
Committed					
Education programs	23,465,728	-	-	-	23,465,728
Total committed	23,465,728	-	-	-	23,465,728
Assigned					
Program carryover	3,106,674	-	-	-	3,106,674
Education programs	-	-	-	7,448,741	7,448,741
OPEB	15,236,207	-	-	-	15,236,207
Facilities	-	-	-	18,092	18,092
Total assigned	18,342,881	-	-	8,328,062	26,670,943
Unassigned					
Reserve for economic uncertainties	22,930,480	-	-	-	22,930,480
Remaining unassigned	53,854,845	-	-	-	53,854,845
Total unassigned	76,785,325	-	-	-	76,785,325
Total	\$ 144,962,192	\$ 152,946,578	\$ 49,695,784	\$ 20,080,848	\$ 367,685,402

Note 10 - Risk Management**Property and Liability**

The District is exposed to various risks of loss related to torts, theft, damage, destruction of asset's, errors and omissions, and injuries to employees and natural disasters. During the fiscal year ending June 30, 2024, the District contracted with Northern California Relief for property and liability insurance coverage for liabilities exceeding \$50,000 with a limit \$1,000,000 per occurrence. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Employee Medical Benefits

The District has purchased health insurance for its employees with rates that are set through an annual calculation process by the health plan providers. The District pays the health plan provider a monthly premium.

Workers' Compensation

The District is a participant in the Schools Alliance for Workers' Compensation Excess Self-Funded insurance purchasing pool (the Insurance Pool). The intent of the Insurance Pool is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Insurance Pool. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Insurance Pool. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of each participating school district. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the Insurance Pool. Participation in the Insurance Pool is limited to districts that can meet the Insurance Pool's selection criteria.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims including future claim adjustment expenses and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The Self-Insurance Fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The following represents the changes in approximate aggregate liabilities for the District from July 1, 2022 to June 30, 2024:

	Workers' Compensation
Liability Balance, July 1, 2022	\$ 730,315
Claims and changes in estimates	(43,000)
Claims payments	(27,102)
Liability Balance, June 30, 2023	660,213
Claims and changes in estimates	(83,777)
Claims payments	(91,995)
Liability Balance, June 30, 2024	\$ 484,441

Note 11 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2024, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 148,721,939	\$ 38,114,012	\$ 19,312,572	\$ 21,150,031
CalPERS	97,418,750	32,441,227	3,492,410	14,265,778
Total	\$ 246,140,689	\$ 70,555,239	\$ 22,804,982	\$ 35,415,809

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

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

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2024, are presented above and the District's total contributions were \$23,881,684.

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

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

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 148,721,939
State's proportionate share of the net pension liability	<u>71,256,863</u>
Total	<u>\$ 219,978,802</u>

The net pension liability was measured as of June 30, 2023. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2023 and June 30, 2022, respectively was 0.1953% and 0.2038%, resulting in a net decrease in the proportionate share of 0.0085%.

For the year ended June 30, 2024, the District recognized pension expense of \$21,150,031. In addition, the District recognized pension expense and revenue of \$9,692,902 for support provided by the State. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 23,881,684	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,047,489	11,355,194
Differences between projected and actual earnings on pension plan investments	636,590	-
Differences between expected and actual experience in the measurement of the total pension liability	11,687,095	7,957,378
Changes of assumptions	<u>861,154</u>	<u>-</u>
Total	<u>\$ 38,114,012</u>	<u>\$ 19,312,572</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/ (inflows) of resources related to the difference between projected and actual earnings on pension plan investments are amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2025	\$ (4,678,906)
2026	(7,332,667)
2027	12,050,140
2028	598,023
Total	<u><u>\$ 636,590</u></u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2025	\$ (1,544,831)
2026	(1,975,053)
2027	(1,753,517)
2028	(1,719,986)
2029	185,113
Thereafter	1,091,440
Total	<u><u>\$ (5,716,834)</u></u>

Actuarial Methods and Assumptions

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2023, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 249,469,185
Current discount rate (7.10%)	148,721,939
1% increase (8.10%)	65,039,609

California Public Employees' Retirement System (CalPERS)

Plan Description

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

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

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	26.680%	26.680%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2024, are presented above and the total District contributions were \$13,859,928.

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

As of June 30, 2024, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$97,418,750. The net pension liability was measured as of June 30, 2023. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2023 and June 30, 2022, respectively, was 0.2691% and 0.2751%, resulting in a net decrease in the proportionate share of 0.0060%.

