PACIFICA SCHOOL DISTRICT

COUNTY OF SAN MATEO
PACIFICA, CALIFORNIA

AUDIT REPORT

JUNE 30, 2019

Chavan & Associates, LLP
Certified Public Accountants
1475 Saratoga Ave, Suite 180
San Jose, CA 95129

PACIFICA SCHOOL DISTRICT
SAN MATEO COUNTY
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FINANCIAL
SECTION

CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pacifica School District
Pacifica, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pacifica School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Pacifica School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pacifica School District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Deficit Net Position

As of June 30, 2019, the District's net position in its Government-wide financial statements was at a deficit mostly because of the long-term pension and OPEB liabilities and deferrals as reported in Note 9. Our opinion is not modified with respect to this matter.

Other Matters

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and District Placements*. See Note 6 for a summary of direct borrowings and direct placements. Our opinion has not been modified with respect to this matter.

Required Supplementary Information

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

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 combining and individual

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

nonmajor fund financial statements, as required by the Governmental Accounting Standards Board; organization schedule, schedule of average daily attendance, schedule of instructional time offered, schedule of charter schools, schedule of financial trends and analysis, and the reconciliation of the Annual Financial Budget report to the audited financial statements, as required by the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, schedule of average daily attendance, schedule of instructional time offered, and the reconciliation of the Annual Financial Budget report to the audited financial statements are the responsibilities of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, schedule of average daily attendance, schedule of instructional time offered, and the reconciliation of the Annual Financial Budget report to the audited financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organization schedule, schedule of charter schools and schedule of financial trends and analysis included have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2019 on our consideration of Pacifica School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Pacifica School District's internal control over financial reporting and compliance.

C & A LLP

December 15, 2019
San Jose, California

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

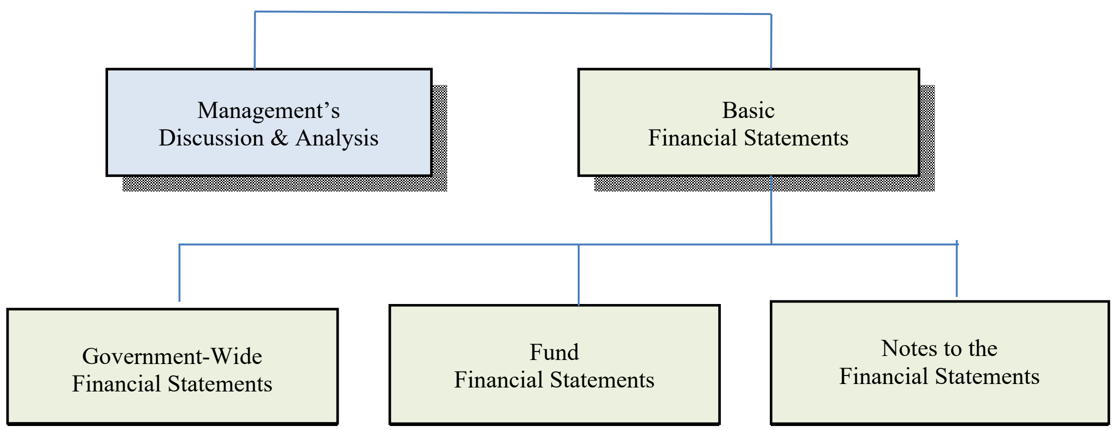
Management's Discussion and Analysis

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, 2019. 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, 2019 were as follows:

- Total net position increased by $1,278,879, or 58.5%, from June 30, 2018 to June 30, 2019 mainly due to gain of $2.45 million from sale of property.

- General revenues accounted for $38,874,586 which is 89% of all revenues. Program specific revenues in the form of operating grants and contributions and charges for services accounted for $5,010,798, or 11% of total revenues of $43,885,384. The dependence upon tax and local revenues is apparent, 89% of the District's activities are supported through taxes, grants and entitlements, and other general revenues. The community, as a whole, is the primary support for the District.

- The District had $42,626,758 in expenses, which was directly supported by program specific revenues of $5,010,798.

- Total fund balances of governmental funds increased by $24,643,011, or 288.91%, from June 30, 2018 to June 30, 2019, due to proceeds from a new bond and sale of a property.

- Among major funds, the General Fund had $33,867,415 in revenues and $33,297,879 in expenditures. The General Fund's fund balance increased by $813,536 from June 30, 2018 to June 30, 2019.

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 statements 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 non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund. The basic financial statements also include notes that explain some of the information in 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 financials, 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 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. 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.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District does not have any business type activities. The District does not have any business type activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's major funds begins on page 17. Fund financial reports provide detailed information about the District's major funds. The District 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 are the General 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 the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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, 2019 as compared to June 30, 2018:

Table 1 - Summary of Net Position

	2019	2018	Increase (Decrease)	Percent Change
Assets				
Current Assets	$ 34,600,750	$ 10,261,172	$ 24,339,578	237.2%
Capital Assets	56,679,544	58,836,374	(2,156,830)	-3.7%
Total Assets	$ 91,280,294	$ 69,097,546	$ 22,182,748	32.1%
Deferred Outflows	$ 7,969,522	$ 9,042,535	$ (1,073,013)	-11.9%
Liabilities				
Current and Other Liabilities	$ 3,439,336	$ 3,311,877	$ 127,459	3.8%
Long-Term Liabilities	94,509,839	75,057,760	19,452,079	25.9%
Total Liabilities	$ 97,949,175	$ 78,369,637	$ 19,579,538	25.0%
Deferred Inflows	$ 2,207,427	$ 1,956,109	$ 251,318	12.8%
Net Position				
Net Investment in Capital Assets	$ 26,334,445	$ 26,856,097	$ (521,652)	-1.9%
Restricted	6,528,352	2,843,299	3,685,053	129.6%
Unrestricted	(33,769,583)	(31,885,061)	(1,884,522)	-5.9%
Total Net Position	$ (906,786)	$ (2,185,665)	$ 1,278,879	-58.5%

During the year, deferred outflows of resources decreased by 11.9% and deferred inflows of resources increased by 12.8% mostly because of changes in the pension and OPEB amounts and actuarial assumptions related to GASB 68 and GASB 75, respectively. GASB 68 requires all local governments that participate in cost sharing pension plans to record its proportionate share of net pension liabilities from pension plans in the government-wise financial statements. See Note 9 for additional information.

The decrease in capital assets is mainly due to current year depreciation and capital assets disposal. The increase in noncurrent liabilities is mainly from issuance of general obligation bonds.

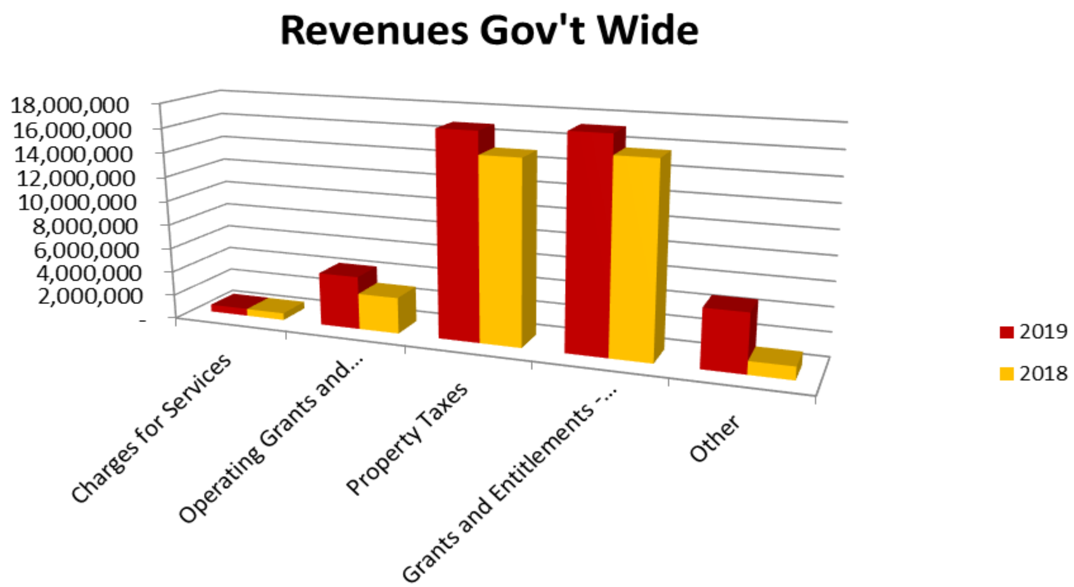
Table 2 shows the changes in net position from fiscal year 2019 as compared to 2018:

Table 2 - Change in Net Position

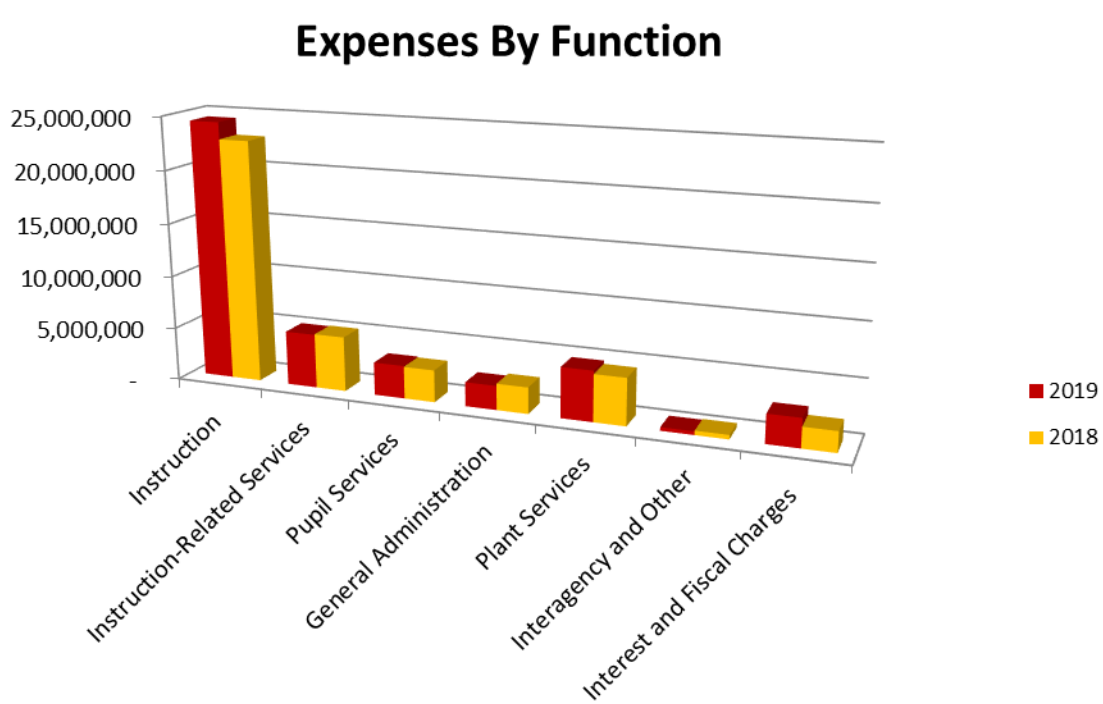
	2019	2018	Increase (Decrease)	Percent Change
Revenues				
Program Revenues:				
Charges for Services	$ 598,463	$ 579,123	$ 19,340	3.3%
Operating Grants and Contributions	4,412,335	2,980,455	1,431,880	48.0%
General Revenues:				
Property Taxes	16,850,709	15,017,378	1,833,331	12.2%
Grants and Entitlements - Unrestricted	17,236,782	15,644,554	1,592,228	10.2%
Other	4,787,095	1,073,343	3,713,752	346.0%
Total Revenues	43,885,384	35,294,853	8,590,531	24.3%
Program Expenses				
Instruction	24,373,069	22,805,153	1,567,916	6.9%
Instruction-Related Services	5,111,043	5,172,957	(61,914)	-1.2%
Pupil Services	3,131,042	3,022,619	108,423	3.6%
General Administration	2,267,226	2,476,052	(208,826)	-8.4%
Plant Services	4,718,060	4,414,855	303,205	6.9%
Interagency and Other	335,080	405,454	(70,374)	-17.4%
Interest and Fiscal Charges	2,691,238	1,926,619	764,619	39.7%
Total Expenses	42,626,758	40,223,709	2,403,049	6.0%
Change in Net Position	$ 1,258,626	$ (4,928,856)	$ 6,187,482	125.5%
Prior Period Adjustment	20,253	(7,052,418)	7,072,671	-100.0%
Change in Net Position Including Adjustment	$ 1,278,879	$ (11,981,274)	$ 13,260,153	110.7%

Property taxes comprised 38.4% of District revenues and direct instruction costs comprised 57.2% of District expenses for fiscal year 2018-19. Total revenues increased by 24.3% and total expenses increased by 6% for fiscal year 2018-19.

The following is a summary of government-wide revenues for the fiscal years ended June 30, 2018 and 2019:



The following is a summary of expenses by function for the fiscal years ended June 30, 2018 and 2019:



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

Function	2019	2018	Increase (Decrease)	Percent Change
Instruction	$ 21,942,658	$ 20,793,257	$ 1,149,401	5.5%
Instruction-Related Services	4,530,524	5,042,706	(512,182)	-10.2%
Pupil Services	2,078,303	1,945,086	133,217	6.8%
General Administration	2,249,211	2,453,126	(203,915)	-8.3%
Plant Services	4,528,603	4,259,436	269,167	6.3%
Interagency and Other	(404,577)	243,901	(648,478)	-265.9%
Interest and Fiscal Charges	2,691,238	1,926,619	764,619	39.7%
Total Net Cost of Services	$ 37,615,960	$ 36,664,131	$ 951,829	2.6%

The following summarizes the District's 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, 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, buildings, and equipment in effective working condition.
- *Interagency and Other* includes tuition and transfers of resources between The District and other educational agencies for services provided to students.
- *Interest and Fiscal Changes* involve the transactions associated with the payment of interest and other related charges to debt of the District.

THE DISTRICT'S FUNDS

The District's governmental funds report a combined fund balance of $33,172,532, which is an increase of $24,643,011 from last year's total mostly because of the receipt of proceeds from a new bond and gain from disposal of fixed assets.

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

Table 4 - Change in Fund Balances

Funds	2019	2018	Increase (Decrease)
General Fund	$ 4,241,533	$ 3,427,997	$ 813,536
Building Fund	18,817,166	937,344	17,879,822
Bond Interest & Redemption Fund	5,570,570	3,075,890	2,494,680
Cafeteria Fund	154,718	150,113	4,605
Deferred Maintenance Fund	57,104	83,539	(26,435)
Capital Facilities Fund	442,628	341,662	100,966
Special Reserve Fund for Capital Projects	3,662,508	291,594	3,370,914
Tax Override Fund	226,305	221,382	4,923
Total Governmental Fund Balances	$ 33,172,532	$ 8,529,521	$ 24,643,011

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting. During the course of fiscal year 2019, the District revised its General Fund budget twice, at 1st Interim and 2nd interim, which resulted in an increase in budgeted expenditures of $2,012,955 from the original to final budget. For the General Fund, the final budget basis revenue and other financing sources estimate was $34,018,540. The original budgeted estimate was $31,938,532.

CAPITAL ASSETS

Table 5 shows June 30, 2019 balances as compared to June 30, 2018.

Table 5 - Summary of Capital Assets Net of Depreciation

	2019			2018	
Capital Asset	Cost	Accumulated Depreciation	Net Capital Asset	Net Capital Asset	Percent Change
Land	$ 957,974	$ -	$ 957,974	$ 1,270,198	-25%
Buildings and Improvements	89,074,246	33,966,275	55,107,971	56,824,131	-3%
Equipment	1,861,240	1,247,641	613,599	742,045	-17%
Totals	$ 91,893,460	$ 35,213,916	$ 56,679,544	$ 58,836,374	-4%

At the end of the fiscal year 2019, the District had $91,893,460 invested in land, buildings, furniture and equipment, and vehicles located at the District's school sites. Overall capital assets decreased by 4% from fiscal year 2018 to fiscal year 2019 because of $1,872,862 in current depreciation and capital assets deletion of $1,334,425.

LONG TERM DEBT

Table 6 summarizes the percent changes in Long-term Debt over the past year.

Table 6 - Long-term Debt

Type of Debt	2019	2018	Increase (Decrease)	Percent Change
General obligation bonds	$ 48,829,310	$ 31,980,277	$ 16,849,033	52.69%
Unamortized bond premiums - net	1,222,734	94,400	1,128,334	1195.27%
Total OPEB liabilities	13,981,646	13,046,696	934,950	7.17%
Net pension liabilities	30,318,732	29,756,893	561,839	1.89%
Compensated absences	157,417	179,494	(22,076)	-12.30%
Total Debt	$ 94,509,839	$ 75,057,760	$ 19,452,080	25.92%

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District's budget is developed based on the Local Control and Accountability Plan (LCAP) which is adopted by the Board each year. The LCAP supports the eight state priorities from a local perspective. In particular, the LCAP addresses student achievement and specifically addresses a District plan to serve students of need. The LCAP was developed by the District and approved by the county for the 2018-2019 school year.