For the year ended June 30, 2024, the District recognized pension expense of \$14,265,778. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 13,859,928	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	132,455	1,996,202
Differences between projected and actual earnings on pension plan investments	10,405,715	-
Differences between expected and actual experience in the measurement of the total pension liability	3,555,086	1,496,208
Changes of assumptions	4,488,043	-
Total	<u>\$ 32,441,227</u>	<u>\$ 3,492,410</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows of Resources
2025	\$ 1,941,071
2026	1,149,940
2027	6,990,870
2028	323,834
Total	<u>\$ 10,405,715</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows of Resources
2025	\$ 2,108,081
2026	1,942,316
2027	632,777
Total	<u>\$ 4,683,174</u>

Actuarial Methods and Assumptions

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

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

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries 90% of scale MP-2016.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	\$ 140,842,331
Current discount rate (6.90%)	97,418,750
1% increase (7.90%)	61,530,148

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the APPLE Retirement Program as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 1.3% of an employee's gross earnings. An employee is required to contribute 6.2% of his or her gross earnings to the pension plan. Total expense related to the plan for the year ended June 30, 2024, was \$3,723,370.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$9,692,902 (10.828% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves and of the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

Note 12 - Net Other Postemployment Benefit (OPEB) Liability

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

Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
<u>\$ 15,604,378</u>	<u>\$ 9,113,653</u>	<u>\$ 10,596,097</u>	<u>\$ 1,026</u>

The details of the District plan are as follows:

Plan Administration

The District's retiree healthcare plan (the Plan) is provided through California Employers' Retirement Benefit Trust (CERBT), an agent multiple-employer defined benefit healthcare program administered by CalPERS. The Plan is a defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. The District participates in the California Employers' Retiree Benefit Trust Fund Program (CERBT), an agent-multiple employer postemployment health plan, to prefund other postemployment benefits through CalPERS. CalPERS and CERBT issue publicly available financial reports that can be found on the CalPERS website.

Management of the Plan is vested in District management. Management of the trustee assets is vested with CalPERS.

Benefits Provided. The District contributes toward post-retirement benefits for employees who retire after meeting certain age and service requirements. Certificated and management employees are eligible upon retiring after age 55 with at least 20 years of service. Classified, confidential and supervisory employees are eligible upon retiring after age 55 with at least 10 years of service. For eligibility purposes, a “year” means 1784 hours. Employees hired after May 31, 2009 are not eligible. The program is closed to new entrants. Benefits are pro-rated for part-time employees. The medical plans offered are Kaiser and Sutter Health Plus. The District pays 100% of the monthly medical premium for retired employees who choose employee-only coverage. Retirees who choose two-party or family coverage must pay the same dollar amount of the premium as active employees do. The District also pays 100% of the monthly premium for dental, vision and life insurance coverage. All premium amounts change each January 1st.

The District pays benefits for a maximum of 5 years, or until the retiree reaches age 65, whichever comes first. No benefits are paid to surviving spouses or other dependents after the retiree’s death. After the benefit period expires, retirees are permitted to continue coverage, but the retiree must pay 100% of all premiums.

Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the *plan*. The District's Governing Board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Plan Membership

As of the measurement date at June 30, 2023, Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	46
Active employees	416
Total	462

Contributions

The District makes contributions on an actuarial basis, funding the full Actuarially Determined Contributions (ADC). The contribution requirements of the Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. Voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, TEA, CSEA, and the unrepresented groups are based on availability of funds. For the fiscal year ended June 30, 2024, the District contributed \$5,623,584 to the Plan.

Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2023 fiscal year	\$ 20,019,534	\$ -	\$ 20,019,534
Service cost	511,598	-	511,598
Interest	1,168,952	-	1,168,952
Employer contributions	-	6,073,995	(6,073,995)
Net investment income	-	21,746	(21,746)
Administrative expense	-	(35)	35
Benefit payments	(1,073,995)	(1,073,995)	-
Net change	606,555	5,021,711	(4,415,156)
Balance at June 30, 2024 fiscal year	\$ 20,626,089	\$ 5,021,711	\$ 15,604,378

There were no changes in benefit terms or changes in assumptions since the previous valuation.

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$1,026. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions after measurement date	\$ 5,623,584	\$ -
Differences between expected and actual experience	-	4,408,493
Changes of assumptions	3,490,069	6,170,206
Net difference between projected and actual earnings on OPEB plan investments	-	17,398
Total	\$ 9,113,653	\$ 10,596,097

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the net OPEB liability in the subsequent fiscal year.