The District's LCAP continues to engage stakeholders in determining the goals and actions that best meet the needs of the student population. Following are the District's three goals:

Goal 1: Conditions for Learning
Goal 2: Pupil Outcomes
Goal 3: Engagement

As the District enters 2019-2020, a number of factors affecting the budget will be considered. The District is projecting deficit spending over the next several years. The state revenues under the LCFF formula are insufficient to cover ongoing increases in costs for employee retirement plans (STRS and PERS), health benefits and normal operations. Enrollment projections continue to indicate a slight decrease in the coming years. Adequate reserves will be crucial to guard against fiscal volatility. Continued cooperative efforts and sound decision making by the Board, the Superintendent and the entire staff will be key to the District's long-term financial health.

With regards to Facilities, the District passed Measure O for $55 Million in Bond Proceeds and has received the first issuance of $18M for the 2018-2019 school year. The District has completed and adopted a comprehensive Facility Master in FY19.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Josephine Peterson, Chief Business Official, Pacifica School District, 375 Reina Del Mar, Pacifica, CA 94044, (650) 738-6600, extension 6613.

Basic Financial Statements

PACIFICA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

		Governmental Activities
Assets		
Current Assets:		
Cash and investments	$	31,561,747
Accounts receivable		3,003,128
Stores inventories		35,875
Total Current Assets		34,600,750
Noncurrent Assets:		
Capital assets - net		56,679,544
Total Noncurrent Assets		56,679,544
Total Assets	$	91,280,294
Deferred Outflows of Resources		
Pension adjustments	$	7,969,522
Liabilities		
Current Liabilities:		
Accounts payable	$	1,249,486
Unearned revenue		178,732
Accrued interest		2,011,118
Total Current Liabilities		3,439,336
Long-term Liabilities:		
Due within one year:		
General obligation bonds payable		2,667,209
Compensated absences payable		157,417
Total due within one year		2,824,626
Due after one year:		
General obligation bonds payable		47,384,835
Total OPEB liability		13,981,646
Net pension liabilities		30,318,732
Total due after one year		91,685,213
Total long-term Liabilities		94,509,839
Total Liabilities	$	97,949,175
Deferred Inflows of Resources		
Pension adjustments	$	2,207,427
Net Position		
Net investment in capital assets	$	26,334,445
Restricted for:		
Capital projects		1,683,295
Debt service		3,559,452
Educational programs		1,285,605
Total restricted net position		6,528,352
Unrestricted (deficit)		(33,769,583)
Total Net Position	$	(906,786)

The notes to the financial statements are an integral part of this statement

PACIFICA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 24,373,069	$ 27,838	$ 2,402,573	$ (21,942,658)
Instruction-related services:				
Supervision of instruction	1,119,592	3,346	457,528	(658,718)
Instruction library, media and technology	715,380	-	46,570	(668,810)
School site administration	3,276,071	13	73,062	(3,202,996)
Pupil services:				
Home-to-school transportation	208,269	-	2,647	(205,622)
Food services	1,127,352	558,064	315,954	(253,334)
All other pupil services	1,795,421	6,231	169,843	(1,619,347)
General administration:				
All other general administration	2,267,226	-	18,015	(2,249,211)
Plant services	4,718,060	-	189,457	(4,528,603)
Interagency and other	335,080	2,971	736,686	404,577
Interest on long-term debt	2,691,238	-	-	(2,691,238)
Total governmental activities	$ 42,626,758	$ 598,463	$ 4,412,335	(37,615,960)
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				10,852,420
Taxes levied for debt service				4,706,242
Taxes levied for other specific purposes				1,292,047
Federal and state aid not restricted to specific purposes				17,236,782
Interest and investment earnings				564,717
Miscellaneous				858,028
Special item - Gain on disposal of capital assets				3,364,350
Total general revenues				38,874,586
Change in net position				1,258,626
Net position beginning				(2,185,665)
Prior period adjustment				20,253
Net position beginning, as adjusted				(2,165,412)
Net position ending				$ (906,786)

The notes to the financial statements are an integral part of this statement

PACIFICA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 4,123,665	$ 18,705,331	$ 5,541,580	$ 3,191,171	$ 31,561,747
Accounts receivable	1,551,160	112,533	28,990	1,310,445	3,003,128
Due from other funds	1,397	699	-	85,170	87,266
Stores inventories	-	-	-	35,875	35,875
Total Assets	$ 5,676,222	$ 18,818,563	$ 5,570,570	$ 4,622,661	$ 34,688,016
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 1,170,088	$ -	$ -	$ 79,398	$ 1,249,486
Due to other funds	85,869	1,397	-	-	87,266
Unearned revenue	178,732	-	-	-	178,732
Total Liabilities	1,434,689	1,397	-	79,398	1,515,484
Fund balances:					
Nonspendable:					
Revolving fund	7,500	-	-	-	7,500
Stores inventories	-	-	-	35,875	35,875
Restricted for:		-			
Educational programs	1,170,478	-	-	-	1,170,478
Debt service	-	-	5,570,570	-	5,570,570
Cafeteria programs	-	-	-	115,127	115,127
Capital projects	-	18,484,211	-	1,683,295	20,167,506
Assigned for:		-			
Debt service	-	-	-	225,328	225,328
Capital projects	-	332,955	-	2,422,818	2,755,773
Other postemployment benefits	874,753	-	-	-	874,753
Site repairs	181,204	-	-	57,104	238,308
Unassigned:					
Economic uncertainties	1,750,078	-	-	-	1,750,078
Unappropriated	257,520	-	-	-	257,520
Total Fund Balances	4,241,533	18,817,166	5,570,570	4,543,263	33,172,532
Total Liabilities and Fund Balances	$ 5,676,222	$ 18,818,563	$ 5,570,570	$ 4,622,661	$ 34,688,016

The notes to the financial statements are an integral part of this statement

PACIFICA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances - governmental funds		$ 33,172,532
Amounts reported for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $93,227,912 and the accumulated depreciation is $34,391,538.		56,679,544
To recognize accrued interest at year end which is not reported in the governmental funds		(2,011,118)
The differences from pension plan assumptions in actuarial valuations are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the Statement of Net Position.		(2,207,427)
Deferred outflows of resources include amounts that will not be included in the calculation of the District's net pension liability of the plan year included in this report such as current fiscal year contributions as recorded in the fund statements.		7,969,522
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 consists of:		
General obligation bonds	$ 48,829,310	
Unamortized premiums from bond refunding	1,222,734	
Net pension liability	30,318,732	
Total OPEB liability	13,981,646	
Compensated absences (vacation)	157,417	(94,509,839)
Net position - governmental activities		$ (906,786)

The notes to the financial statements are an integral part of this statement

PACIFICA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
LCFF sources	$ 26,891,742	$ -	$ -	$ 53,800	$ 26,945,542
Federal	754,112	-	777	344,404	1,099,293
Other state	4,119,747	-	27,487	21,306	4,168,540
Other local	2,101,814	332,955	4,749,395	1,123,494	8,307,658
Total revenues	33,867,415	332,955	4,777,659	1,543,004	40,521,033
Expenditures:					
Instruction	21,501,931	-	-	-	21,501,931
Instruction-related services:					
Supervision of instruction	971,254	-	-	-	971,254
Instruction library, media and technology	641,485	-	-	-	641,485
School site administration	2,906,431	-	-	-	2,906,431
Pupil services:					
Home-to-school transportation	180,076	-	-	-	180,076
Food services	14,447	-	-	945,774	960,221
All other pupil services	1,576,985	-	-	-	1,576,985
General administration:					
All other general administration	1,999,482	-	-	-	1,999,482
Plant services	3,170,708	153,133	-	866,828	4,190,669
Facility acquisition and construction	-	-	-	6,996	6,996
Interagency and other	335,080	-	-	-	335,080
Debt service:					
Principal	-	-	1,033,730	-	1,033,730
Interest and other costs	-	-	2,393,316	-	2,393,316
Total expenditures	33,297,879	153,133	3,427,046	1,819,598	38,697,656
Excess (deficiency) of revenues over (under) expenditures	569,536	179,822	1,350,613	(276,594)	1,823,377
Other financing sources (uses):					
Sale of property	-	-	-	3,655,314	3,655,314
Proceeds from bond issuances	-	18,000,000	-	-	18,000,000
Proceeds from bond premium	-	-	1,144,067	-	1,144,067
Short-term debt issued	-	-	-	273,348	273,348
Short-term debt repaid	-	-	-	(273,348)	(273,348)
Transfers in	300,000	-	-	56,000	356,000
Transfers out	(56,000)	(300,000)	-	-	(356,000)
Total other financing sources (uses)	244,000	17,700,000	1,144,067	3,711,314	22,799,381
Net change in fund balances	813,536	17,879,822	2,494,680	3,434,720	24,622,758
Fund balances beginning	3,427,997	937,344	3,075,890	1,088,290	8,529,521
Fund balance restatement	-	-	-	20,253	20,253
Fund balances beginning as restated	3,427,997	937,344	3,075,890	1,108,543	8,549,774
Fund balances ending	$ 4,241,533	$ 18,817,166	$ 5,570,570	$ 4,543,263	$ 33,172,532