GASB 75 requires that the annual change in the net OPEB liability be recognized as OPEB expense, except for certain specific changes which are first recorded as either deferred outflows of resources or deferred inflows of resources and to be recognized over different periods of time. The deferral related to the contributions subsequent to measurement date will be fully recognized in the following fiscal year. Changes in actuarial assumptions, and experience gains and losses, are to be recognized over the average of the expected remaining service lives of all employees. As of June 30, 2023, this average is 8.4 years. Differences between actual and expected investment earnings, if any, are to be recognized over 5 years. The following table shows the amortization schedule of the deferrals in future years:

Year Ended June 30,	Deferred Outflows of Resources
2025	\$ (1,184,660)
2026	(1,184,660)
2027	(1,184,660)
2028	(1,184,660)
2029	(1,133,938)
Thereafter	(1,233,450)
Total	<u>\$ (7,106,028)</u>

Actuarial Methods and Assumptions

Actuarial Assumptions. The District's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2022, based on the following actuarial methods and assumptions:

Inflation	2.75%
Salary increases	3.25%
Discount rate	6.00%
Long-term expected rate of return on investments	6.00%
Healthcare cost trend rates	4.50%

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

Discount Rate. The discount rate used to measure the total OPEB liability was 6.00% a change from 2.45% as of fiscal year June 30, 2023 due to a change in funding policy increasing contributions and establishing the trust. The projection of cash flows used to determine the discount rate assumed that District contributions would be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability or asset.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	49.00%	5.00%
Fixed Income	23.00%	5.00%
Treasury Securities	5.00%	3.00%
Real Estate Investment Trusts	20.00%	5.00%
Commodities	3.00%	3.00%
Total	100.00%	

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.00%) or 1 percentage point higher (7.00%) than the current discount rate:

Discount Rate	Net OPEB Liability
1% decrease (5.00%)	\$ 17,074,503
Current discount rate (6.00%)	15,604,378
1% increase (7.00%)	14,253,704

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (3.5%) or 1 percentage point higher (5.5%) than the current healthcare cost trend rates:

<u>Health Care Cost Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (3.50%)	\$ 13,905,343
Current trend rate (4.5%)	15,604,378
1% increase (5.5%)	17,504,633

Note 13 - Tax Abatement

As of June 30, 2024, the District is subject to tax abatements granted by the County of Santa Clara (County) through two programs—the Williamson Act, and the Mills Act which affect the District’s share of the 1% ad valorem tax (property tax). The Williamson Act enables the County to enter into contracts with private landowners for restricting specific parcels of land to agricultural or related open space use. In return, landowners receive property tax assessments which are much lower than normal because they are based upon farming and open space uses as opposed to full market value. The Mills Act, enables the County to enter into contracts with owners of qualified historic properties who actively participate in the restoration and maintenance of their history properties in exchange for receiving property tax relief.

Under agreements entered into by the County, District property tax revenues were reduced by \$257,635.

Note 14 - Commitments and Contingencies

Grants

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

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2024.

Construction Commitments

As of June 30, 2024, the District has \$58.13 million of commitments with respect to unfinished capital projects.



Required Supplementary Information
June 30, 2024

Palo Alto Unified School District

Palo Alto Unified School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual*
	Original	Final		
Revenues				
Local control funding formula	\$ 257,087,914	\$ 263,330,984	\$ 263,330,984	\$ -
Federal sources	5,400,794	5,478,782	5,478,782	-
Other State sources	19,617,401	25,848,875	25,848,875	-
Other local sources	29,955,360	44,637,869	43,557,763	(1,080,106)
Total revenues	312,061,469	339,296,510	338,216,404	(1,080,106)
Expenditures				
Current				
Certificated salaries	122,223,645	127,155,178	127,155,178	-
Classified salaries	54,938,932	55,580,085	55,580,085	-
Employee benefits	86,455,920	88,550,919	88,550,919	-
Books and supplies	9,793,184	11,717,596	11,717,596	-
Services and operating expenditures	33,785,477	33,498,540	33,498,540	-
Capital outlay	315,952	565,479	565,479	-
Total expenditures	307,513,110	317,067,797	317,067,797	-
Excess (Deficiency) of Revenues Over Expenditures	4,548,359	22,228,713	21,148,607	(1,080,106)
Other Financing Sources (Uses)				
Transfers in	22,050	39,606	39,606	-
Transfers out	(6,865,037)	(7,315,929)	(7,315,929)	-
Net financing sources (uses)	(6,842,987)	(7,276,323)	(7,276,323)	-
Net Change in Fund Balances	(2,294,628)	14,952,390	13,872,284	(1,080,106)
Fund balance, budgetary basis - Beginning	92,923,221	92,923,221	92,923,221	-
Fund balance, budgetary basis - Ending	<u>\$ 90,628,593</u>	<u>\$ 107,875,611</u>	106,795,505	<u>\$ (1,080,106)</u>
Special Reserve Fund for Other than Capital Outlay Projects			22,930,480	
Special Reserve Fund for Postemployment Benefits			15,236,207	
Fund balance, GAAP basis - Ending			<u>\$ 144,962,192</u>	

*The \$1,080,106 is a timing difference for recognizing a specific grant revenue.

Palo Alto Unified School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018
Changes in the total OPEB liability							
Service cost	\$ 511,598	\$ 1,317,728	\$ 1,162,890	\$ 1,091,318	\$ 970,158	\$ 1,164,509	\$ 1,255,915
Interest on total OPEB liability	1,168,951	545,584	642,008	739,091	770,157	806,303	651,254
Change in benefit terms	-	-	-	-	-	(536,174)	-
Differences between expected and actual experience	-	(2,365,099)	-	(2,504,422)	-	(2,396,988)	-
Changes of assumptions	-	(7,357,530)	1,142,546	3,616,466	906,171	(107,462)	(1,240,093)
Benefit payments	(1,073,995)	(1,073,995)	(398,016)	(304,327)	(312,478)	(295,749)	(346,882)
Net changes in total OPEB liability	606,554	(8,933,312)	2,549,428	2,638,126	2,334,008	(1,365,561)	320,194
Total OPEB Liability - Beginning	20,019,535	28,952,847	26,403,419	23,765,293	21,431,285	22,796,846	22,476,652
Total OPEB Liability - Ending (a)	<u>\$ 20,626,089</u>	<u>\$ 20,019,535</u>	<u>\$ 28,952,847</u>	<u>\$ 26,403,419</u>	<u>\$ 23,765,293</u>	<u>\$ 21,431,285</u>	<u>\$ 22,796,846</u>
Changes in plan fiduciary net position							
Employer contributions	\$ 6,073,995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net investment income	21,746	-	-	-	-	-	-
Benefit payments	(1,073,995)	-	-	-	-	-	-
Administrative expense	(35)	-	-	-	-	-	-
Net changes in plan fiduciary net position	5,021,711	-	-	-	-	-	-
Plan Fiduciary Net Position - Beginning	-	-	-	-	-	-	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,021,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 15,604,378</u>	<u>\$ 20,019,535</u>	<u>\$ 28,952,847</u>	<u>\$ 26,403,419</u>	<u>\$ 23,765,293</u>	<u>\$ 21,431,285</u>	<u>\$ 22,796,846</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.35%	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee Payroll	<u>\$ 66,660,699</u>	<u>\$ 65,633,577</u>	<u>\$ 60,026,547</u>	<u>\$ 57,276,444</u>	<u>\$ 60,895,653</u>	<u>\$ 53,878,720</u>	<u>\$ 50,769,348</u>
District's Net OPEB Liability as a Percentage of Covered - Employee Payroll	<u>23.41%</u>	<u>30.50%</u>	<u>48.23%</u>	<u>46.10%</u>	<u>39.03%</u>	<u>39.78%</u>	<u>44.90%</u>
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

Palo Alto Unified School District
Schedule of the District's Contributions for OPEB
Year Ended June 30, 2024

	<u>2024</u>
Actuarially determined contribution	\$ 5,623,584
Contribution in relation to the actuarially determined contribution	<u>5,623,584</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Covered-employee payroll	<u>\$ 68,660,520</u>
Contributions as a percentage of covered payroll	<u>8%</u>