The notes to the financial statements are an integral part of this statement

PACIFICA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Total net change in fund balances - governmental funds		$ 24,622,758
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital assets additions	$ 6,996	
Depreciation expense	(1,872,862)	(1,865,866)
Governmental funds do not report gains and losses on disposal of capital assets. However, in the government-wide Statement of Activities, the cost of dispose of capital assets net any proceeds is accounted for as a special item.		(290,964)
The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Proceeds from bond issuance		(18,000,000)
New Bond Premium		(1,144,067)
Repayment of bond principal		1,033,730
Accreted interest on capital appreciation bonds is not recorded in the governmental funds but is required to be recorded under the accrual basis of accounting in the government-wide financial statements.		117,237
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. The difference between premiums or discounts recognized in the current period and amortized over future periods is:		15,733
In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outlows of resources.		(1,886,170)
In governmental funds, actual contributions to OPEB plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		(934,950)
In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned was less than the amounts used by:		22,077
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		(430,892)
Changes in net position of governmental activities		$ 1,258,626

The notes to the financial statements are an integral part of this statement

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

The Pacifica School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements using the criteria established by GASB. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2019, the District does not have any component units and is not a component unit of any other reporting entity.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include the reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as 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 of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

D. <u>Basis of Accounting</u>

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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. To achieve comparability of reporting among California districts, and so as not to distort normal revenue patterns with specific respect to reimbursement grants and correction to state-aid apportionments, the California Department of Education has defined available for district as collectible within one year.

Non-exchange transactions, in which the District receives value ***without*** directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Outflow of Resources and Deferred Inflow of Resources:

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred outflow of resources related to the recognition of the net pension liability reported in the Statement of Net Position.

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

Unearned Revenue:

Unearned revenue arises when assets (such as cash) are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements (such as qualified expenditures) are met are recorded as liabilities from unearned revenue.

Unavailable Revenue:

In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources as unavailable revenue.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major and nonmajor as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund and includes transactions accounted for in the Special Reserve Fund for Other Than Capital Outlay and the Special Reserve Fund for Postemployment Benefits. These two funds are not substantially composed of restricted or committed revenue sources and do not meet the definition of a special revenue fund. Because these funds do not meet the definition of a special revenue fund under GASB 54, the activity in these funds are being reported within the General Fund.

The *Building Fund* is used to account for the acquisition and construction of major governmental capital facilities and buildings from the sale of bond proceeds.

The *Bond Interest and Redemption Fund* is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the interest and redemption of principal of the funding of general obligation bonds issued by the District.

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains two nonmajor special revenue funds:

- The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of district property.

- The *Cafeteria Fund* is a special revenue fund used to account for revenues received and expenditures made to operate the District's food service programs.

Capital Projects Funds are used to account for resources restricted, committed or assigned for capital outlays. The District maintains two nonmajor capital projects fund:

- The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

- The *Special Reserve for Capital Outlay Fund* exists primarily for the accumulation of General Fund monies for capital outlay purposes.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. The District maintains one nonmajor debt service fund:

- The *Tax Override Fund* is used to account for the accumulation of resources from ad valorem tax levies for the repayment of State School Building Fund apportionments. These taxes will continue to be levied until the debt is fully paid.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information.
Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

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

H. Benefit Plans

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 District's California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS) plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and CalSTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this period, the following time frames were used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

I. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

2. Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

3. Inventories and Prepaid Expenditures

Inventories

Inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

Prepaid Expenditures

The District's central warehouse inventory is valued at a moving average cost and consists of expendable supplies held for consumption. The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

4. Capital Assets

Capital assets, which include sites, improvement of sites, buildings and improvements, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation, in which case they are recorded at estimated market value at the date of receipt. The District utilizes a capitalization threshold of $5,000.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and rehabilitation of buildings are capitalized. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation.

All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Improvement of sites	20
Buildings and improvements	25-50
Equipment	5-15
Vehicles	8

5. Compensated Absences

All vacation pay plus related payroll tax is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires. At retirement, each classified member will receive 0.004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts as well as issuance costs if related to prepaid insurance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Issuance costs, not related to prepaid insurance costs, are expensed in the period incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

7. Fund Balance Classifications

The District maintains a minimum unassigned fund balance of not less than 3 percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The District believes a reserve of this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues to which basic aide districts are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.

In accordance with Government Accounting Standards Board 54*, Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Non-spendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Superintendent and the Chief Business Official.

- *Unassigned* fund balance includes positive amounts within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

8. Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net 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. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. As of June 30, 2019, capital assets net of accumulated depreciation totaling $56,679,544 was reduced by unspent bond proceeds of $18,817,166 and related debt of $28,123,777, which excluded accreted interest of $20,705,533 and premiums attributed to cash reserves for debt service of $1,222,734. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Debt Service restrictions reflect the cash balances in the debt service funds of $5,570,570 that are restricted for debt service payments by debt covenants, reduced by outstanding bond premiums of $1,222,734.

Capital Projects restrictions will be used for the acquisition and construction of capital facilities.

Educational Program restrictions reflect the amounts to be expended for federal and state funded educational programs.

Unrestricted net position reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

9. Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

Until full implementation, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on August 31 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year. The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

10. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District has joined together with other school districts in the County to form the San Mateo County Schools Insurance Group ("SMCSIG") public entity risk pool. The District pays an annual premium for its property and casualty, workers' compensation, and liability insurance coverage. The Joint Powers Agreements provide that SMCSIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels. Excess property and liability coverage is obtained through SELF.

There were no significant reductions in insurance coverage from coverage in the prior year and no insurance settlement exceeding insurance coverage.

11. Interfund Transactions

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

12. Accounting Estimates

The presentation of 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 reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

13. Eliminations and Reclassifications

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

J. Implemented New Accounting Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. As of June 30, 2019, this Statement did not have an impact on the District's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

This Statement addresses additional information to be disclosed in the notes to the financial statements regarding debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. As of June 30, 2019, this Statement did not have an impact on the District's financial statements.

K. Upcoming Accounting and Reporting Changes

GASB Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB issued Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the fiscal year ending June 30, 2021. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of the Construction Period*

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*

The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2020. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements**.**

NOTE 2 - CASH AND INVESTMENTS

Summary of Deposits

A summary of deposits as of June 30, 2019, is as follows:

Description	Carrying Amount	Fair Value	Investment Rating
Government-Wide Statements:			
Cash in county treasury investment pool	$ 31,506,484	$ 31,588,401	AA
Cash in revolving fund	7,500	7,500	Not Rated
Cash in bank	47,763	47,763	Not Rated
Cash with fiscal agent	-	-	AA
Total Cash and Investments	$ 31,561,747	$ 31,643,664	

Cash in banks and revolving funds

Cash balances in banks and revolving funds are insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2019, the bank balance of the District's accounts with banks was $47,763, which was fully insured by FDIC.

Cash 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.

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The District has the following recurring fair value measurements as of June 30, 2019:

Investments in the San Mateo County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

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.

Limitations as they relate to interest rate risk, credit risk, custodial credit risk – deposits, and concentration of credit risk are described below:

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 the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District keeps cash in the San Mateo County Investment Pool which had a fair value of approximately $1.468 billion and an amortized book value of $1.475 billion.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the San Mateo County Investment Pool is governed by the County's general investment policy. The investment with the San Mateo County Investment Pool is rated at least AA by Moody's Investor Service.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2019:

Receivables	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Funds	Total
Federal Government	$ 624,292	$ -	$ -	$ 63,659	$ 687,951
State Government	639,522	-	-	-	639,522
Other Local	107,606	-	-	-	107,606
Unrestricted	179,740	112,533	28,990	1,246,786	1,568,049
Total Accounts Receivable	$ 1,551,160	$ 112,533	$ 28,990	$ 1,310,445	$ 3,003,128

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2019, is shown below:

Capital Assets	Balance July 01, 2018	Additions	Adjustments & Deletions	Balance June 30, 2019
Land - not depreciable	$ 1,270,198	$ -	$ (312,224)	$ 957,974
Buildings	87,853,473	-	(890,932)	86,962,541
Land improvements	2,111,705	-	-	2,111,705
Equipment	1,992,536	6,996	(138,292)	1,861,240
Total capital assets	93,227,912	6,996	(1,341,448)	91,893,460
Less accumulated depreciation for:				
Buildings	31,147,762	1,628,539	(890,932)	31,885,369
Land improvements	1,993,285	87,621	-	2,080,906
Equipment	1,250,491	156,702	(159,552)	1,247,641
Total accumulated depreciation	34,391,538	1,872,862	(1,050,484)	35,213,916
Total capital assets - net depreciation	$ 58,836,374	$ (1,865,866)	$ (290,964)	$ 56,679,544