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

Palo Alto Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS										
Proportion of the net pension liability	0.1953%	0.2038%	0.2038%	0.2090%	0.2083%	0.2061%	0.2024%	0.1940%	19.1180%	0.2001%
Proportionate share of the net pension liability	\$ 148,721,939	\$ 141,600,905	\$ 92,758,911	\$ 202,569,684	\$ 188,147,244	\$ 189,404,184	\$ 186,807,580	\$ 156,907,653	\$ 128,709,093	\$ 116,913,315
State's proportionate share of the net pension liability	71,256,863	70,913,180	46,672,686	104,424,696	102,646,883	108,442,753	110,723,741	95,567,184	68,072,922	70,597,307
Total	\$ 219,978,802	\$ 212,514,085	\$ 139,431,597	\$ 306,994,380	\$ 290,794,127	\$ 297,846,937	\$ 297,531,321	\$ 252,474,837	\$ 196,782,015	\$ 187,510,622
Covered payroll	\$ 119,433,581	\$ 115,444,143	\$ 115,902,316	\$ 113,976,854	\$ 115,210,457	\$ 111,416,445	\$ 108,126,208	\$ 100,750,130	\$ 83,779,040	\$ 89,006,480
Proportionate share of the net pension liability as a percentage of its covered payroll	125%	123%	80%	178%	163%	170%	171%	156%	159%	131%
Plan fiduciary net position as a percentage of the total pension liability	81%	81%	87%	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS										
Proportion of the net pension liability	0.2691%	0.2751%	0.2797%	0.2780%	0.2787%	0.2890%	0.2781%	0.2711%	0.2693%	0.2682%
Proportionate share of the net pension liability	\$ 97,418,750	\$ 94,645,483	\$ 56,866,401	\$ 85,312,323	\$ 81,210,986	\$ 77,047,760	\$ 66,389,810	\$ 53,549,525	\$ 39,691,967	\$ 30,451,905
Covered payroll	\$ 46,284,367	\$ 42,214,950	\$ 40,294,217	\$ 40,259,875	\$ 38,668,263	\$ 38,146,262	\$ 35,467,771	\$ 33,213,551	\$ 29,823,192	\$ 28,266,649
Proportionate share of the net pension liability as a percentage of its covered payroll	210%	224%	141%	212%	210%	202%	187%	161%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	81%	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Palo Alto Unified School District
Schedule of the District's Contributions
Year Ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS										
Contractually required contribution	\$ 23,881,684	\$ 22,811,814	\$ 19,533,149	\$ 18,718,224	\$ 19,490,042	\$ 18,439,878	\$ 16,077,393	\$ 13,602,277	\$ 10,810,489	\$ 8,218,669
Less contributions in relation to the contractually required contribution	<u>23,881,684</u>	<u>22,811,814</u>	<u>19,533,149</u>	<u>18,718,224</u>	<u>19,490,042</u>	<u>18,439,878</u>	<u>16,077,393</u>	<u>13,602,277</u>	<u>10,810,489</u>	<u>8,218,669</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 125,034,995</u>	<u>\$ 119,433,581</u>	<u>\$ 115,444,143</u>	<u>\$ 115,902,316</u>	<u>\$ 113,976,854</u>	<u>\$ 115,210,457</u>	<u>\$ 111,416,445</u>	<u>\$ 108,126,208</u>	<u>\$ 100,750,130</u>	<u>\$ 83,779,040</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.01%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>9.81%</u>
CalPERS										
Contractually required contribution	\$ 13,859,928	\$ 11,742,344	\$ 9,671,445	\$ 8,340,903	\$ 7,939,650	\$ 7,025,901	\$ 5,924,496	\$ 4,925,764	\$ 3,934,909	\$ 3,412,370
Less contributions in relation to the contractually required contribution	<u>13,859,928</u>	<u>11,742,344</u>	<u>9,671,445</u>	<u>8,340,903</u>	<u>7,939,650</u>	<u>7,025,901</u>	<u>5,924,496</u>	<u>4,925,764</u>	<u>3,934,909</u>	<u>3,412,370</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 51,948,756</u>	<u>\$ 46,284,367</u>	<u>\$ 42,214,950</u>	<u>\$ 40,294,217</u>	<u>\$ 40,259,875</u>	<u>\$ 38,668,263</u>	<u>\$ 38,146,262</u>	<u>\$ 35,467,771</u>	<u>\$ 33,213,551</u>	<u>\$ 29,823,192</u>
Contributions as a percentage of covered payroll	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.72%</u>	<u>18.1697%</u>	<u>15.5310%</u>	<u>13.8880%</u>	<u>11.8500%</u>	<u>11.4420%</u>

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

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

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

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

Schedule of the District's Contributions for OPEB

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

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS or CalPERS plans from the previous valuations.