Depreciation expense was charged to governmental activities as follows:

Governmental Activity	Depreciation Expense
Instruction	$ 1,148,054
Supervision of instruction	70,505
Instruction library, media and technology	22,489
School site administration	136,729
Home-to-school transportation	13,762
Food services	90,182
All other pupil services	92,062
All other general administration	107,513
Plant services	191,566
Total depreciation expense	$ 1,872,862

NOTE 5 - INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables (Due From/Due To)

Interfund receivables and payables consisted of the following as of June 30, 2019:

Fund	Due From Other Funds	Due to Other Funds
General Fund	$ 1,397	$ 85,869
Building Fund	699	1,397
Nonmajor Funds	85,170	-
Totals	$ 87,266	$ 87,266

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenues to funds through which the resources are to be expended. Interfund transfers for fiscal year 2019 were as follows:

Fund	Transfers In	Transfers Out
General Fund	$ 300,000	$ 56,000
Building Fund	-	300,000
Nonmajor funds	56,000	-
Totals	$ 356,000	$ 356,000

NOTE 6 – SHORT-TERM DEBT

On July 1, 2018, the District entered into a Predevelopment Loan Agreement with the Housing Endowment and Regional Trust of San Mateo County (HEART), a joint powers agency, to help fund predevelopment activities for the development of 45 units of affordable employee rental housing. The loan, with a principal amount not to exceed $357,000, bears a 2% simple interest rate. The loan has a one-time origination fee of 1.5% of the principal amount borrowed, with the principal and interest due on June 30, 2019. The district received the proceeds of $273,348 net of issuance cost and other loan expenses and repaid it before June 30. 2019 as shown in Statement of Revenues, Expenditures and Changes in Fund Balances.

NOTE 7 - SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2019:

Long Term Liabilities	Balance July 01, 2018	Additions/ Accretion	Reductions	Balance June 30, 2019	Due Within One Year
General obligation bonds	$ 32,074,677	$ 20,923,101	$ 2,945,734	$ 50,052,044	$ 2,667,209
Total OPEB obligation	13,046,696	1,469,760	534,810	13,981,646	-
Net pension liabilities	29,756,893	10,507,982	9,946,143	30,318,732	-
Compensated absences	179,494	-	22,077	157,417	157,417
Total Long-Term Liabilities	$ 75,057,760	$ 32,900,843	$ 13,448,764	$ 94,509,839	$ 2,824,626

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund from local revenues. The accrued vacation, pension liabilities, and other postemployment benefits will be paid by the fund for which the employee worked.

NOTE 8 - GENERAL OBLIGATION BONDS

Through elections, the District received authorization to issue general obligation bonds (GOB) that requires the county to levy annual ad valorem taxes for the payment of interest and principal on the bonds. Bond proceeds are used to build additional classrooms and to perform repairs and renovations.

In August 1998, the District issued $20,713,854 in Series 1998B General Obligation Bonds. The proceeds were used for construction and modernization projects. The bonds included $8,383,854 in Capital Appreciation Bonds and $12,330,000 in Current Interest Bonds. The Capital Appreciation Bonds bear interest rates of 5.15% to 5.00%, with maturity dates between August 1, 2015 to August 1, 2023. The Current Interest Bonds matured on August 1, 2014.

In June 2000, Capital Appreciation Bonds in the amount of $6,492,858 were issued by the Pacifica School District for construction and modernization projects. The bonds bear interest rates of 5.00% to 6.12% with maturity dates of August 1, 2007 to August 1, 2030.

In the June 2018 election, the District passed Measure O, which authorized the District to issue $55,000,000 in bonds to fund needed repairs, upgrades, and new construction projects. On September 27, 2018, the District issued $18,000,000 in Series 2018 general obligation bonds, under the Measure O authorization. The issuance generated $916,067 in bond premiums received by the District. Issuance costs associated with the bond financing was $165,000, not including underwriter's discount. The bonds bear interest rates of 4.00% to 5.00%, with maturity dates between August 1, 2019 to August 1, 2048.

The following schedule summarizes District's outstanding General Obligation Bonds as of June 30, 2019:

Bond		Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2018	Additions/ Accretion	Redeemed	Bonds Outstanding June 30, 2019
Principal Bonds:									
1998B	CAB	8/1/98	8/1/23	5.15-5.3%	$ 8,383,854	$ 5,380,591	$ -	$ 951,159	$ 4,429,432
2000C	CAB	6/15/00	9/1/30	5-6.12%	6,492,858	5,776,916	-	82,571	5,694,345
SERIES 2018	GOB	9/12/18	8/1/48	4-5%	18,000,000		18,000,000	-	18,000,000
Subtotal General Obligation Bonds					32,876,712	11,157,507	18,000,000	1,033,730	28,123,777
Accreted Interest:									
1998B						9,483,680	725,246	1,728,841	8,480,085
2000C						11,339,090	1,053,788	167,430	12,225,448
Subtotal Accreted Interest						20,822,770	1,779,034	1,896,271	20,705,533
Unamortized Bond Premium					1,537,401	94,400	1,144,067	15,733	1,222,734
Total General Obligation Bonds					$34,414,113	$32,074,677	$20,923,101	$2,945,734	$50,052,044

The following is a summary of the District's annual debt service requirements as of June 30, 2019:

For the Fiscal Year Ending June 30,	Principal	Interest to Maturity	Total
2020	$ 2,667,209	$ 2,770,892	$ 5,438,101
2021	2,288,395	2,845,705	5,134,100
2022	1,971,187	2,931,913	4,903,100
2023	954,498	3,048,602	4,003,100
2024	936,884	3,186,216	4,123,100
2025-2029	4,059,165	18,557,835	22,617,000
2030-2034	2,581,439	9,790,860	12,372,299
2035-2039	2,395,000	2,567,900	4,962,900
2040-2044	4,005,000	1,845,625	5,850,625
2045-2049	6,265,000	671,575	6,936,575
Total Debt Service	$ 28,123,777	$ 48,217,123	$ 76,340,900

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS

A. California Public Employees Retirement System (CalPERS/PERS) Pension Plan

General Information about the PERS Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	CalPERS	
	Classic	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age: minimum	50	52
Monthly benefits as a % of eligible compensation	(1)	(1)
Required employee contribution rates	7.000%	7.000%
Required employer contribution rates	18.062%	18.062%

(1) Monthly benefit is a product of benefit factor, years of service, and final compensation

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. 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. For fiscal year ending June 30, 2019, the State enacted Senate Bill No. 90 which appropriated funding to the Public Employees' Retirement Fund on behalf of the District.

For the year ended June 30, 2019, the District's contributions were as follows:

	CalPERS
Employer Contributions	$ 810,732
State Contributions	311,247
Total	$ 1,121,979

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to PERS

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
District	$ 9,180,122

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. 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 employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

	CalPERS
Proportion - June 30, 2017	0.03630%
Proportion - June 30, 2018	0.03555%
Change - Increase/(Decrease)	-0.00075%

For the year ended June 30, 2019, the District recognized pension expense of $1,800,155 for the Plan.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Changes of Assumptions	$ 916,595	$ -
Differences between Expected and Actual Experience	601,815	-
Differences between Projected and Actual Investment Earnings	75,298	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	7,316
Change in Employer's Proportion	109,512	221,090
Pension Contributions Made Subsequent to Measurement Date	810,732	-
Total	$ 2,513,952	$ 228,406

The District reported $810,732 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	**Deferred Outflows/ (Inflows) of Resources CalPERS**
2020	$ 971,902
2021	623,294
2022	(66,198)
2023	(54,185)
Total	$ 1,474,813

Actuarial Assumptions - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

(1) Varies by age and service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2018 based on June 30, 2017 Valuations, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short- term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 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 the Plan. The expected rate of return was set by calculating the 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(b) An expected inflation of 2.0% used for this period.
(c) An expected inflation of 2.92% used for this period.

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

	CalPERS
1% Decrease	6.15%
Net Pension Liability	$ 13,365,819
Current	7.15%
Net Pension Liability	$ 9,180,122
1% Increase	8.15%
Net Pension Liability	$ 5,707,487

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

B. California State Teachers' Retirement System (STRS) Pension Plan

General Information about the STRS Pension Plan

Plan Description - The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

Benefits Provided - STRS 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 credited service, equal to one year of full-time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law.

The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

	CalSTRS	
	Tier 1	Tier 2
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a % of eligible compensation	2%	2%
Required employee contribution rates	10.250%	10.205%
Required employer contribution rates	16.280%	16.280%
Required State contribution rates	9.828%	9.828%

Contributions - As part of the annual valuation process, the Normal Cost rate is determined as the basis for setting the base member contribution rate for the following fiscal year. Generally, the base member contribution rate is one-half of the Normal Cost rate within certain parameters. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2019, the District's contributions were as follows:

	CalSTRS
Employer Contributions	$ 2,009,014
State Contributions	1,905,078
Total	$ 3,914,092

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to STRS

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
District	$ 21,138,610
State	12,102,911
Total	$ 33,241,521

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. 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 employers, actuarially determined. The state contributed 9.124 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year plus an additional $802,223 as required by SB90. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

	CalSTRS
Proportion - June 30, 2018	0.02300%
Proportion - June 30, 2019	0.02300%
Change - Increase/(Decrease)	0.00000%

For the year ended June 30, 2019, the District recognized pension expense of $2,293,484 for the Plan.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalSTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 3,283,940	$ -
Differences between Expected and Actual Experience	65,550	307,050
Differences between Projected and Actual Investment Earnings	-	813,970
Differences between Employer's Contributions and Proportionate Share of Contributions	97,067	-
Change in Employer's Proportion	-	858,001
Pension Contributions Made Subsequent to Measurement Date	2,009,014	-
Total	$ 5,455,571	$ 1,979,021

The District reported $2,099,014 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources CalSTRS
2020	$ 569,864
2021	264,884
2022	(289,876)
2023	356,283
2024	566,141
Thereafter	239
Total	$ 1,467,535

Actuarial Assumptions - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Wage Growth	3.50%
Postretirement Benefit Increases	(1)
Investment Rate of Return	7.10% (2)
Mortality	(3)

(1) 2% simple for DB (annually)
Maintain 85% purchasing power level for DB
Not applicable for DBS/CBB
(2) Net of investment expense but gross of administrative expenses.
(3) Based on 110% of the MP-2016 Ultimate Projection Scale table issued by the Society of Actuaries.

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Rate of Return [1]
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%
Total	100.00%	

[1] 20 year average

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

		CalSTRS
1% Decrease		6.10%
Net Pension Liability	$	30,965,590
Current		7.10%
Net Pension Liability	$	21,138,610
1% Increase		8.10%
Net Pension Liability	$	12,991,090

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued STRS financial reports.

C. Postemployment Benefits Other Than Pension Benefits

Plan Description.

The District's Postemployment Healthcare Plan (PHP) is a single-employer defined benefit healthcare plan including medical, dental, and vision benefits for the below groups of employees. Employees are not required to contribute to the plan. The District's policy is to pay the benefits as a cash outlay after retirement (the pay-as-you-go method). All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by various labor agreements.

Benefits

The District provides coverage to the following groups of employees as follows:

Description	**Certificated**	**Classified**	**Management**
Benefits Provided:	Medical & Dental	Medical & Dental	Medical, Dental & Vision
Duration of Benefits:	10 yrs but not beyond age 70	To age 70	10 yrs but not beyond age 70
Required Services:	10 years	10 years	10 years
Minimum Age:	55	55	55
Dependent Coverage:	None	None	None
Contribution Percentage:	100%	100%	100%
District Cap:	None	None	None

Employees Covered by Benefit Terms

At June 30, 2018 (the valuation date), the benefit terms covered the following employees:

Active employees	298
Inactive employees	218
Total employees	516

Contributions

The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. Total contributions to the OPEB plan during the year were $534,810. Total benefit payments included in the measurement period were $534,810. The actuarially determined contribution for the measurement period was $2,016,546. The District's contributions were 3.3% of covered payroll during the measurement period June 30, 2019. Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2018
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 years
Actuarial Assumptions:	
Discount Rate	3.80%
Inflation	2.75%
Salary Increases	2.75%
Healthcare Trend Rate	4.00%
Investment Rate of Return	3.8% per year, Net of OPEB plan investment expenses
Mortality	2009 CalSTRS and 2014 CalPERS Misc
Retirement	Certificated: 2009 CalSTRS Classified: Hired < 2013: 2009 CalPERS for School Employees Classified: Hired > 2013: 2009 CalPERS 2% @ 60 for Miscelleaneous Employees

Discount Rate

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

Changes in the Total OPEB Liability

The following summarizes the changes in the net OPEB liability during the year ended June 30, 2018:

Fiscal Year Ended June 30, 2019 (Measurement Date June 30, 2019)	**Total OPEB Liability**	**Plan Fiduciary Net Position**	**Net OPEB Liability (Asset)**
Balance at June 30,2018	$ 13,046,696	$ -	$ 13,046,696
Service cost	1,000,465	-	1,000,465
Interest in Total OPEB Liability	469,295	-	469,295
Benefit payments	(534,810)	-	(534,810)
Net changes	934,950	-	934,950
Balance at June 30, 2019	$ 13,981,646	$ -	$ 13,981,646

Covered Employee Payroll	$ 16,237,611
Total OPEB Liability as a % of Covered Employee Payroll	86.11%
Service Cost as a % of Covered Employee Payroll	6.16%

The District's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2019, for the measurement date of June 30, 2019:

Service cost	$ 1,000,465
Interest in TOL	469,295
OPEB Expense	**$ 1,469,760**

The following summarizes changes in the total OPEB liability as reconciled to OPEB expense during the year ended June 30, 2019, for the measurement date of June 30, 2019:

Total OPEB liability ending	$ 13,981,646
Total OPEB liability begining	(13,046,696)
Change in total OPEB liability	934,950
Employer contributions and implict subsidy	534,810
OPEB Expense	**$ 1,469,760**

Sensitivity to Changes in the Discount Rate

The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Municipal Bond Rate		
	(1% Decrease)	**3.80%**	**(1% Increase)**
Total OPEB Liability	$ 15,775,309	$ 13,981,646	$ 12,507,996

Sensitivity to Changes in the Healthcare Cost Trend Rates

The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease)	**4.00%**	**(1% Increase)**
Total OPEB Liability	$ 11,736,045	$ 13,981,646	$ 14,576,340

NOTE 10 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The District participates in one joint venture under a joint powers agreement (JPA), with the San Mateo County Schools Insurance Group, for Property & Liability, Workers' Compensation and Medical/ Dental. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and/ or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of its JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

The following is a summary of the most recent financial information for the JPA:

	SMCSIG June 30, 2019
Total Assets and Deferred Outflows	$ 26,765,380
Total Liabilities and Deferred Inflows	11,162,290
Total Net Position	15,603,090
Total Revenues	45,275,439
Total Expenditures	45,026,058

NOTE 11 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

Litigation

The District may be exposed to various claims and litigation. Management believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

REQUIRED SUPPLEMENTARY INFORMATION

PACIFICA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual (GAAP Basis)	Positive - (Negative)
Revenues:				
LCFF sources	$ 25,879,867	$ 26,907,424	$ 26,891,742	$ (15,682)
Federal	706,034	823,137	754,112	(69,025)
Other state	3,031,776	4,149,513	4,119,747	(29,766)
Other local	2,320,855	2,138,466	2,101,814	(36,652)
Total revenues	31,938,532	34,018,540	33,867,415	(151,125)
Expenditures:				
Certificated salaries	12,725,900	12,959,799	12,835,259	124,540
Classified salaries	4,697,958	4,762,204	4,667,124	95,080
Employee benefits	10,053,715	10,968,307	10,868,826	99,481
Books and supplies	968,302	1,004,233	696,424	307,809
Services and other operating expenditures	3,403,310	4,204,438	3,899,470	304,968
Other outgo	369,750	332,909	330,776	2,133
Total expenditures	32,218,935	34,231,890	33,297,879	934,011
Excess (deficiency) of revenues over (under) expenditures	(280,403)	(213,350)	569,536	782,886
Other financing sources (uses):				
Transfers in	-	500,000	300,000	(200,000)
Transfers out	(56,000)	(256,000)	(56,000)	200,000
Total other financing sources (uses)	(56,000)	244,000	244,000	-
Net change in fund balances	(336,403)	30,650	813,536	782,886
Fund balance beginning	3,477,240	2,372,179	3,427,997	1,055,818
Fund balance ending	$ 3,140,837	$ 2,402,829	$ 4,241,533	$ 1,838,704

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

PACIFICA SCHOOL DISTRICT
SCHEDULE OF CALPERS PENSION PLAN CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CalPERS	2015	2016	2017	2018	2019
Contractually Required Contributions	$ 434,161	$ 516,127	$ 629,910	$ 707,467	$ 810,732
Contributions in Relation to Contractually Required Contributions	434,161	516,127	629,910	707,467	810,732
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	**$ 3,688,395**	**$ 4,356,605**	**$ 4,535,642**	**$ 4,555,193**	**$ 4,488,606**
Contributions as a % of Covered Payroll	**11.77%**	**11.85%**	**13.89%**	**15.53%**	**18.06%**

Notes to Schedule:

Valuation Date: June 30, 2017

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
4 Years Remaining Amortization Period
Inflation Assumed at 2.5%
Investment Rate of Returns set at 7.15%
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016 and then decreased from 7.65% to 7.15% in the District's fiscal year 2018.
The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.
The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.