Schedule of the District's Contributions

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



Supplementary Information
June 30, 2024

Palo Alto Unified School District

Palo Alto Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
American Rescue Plan - Homeless Children and Youth II (ARP HCY II)	84.425W	15566	\$ 6,375
Elementary and Secondary School Emergency Relief (ESSER) Fund			
COVID-19, ESSER III - Learning Loss	84.425U	10155	464,991
COVID-19, ESSER III	84.425U	15559	67,080
COVID-19, ESSER III - State Reserve, Learning Loss	84.425U	15621	1,162,756
Subtotal			<u>1,701,202</u>
Passed through Santa Clara County SELPA			
Special Education Cluster (IDEA)			
IDEA Local Assistance, Part B, Sec 611	84.027	13379	2,467,207
IDEA Mental Health Average Daily Attendance (ADA)			
Allocation, Part B, Sec 611	84.027A	15197	124,369
IDEA Preschool Grants, Part B, Section 619, Age 3-4-5	84.173	13430	39,667
IDEA Preschool Staff Development, Part B, Sec 619	84.173	13431	342
Total Special Education Cluster			<u>2,631,585</u>
Adult Education - Basic Grants to states			
Adult Basic Education and English as Second Language	84.002	14508	220,684
Rehabilitation Services Vocational Rehabilitation Grants to States	84.048	14891	419,637
Career and Technical Education - Basic Grants to State	84.048	14894	57,079
Title I, Grants to Local Educational Agencies	84.010	14329	279,648
Supporting Effective Instruction State Grants	84.367	14341	154,416
English Language Acquisition State Grants	84.365	15146	85,084
English Language Acquisition State Grants	84.365	14346	125,466
Student Support and Academic Enrichment Program	84.424	15396	24,665
Total U.S. Department of Education			<u>5,699,466</u>
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	655,137
Meal Supplements and Basic School Breakfast	10.556	13568	285,923
Commodity Supplemental Food Program	10.555	13523	65,677
Local Food for Schools	10.555	15708	76,492
Supply Chain Assistance (SCA) Funds	10.555	15655	529,343
Total Child Nutrition Cluster			<u>1,612,572</u>
Total U.S. Department of Agriculture			<u>1,612,572</u>
U.S. Department of Health and Human Services			
Passed through CDE			
Child Care and Development Fund (CCDF) Cluster			
Child Care Mandatory and Matching Funds of the Child			
Care and Development Fund	93.596	13609	159,856
Child Care and Development Block Grant	93.575	10163	181,688
Total CCDF Cluster			<u>341,544</u>
Total U.S. Department of Health and Human Services			<u>341,544</u>
Total Federal Financial Assistance			<u>\$ 7,653,582</u>

Palo Alto Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2024

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,472.40	2,483.37
Fourth through sixth	2,000.97	2,006.64
Seventh and eighth	1,425.44	1,428.44
Ninth through twelfth	3,360.42	3,335.83
Total Regular ADA	9,259.23	9,254.28
Extended Year Special Education		
Seventh and eighth	1.25	1.25
Ninth through twelfth	2.54	2.54
Total Extended Year Special Education	3.79	3.79
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	-	0.64
Fourth through sixth	0.80	3.55
Seventh and eighth	0.65	3.32
Ninth through twelfth	1.07	5.75
Total Special Education, Nonpublic, Nonsectarian Schools	2.52	13.26
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.09	0.09
Fourth through sixth	0.13	0.13
Seventh and eighth	0.10	0.10
Ninth through twelfth	0.27	0.27
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.59	0.59
Total ADA	9,266.13	9,271.92
Court-Ordered Voluntary Pupil Transfer		
Regular ADA		
Transitional kindergarten through third	215.53	215.51
Fourth through sixth	127.89	127.86
Seventh and eighth	76.99	77.02
Ninth through twelfth	77.88	77.34
Total Court-Ordered Voluntary Pupil Transfer ADA	498.29	497.73

Palo Alto Unified School District

Schedule of Instructional Time

Year Ended June 30, 2024

Grade Level	1986-1987 Minutes Requirement	2023-2024 Actual Minutes	Number of Actual Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	48,025	180	N/A	Complied
Grades 1 - 3					
Grade 1	50,400	51,635	180	N/A	Complied
Grade 2	50,400	51,635	180	N/A	Complied
Grade 3	50,400	51,635	180	N/A	Complied
Grades 4 - 6					
Grade 4	54,000	55,060	180	N/A	Complied
Grade 5	54,000	55,060	180	N/A	Complied
Grade 6	54,000	55,060	180	N/A	Complied
Grades 7 - 8					
Grade 7	54,000	58,300	180	N/A	Complied
Grade 8	54,000	58,300	180	N/A	Complied
Grades 9 - 12					
Grade 9	64,800	71,095	180	N/A	Complied
Grade 10	64,800	71,095	180	N/A	Complied
Grade 11	64,800	71,095	180	N/A	Complied
Grade 12	64,800	71,095	180	N/A	Complied

Palo Alto Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2024

There were no adjustments to the unaudited actual financial report, which required reconciliation to the audited financial statements at June 30, 2024.