This schedule provides information about the District’s required and actual contributions to CalPERS during the year.

PACIFICA SCHOOL DISTRICT
SCHEDULE OF CALPERS PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CalPERS	2015	2016	2017	2018	2019
District's Proportion of Net Pension Liability	0.03310%	0.03144%	0.03313%	0.03555%	0.03443%
District's Proportionate Share of Net Pension Liability	$ 3,757,655	$ 4,633,745	$ 6,542,362	$ 8,486,723	$ 9,180,122
District's Covered Payroll	$ 3,478,317	$ 3,688,395	$ 4,356,605	$ 4,535,642	$ 4,555,193
District's Proportionate Share of NPL as a % of Covered Payroll	**108.03%**	**125.63%**	**150.17%**	**187.11%**	**201.53%**
Plan's Fiduciary Net Position as a % of the TPL	**83.38%**	**79.43%**	**73.90%**	**71.87%**	**70.85%**

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016 and then decreased from 7.65% to 7.15% in the District's fiscal year 2018.
The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.
The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.

This schedule presents information on the District’s portion of the net pension liability of CalPERS in compliance with GASB 68.

PACIFICA SCHOOL DISTRICT
SCHEDULE OF CALSTRS PENSION PLAN CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CalSTRS	2015	2016	2017	2018	2019
Contractually Required Contributions	$ 1,013,870	$ 1,344,767	$ 1,566,961	$ 1,786,933	$ 2,009,014
Contributions in Relation to Contractually Required Contributions	1,013,870	1,344,767	1,566,961	1,786,933	2,009,014
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	**$11,417,455**	**$12,532,777**	**$12,455,970**	**$12,383,458**	**$12,340,381**
Contributions as a % of Covered Payroll	**8.88%**	**10.73%**	**12.58%**	**14.43%**	**16.28%**

Notes to Schedule:

Valuation Date: June 30, 2017

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll Basis
7 Years Remaining Amortization Period
Inflation Assumed at 2.75%
Investment Rate of Returns set at 7.10%
Mortality tables are based on 110% of the MP-2016 Ultimate Projection Scale table issued by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.
The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

This schedule provides information about the District’s required and actual contributions to CalSTRS during the year.

PACIFICA SCHOOL DISTRICT
SCHEDULE OF CALSTRS PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CalSTRS	2015	2016	2017	2018	2019
District's Proportion of Net Pension Liability	0.02500%	0.02211%	0.02242%	0.02300%	0.02300%
District's Proportionate Share of Net Pension Liability	$ 14,609,250	$ 14,882,504	$ 18,136,184	$ 21,270,170	$ 21,138,610
State's Proportionate Share of Net Pension Liability					
Associated with the District	8,821,650	7,871,208	10,324,567	12,583,220	12,102,911
Total	$ 23,430,900	$ 22,753,712	$ 28,460,751	$ 33,853,390	$ 33,241,521
District's Covered Payroll	$ 10,958,085	$ 11,417,455	$ 12,532,777	$ 12,455,970	$ 12,383,458
District's Proportionate Share of NPL as a % of Covered Payroll	**133.32%**	**130.35%**	**144.71%**	**170.76%**	**170.70%**
Plan's Fiduciary Net Position as a % of the TPL	**76.52%**	**74.02%**	**70.04%**	**69.46%**	**70.99%**

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.
The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

This schedule presents information on the District’s portion of the net pension liability of CalSTRS in compliance with GASB 68.

PACIFICA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN
TOTAL OPEB LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Fiscal Year Ended	**2018**	**2019**
Total OPEB liability		
Service cost	$ 973,689	$ 1,000,465
Interest	469,295	469,295
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments	(545,421)	(534,810)
Implicit subsidy fullfilled	-	-
Net change in Total OPEB Liability	897,563	934,950
Total OPEB Liability - beginning	12,149,133	13,046,696
Total OPEB Liability - ending	$ 13,046,696	$ 13,981,646
Plan fiduciary net position		
Employer contributions	$ 545,421	$ -
Benefit payments	(545,421)	-
Implicit subsidy fullfilled	-	-
Other	-	-
Administrative expense	-	-
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	$ -	$ -
Net OPEB liability (asset)	$ 13,046,696	13,981,646
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered Employee Payroll	$ 16,168,197	$ 16,149,177
Net OPEB liability as a percentage of covered employee payroll	80.69%	86.58%
Total OPEB liability as a percentage of covered employee payroll	80.69%	86.58%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

There were not changes in benefit terms.

There were no changes in discount rates, trend rates or assumptions.

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SUPPLEMENTARY INFORMATION

PACIFICA SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds		Capital Projects Funds		Debt Service Fund	
	Deferred Maintenance Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve for Capital Projects Fund	Tax Override Fund	Total Nonmajor Funds
Assets						
Cash and investments	$ 43,016	$ 53,324	$ 438,729	$ 2,431,135	$ 224,967	$ 3,191,171
Accounts receivable	288	63,766	3,899	1,241,154	1,338	1,310,445
Due from other funds	13,800	41,968	-	29,402	-	85,170
Stores inventories	-	35,875	-	-	-	35,875
Total Assets	$ 57,104	$ 194,933	$ 442,628	$ 3,701,691	$ 226,305	$ 4,622,661
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ -	$ 40,215	$ -	$ 39,183	$ -	$ 79,398
Due to other funds	-	-	-	-	-	-
Total Liabilities	-	40,215	-	39,183	-	79,398
Fund balances:						
Nonspendable stores inventories	-	35,875	-	-	-	35,875
Restricted for cafeteria programs	-	115,127	-	-	-	115,127
Restricted for capital projects	-	-	-	1,682,318	977	1,683,295
Assigned for cafeteria programs	-	3,716	-	-	-	3,716
Assigned for debt service	-	-	-	-	225,328	225,328
Assigned for capital projects	-	-	442,628	1,980,190	-	2,422,818
Assigned for site repairs	57,104	-	-	-	-	57,104
Total Fund Balances	57,104	154,718	442,628	3,662,508	226,305	4,543,263
Total Liabilities and Fund Balances	$ 57,104	$ 194,933	$ 442,628	$ 3,701,691	$ 226,305	$ 4,622,661

PACIFICA SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Special Revenue Funds		**Capital Projects Funds**		**Debt Service Fund**	
	Deferred Maintenance Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve for Capital Projects Fund	Tax Override Fund	Total Nonmajor Funds
Revenues:						
LCFF sources	$ 53,800	$ -	$ -	$ -	$ -	$ 53,800
Federal	-	344,404	-	-	-	344,404
Other state	-	21,306	-	-	-	21,306
Other local	943	508,416	100,966	508,246	4,923	1,123,494
Total revenues	54,743	874,126	100,966	508,246	4,923	1,543,004
Expenditures:						
Pupil services:						
Food services	-	945,774	-	-	-	945,774
Plant services	81,178	-	-	785,650	-	866,828
Facility acquisition and construction	-	-	-	6,996	-	6,996
Total expenditures	81,178	945,774	-	792,646	-	1,819,598
Excess (deficiency) of revenues over (under) expenditures	(26,435)	(71,648)	100,966	(284,400)	4,923	(276,594)
Other financing sources (uses):						
Transfers in	-	56,000	-	-	-	56,000
Short-term debt issued	-	-	-	273,348	-	273,348
Short-term debt repaid	-	-	-	(273,348)	-	(273,348)
Sale of property	-	-	-	3,655,314	-	3,655,314
Total other financing sources (uses)	-	56,000	-	3,655,314	-	3,711,314
Net change in fund balances	(26,435)	(15,648)	100,966	3,370,914	4,923	3,434,720
Fund balances beginning	83,539	150,113	341,662	291,594	221,382	1,088,290
Fund balance restatement	-	20,253	-	-	-	20,253
Fund balances beginning as restated	83,539	170,366	341,662	291,594	221,382	1,108,543
Fund balances ending	$ 57,104	$ 154,718	$ 442,628	$ 3,662,508	$ 226,305	$ 4,543,263

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STATE AND FEDERAL AWARD COMPLIANCE SECTION

The Pacifica School District serves approximately 3,000 students. The District is located in San Mateo County in Pacifica, California, and operates two K-5 elementary schools, four K-8 schools, one 6-8 middle school, and one K-8 Education Center.

Governing Board

Name	Office	Term Expires
Laverne Villalobos	President	2022
Jesse Levin	Vice-President	2020
Kathy Shiokari	Vice Clerk	2020
Elizabeth Bredall	Member	2022
Kai Doggett	Member	2020

Administration

Heather Olsen
Superintendent

Maria Gavidia
Executive Director, Special Education, Human Resources, and Pupil Services

Will Lucey
Executive Director, Educational Support Services

Josephine Peterson
Chief Business Official

PACIFICA SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Second Period Report	Annual Report
Regular ADA:		
Grades TK/K through three	1,379.96	1,381.02
Grades four through six	912.18	910.98
Grades seven and eight	685.63	684.52
Regular ADA Totals	2,977.77	2,976.52
Extended year special education:		
Grades TK/K through three	1.44	1.44
Grades four through six	0.36	0.36
Grades seven and eight	0.28	0.28
Special education - nonpublic and nonsectarian:		
Grades TK/K through three	1.95	1.95
Grades four through six	0.92	0.92
Grades seven and eight	4.31	4.59
Extended year special education - nonpublic and nonsectarian:		
Grades seven and eight	0.08	0.08
ADA Totals	2,987.11	2,986.14

PACIFICA SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Grade Level	Minutes Requirements	2018-19 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	39,600	180	0	In compliance
Grade 1	50,400	51,660	180	0	In compliance
Grade 2	50,400	51,660	180	0	In compliance
Grade 3	50,400	51,660	180	0	In compliance
Grade 4	54,000	54,260	180	0	In compliance
Grade 5	54,000	54,260	180	0	In compliance
Grade 6	54,000	54,450	180	0	In compliance
Grade 7	54,000	54,450	180	0	In compliance
Grade 8	54,000	54,450	180	0	In compliance

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts and charter schools, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District has not met or exceeded its target funding.

SCHEDULE OF CHARTER SCHOOLS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The purpose of this schedule is to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit. There were no charter schools to be reported.

PACIFICA SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	(Budget [1]) 2020	2019	2018	2017
General Fund				
Revenues and other financial sources	$ 32,404,832	$ 34,167,415	$ 30,673,466	$ 30,868,500
Expenditures	32,837,569	33,297,879	31,698,020	30,964,416
Other uses and transfers out	256,000	56,000	-	412,000
Total outgo	33,093,569	33,353,879	31,698,020	31,376,416
Change in fund balance	$ (688,737)	$ 813,536	$ (1,024,554)	$ (507,916)
Ending fund balance	$ 3,552,796	$ 4,241,533	$ 3,427,997	$ 4,452,551
Available reserves (2)	$ 1,926,995	$ 2,007,598	$ 1,901,125	$ 3,541,441
Unassigned - Reserved for economic uncertainties	$ 1,753,282	$ 1,750,078	$ 1,901,125	$ 1,906,360
Unassigned fund balance	$ 173,713	$ 257,520	$ -	$ 1,635,081
Available reserves as a percentage of total outgo	5.82%	6.02%	6.00%	11.29%
Total long-term debt	$ 91,685,213	$ 94,509,839	$ 75,057,760	$ 63,146,373
Average daily attendance at P-2	2,985	2,987	3,005	3,020

Average daily attendance has decreased by 33 over the past three years. The district anticipates a decrease of 2 in ADA in 2019-20.

The fund balance in the General Fund has decreased by $211,018 over the past three years. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, other uses (total outgo).

The district incurred an operating surplus in 1 of the past 3 years. Total long-term debt has increased by $31,363,466 over the past three years due to new bond issuance.

[1] Budget numbers are based on the first adopted budget of the fiscal year 2019/20.

[2] Available reserves consists of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

PACIFICA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PROGRAM NAME		FEDERAL CATALOG NUMBER	PASS THROUGH NUMBER	PROGRAM EXPENDITURE
U. S. DEPARTMENT OF EDUCATION				
Passed Through California Department of Education				
Special Education Cluster				
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	(1)	84.027	13379	$ 562,184
Special Ed: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	(1)	84.027	10115	8,687
Special Ed: IDEA Preschool Grants, Part B, Sec 619	(1)	84.173	13430	19,290
Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	(1)	84.173A	13431	314
Total Special Education Cluster				590,475
ESEA (ESSA): Title I, Part A, Basic Grants Low-Income and Neglected		84.010	14329	83,496
ESEA (ESSA): Title II, Part A, Improving Teacher Quality Local Grants		84.367	14341	47,392
ESEA (ESSA): Title III, English Learner Student Program		84.365	14346	28,923
TOTAL U. S. DEPARTMENT OF EDUCATION				750,286
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Grants:				
Unrestricted: Medi-Cal Administrative Activities (MAA)		93.778	10060	3,827
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				3,827
U. S. DEPARTMENT OF AGRICULTURE				
Passed Through California Department of Education				
Child Nutrition Cluster				
National School Lunch Program		10.555	13391	273,458
School Breakfast Basic Program		10.553	13390	27,545
School Breakfast Needy Program		10.553	13526	15,833
School Noncash Commodities Program		10.555	N/A	27,568
TOTAL U. S. DEPARTMENT OF AGRICULTURE				344,404
TOTAL FEDERAL PROGRAMS				$ 1,098,517

(1) Audited as major program

There were no pass throughs to subrecipients during the year

PACIFICA SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
TO THE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds
June 30, 2019 Annual Financial and Budget Report Fund Balances	$ 2,617,318	$18,817,166	$ 5,570,570	$ 6,167,478
Adjustments and Reclassifications:				
Special Reserve Fund for Other Than Capital Outlay Projects:				
Cash with County Treasury	745,033	-	-	(745,033)
Accounts Receivable	4,429	-	-	(4,429)
Special Reserve Fund for Postemployment Benefits:				
Cash with County Treasury	869,584	-	-	(869,584)
Accounts Receivable	5,169	-	-	(5,169)
June 30, 2019 Audited Financial Statements Fund Balances	$ 4,241,533	$18,817,166	$ 5,570,570	$ 4,543,263

1. PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

Average daily attendance 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.

B. Schedule of Instructional Time

The District has not received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

D. 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.

E. Schedule of Expenditures of Federal Awards

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance and state requirements.

F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the annual financial and budget report to the audited financial statements.

2. RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEMS

There were no material unreconciled differences between the District's records and the schedule of federal grant activity as shown on the Schedule of Expenditures of Federal and State Awards.

3. BASIS OF PRESENTATION – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pacifica School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

OTHER INDEPENDENT AUDITOR'S REPORTS

CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Pacifica School District
Pacifica, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pacifica School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Pacifica School District's basic financial statements, and have issued our report thereon dated December 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pacifica School District's internal control over financial reporting (internal control) to determine the 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 Pacifica School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pacifica School District's internal control.

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

Our consideration of internal control over financial reporting 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pacifica School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and,

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

December 15, 2019
San Jose, California

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
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CHAVAN & ASSOCIATES, LLP
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Education
Pacifica School District
Pacifica, California

Report on Compliance for Each Major Federal Program

We have audited Pacifica School District's compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of Pacifica School District's major federal programs for the year ended June 30, 2019. Pacifica School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Pacifica School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
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Report on Internal Control over Compliance

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

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

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

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

C & A LLP

December 15, 2019
San Jose, California

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS

Board of Education
Pacifica School District
Pacifica, California

Compliance

We have audited the Pacifica School District's (the District)'s compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District's state programs identified below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards, and state audit, guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above, that could have a material effect on compliance with the state laws and regulations described in the schedule below, occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Description	Procedures Performed
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes

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Independent Study	N/A
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	N/A
After School	N/A
Before School	N/A
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	N/A
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Charter Schools	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

Opinion

In our opinion, Pacifica School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2019.

C & A LLP

December 15, 2019
San Jose, California

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FINDINGS AND RECOMMENDATIONS

PACIFICA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	**Unmodified**
Internal control over financial reporting:	
Material weaknesses?	____ Yes __x__ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes __x__ None Reported
Non-compliance material to financial statements noted?	____ Yes __x__ No

Federal Awards

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

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
84.027, 84.173 and 84.173A	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low risk auditee?	____ Yes __x__ No

State Awards

Internal control over state programs:	
Material weaknesses?	____ Yes __x__ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes __x__ None Reported
Type of auditor's report issued on compliance over state programs:	**Unmodified**

Section II – Financial Statement Findings

No findings noted.

Section III – Federal Award Findings and Questioned Costs

No findings noted.

Section IV – State Award Findings and Questioned Costs

No findings noted.

Section I – Financial Statement Findings

No findings noted.

Section II – Federal Award Findings and Questioned Costs

No findings noted.

Section III – State Award Findings and Questioned Costs

No findings noted.