Palo Alto Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2024

	(Budget) 2025 ¹	2024	2023 ¹	2022 ¹
General Fund				
Revenues	\$ 327,798,704	\$ 339,378,627	\$ 321,588,288	\$ 288,383,020
Other sources	280,000	39,606	27,347	24,873
Total Revenues and Other Sources	<u>328,078,704</u>	<u>339,418,233</u>	<u>321,615,635</u>	<u>288,407,893</u>
Expenditures	337,870,238	317,067,797	291,365,464	264,398,486
Other uses and transfers out	2,250,000	2,015,929	2,959,040	699,960
Total Expenditures and Other Uses	<u>340,120,238</u>	<u>319,083,726</u>	<u>294,324,504</u>	<u>265,098,446</u>
Increase/(Decrease) in Fund Balance	<u>(12,041,534)</u>	<u>20,334,507</u>	<u>27,291,131</u>	<u>23,309,447</u>
Ending Fund Balance	<u><u>\$ 132,920,658</u></u>	<u><u>\$ 144,962,192</u></u>	<u><u>\$ 124,627,685</u></u>	<u><u>\$ 97,336,554</u></u>
Available Reserves ²	<u><u>\$ 59,475,078</u></u>	<u><u>\$ 76,785,325</u></u>	<u><u>\$ 61,592,538</u></u>	<u><u>\$ 44,220,894</u></u>
Available Reserves as a Percentage of Total Outgo	<u><u>17.49%</u></u>	<u><u>24.06%</u></u>	<u><u>20.93%</u></u>	<u><u>16.68%</u></u>
Long-Term Liabilities	<u><u>\$ 740,309,117</u></u>	<u><u>\$ 781,639,390</u></u>	<u><u>\$ 772,624,134</u></u>	<u><u>\$ 648,886,947</u></u>
K-12 Average Daily Attendance at P-2	<u><u>9,649</u></u>	<u><u>9,764</u></u>	<u><u>9,836</u></u>	<u><u>10,701</u></u>

The General Fund balance has increased by \$48.7 million over the past two years. The fiscal year 2024-2025 budget projects a decrease of \$12 million (8.25%). For a district this size, the State recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in the past three years and anticipates incurring an operating deficit during the 2024-2025 fiscal year. Total long-term liabilities have increased by over \$132.7 million in the past two years.

Average daily attendance has decreased by over 937 in the past two years. Continuously, a decline of ADA is anticipated during fiscal year 2024-2025.

¹ Financial information for 2025, 2023, and 2022 are included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of unassigned fund balance of the General Fund.

Palo Alto Unified School District
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2024

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Nonmajor Governmental Funds
Assets								
Deposits and investments	\$ 497,593	\$ 1,016,011	\$ 455,473	\$ 3,521,427	\$ 7,376,523	\$ 3,020,399	\$ 4,325,998	\$ 20,213,424
Receivables	-	269,254	44,557	86,823	72,218	28,303	42,523	543,678
Due from other funds	-	3,982	-	-	-	-	-	3,982
Prepaid expenditures	-	-	-	13,395	-	-	-	13,395
Stores inventories	-	15,687	-	31,079	-	-	-	46,766
Total assets	<u>\$ 497,593</u>	<u>\$ 1,304,934</u>	<u>\$ 500,030</u>	<u>\$ 3,652,724</u>	<u>\$ 7,448,741</u>	<u>\$ 3,048,702</u>	<u>\$ 4,368,521</u>	<u>\$ 20,821,245</u>
Liabilities								
Accounts payable	\$ -	\$ 49,774	\$ 282,114	\$ 284,834	\$ -	\$ 2,150	\$ -	\$ 618,872
Due to other funds	-	13,288	-	1,342	-	39,606	-	54,236
Unearned revenue	-	19,511	47,778	-	-	-	-	67,289
Total liabilities	<u>-</u>	<u>82,573</u>	<u>329,892</u>	<u>286,176</u>	<u>-</u>	<u>41,756</u>	<u>-</u>	<u>740,397</u>
Fund Balances								
Nonspendable	-	15,687	-	44,474	-	-	-	60,161
Restricted	497,593	345,445	170,138	3,322,074	-	3,006,946	4,350,429	11,692,625
Assigned	-	861,229	-	-	7,448,741	-	18,092	8,328,062
Total fund balances	<u>497,593</u>	<u>1,222,361</u>	<u>170,138</u>	<u>3,366,548</u>	<u>7,448,741</u>	<u>3,006,946</u>	<u>4,368,521</u>	<u>20,080,848</u>
Total liabilities and fund balances	<u>\$ 497,593</u>	<u>\$ 1,304,934</u>	<u>\$ 500,030</u>	<u>\$ 3,652,724</u>	<u>\$ 7,448,741</u>	<u>\$ 3,048,702</u>	<u>\$ 4,368,521</u>	<u>\$ 20,821,245</u>

Palo Alto Unified School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Nonmajor Governmental Funds

Year Ended June 30, 2024

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Nonmajor Governmental Funds
Revenues								
Federal sources	\$ -	\$ 220,684	\$ 341,544	\$ 1,612,572	\$ -	\$ -	\$ -	\$ 2,174,800
Other State sources	-	1,946,386	740,929	4,048,463	-	-	4,350,429	11,086,207
Other local sources	1,376,016	834,639	159,771	(83,627)	258,382	1,543,524	(15,498)	4,073,207
Total revenues	1,376,016	3,001,709	1,242,244	5,577,408	258,382	1,543,524	4,334,931	17,334,214
Expenditures								
Current								
Instruction	-	1,305,310	1,220,707	-	-	-	-	2,526,017
Instruction-related activities								
School site administration	-	1,256,149	-	-	-	-	-	1,256,149
Pupil services								
Food services	-	-	-	5,510,471	-	-	-	5,510,471
All other pupil services	-	155,210	-	-	-	-	-	155,210
Administration								
All other administration	-	111,159	-	-	-	-	-	111,159
Plant services	-	100,787	-	-	-	-	-	100,787
Ancillary services	1,397,178	-	-	-	-	-	-	1,397,178
Capital outlay	-	-	-	-	-	2,856,760	-	2,856,760
Total expenditures	1,397,178	2,930,635	1,220,707	5,510,471	-	2,856,760	-	13,915,751
Excess (Deficiency) of Revenues Over Expenditures	(21,162)	71,074	21,537	66,937	258,382	(1,313,236)	4,334,931	3,418,463
Other Financing Sources (Uses)								
Transfers in	-	15,929	-	-	2,000,000	-	-	2,015,929
Transfers out	-	-	-	-	-	(39,606)	-	(39,606)
Net Financing Sources (Uses)	-	15,929	-	-	2,000,000	(39,606)	-	1,976,323
Net Change in Fund Balances	(21,162)	87,003	21,537	66,937	2,258,382	(1,352,842)	4,334,931	5,394,786
Fund Balance - Beginning	518,755	1,135,358	148,601	3,299,611	5,190,359	4,359,788	33,590	14,686,062
Fund Balance - Ending	\$ 497,593	\$ 1,222,361	\$ 170,138	\$ 3,366,548	\$ 7,448,741	\$ 3,006,946	\$ 4,368,521	\$ 20,080,848

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

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

Summary of Significant Accounting Policies

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed.

Indirect Cost Rate

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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



Other Information
June 30, 2024

Palo Alto Unified School District

ORGANIZATION

The Palo Alto Unified School District was established in 1925 under the laws of the State of California and consists of an area comprising approximately 42 square miles. The District operates five high schools, one community day school, one adult school and one independent study school. There were no boundary changes during the year.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Jesse Ladomirak	President	2024
Shana Segal	Vice President	2024
Shounak Dharap	Member	2026
Todd Collins	Member	2024
Jennifer DiBrienza	Member	2024

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Don Austin	Superintendent
Carolyn Chow	Chief Business Officer
Eric Holmes	Director, Facilities and Construction
Trent Bahadursingh	Deputy Superintendent, Chief of Staff
Anne Brown	Assistant Superintendent, Education Services - Elementary
Guillermo Lopez	Assistant Superintendent, Education Services - Secondary
Yolanda Conaway	Assistant Superintendent Equity and Student Affairs
Jeong Choe	Assistant Superintendent, Innovation



Independent Auditor's Reports
June 30, 2024

Palo Alto Unified School District



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

To the Governing Board
Palo Alto Unified School District
Palo Alto, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palo Alto Unified School District (District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2024.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Menlo Park, California
December 14, 2024



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Governing Board
Palo Alto Unified School District
Palo Alto, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Menlo Park, California
December 14, 2024



Independent Auditor's Report on State Compliance

To the Governing Board
Palo Alto Unified School District
Palo Alto, California

Report on Compliance

Opinion on State Compliance

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

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

2023-2024 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
School Districts, County Offices of Education, and Charter Schools	
Proposition 2 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Charter Schools	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

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

Report on Internal Control over Compliance

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

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

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

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

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

Menlo Park, California
December 14, 2024

Financial Statements

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

Federal Awards

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

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing</u>
Special Education IDEA Cluster	84.027, 84.173
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

State Compliance

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

None reported.

None reported.

None reported.

Summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs. summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

2023-001 Emergency School Closure Instructional Days

Condition

Two of the District's schools offered 179 days of instruction for grades TK/K through 5, one day less than the amount required by the Education Code. The derived valuation of ADA is \$10,469.72 for a penalty apportionment per ADA of \$58.63. ADA is 4,363 resulting in a tentative \$255,833 penalty calculation.

The District followed the process for an emergency school closure and, as of the date of our 2023 report, has a pending waiver on file with the California Department of Education.

Current Status

Resolved.