

PACIFICA SCHOOL DISTRICT

COUNTY OF SAN MATEO
PACIFICA, CALIFORNIA

AUDIT REPORT

JUNE 30, 2021



Chavan & Associates, LLP

Certified Public Accountants
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Morgan Hill, CA 95037

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SAN MATEO COUNTY
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**FINANCIAL
SECTION**



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, 2021, 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.



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, 2021, 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, 2021, 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

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 nonmajor fund financial statements, as required by the Governmental Accounting Standards Board; organization schedule, 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 *2020-21 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 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 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 30, 2021 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 30, 2021
Morgan Hill, California

Management's Discussion and Analysis

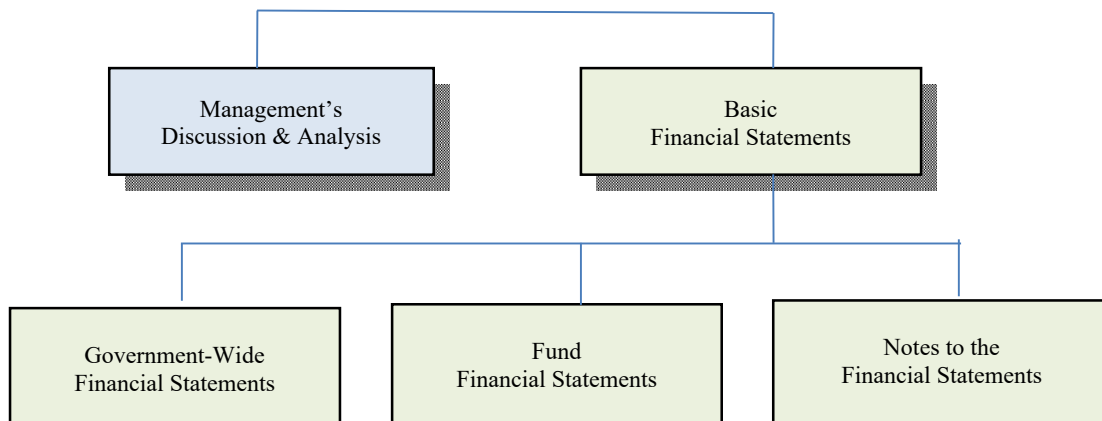
**PACIFICA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021. 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, 2021 were as follows:

- Total net position decreased by \$960,376, or 23.0%, from June 30, 2020 to June 30, 2021.
- General revenues accounted for \$35,908,359 which is 86% of all revenues. Program specific revenues in the form of operating grants and contributions and charges for services accounted for \$6,041,356, or 14% of total revenues of \$41,949,715. The dependence upon tax and local revenues is apparent, 86% 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 \$42,910,091 in expenses, which was directly supported by program specific revenues of \$6,041,356.
- Total fund balances of governmental funds decreased by \$1,115,746, or 3.49%, from June 30, 2020 to June 30, 2021.
- Among major funds, the General Fund had \$35,223,592 in revenues and \$33,820,274 in expenditures. The General Fund's fund balance increased by \$1,285,318 from June 30, 2020 to June 30, 2021.

**PACIFICA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 2021?" 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

**PACIFICA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 25. 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, Building Fund and Bond Interest and Redemption Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and 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.

**PACIFICA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021 as compared to June 30, 2020:

Table 1 - Summary of Net Position				
	2021	2020	Increase (Decrease)	Percent Change
Assets				
Current Assets	\$ 41,084,839	\$ 36,255,411	\$ 4,829,428	13.3%
Capital Assets	54,656,796	55,094,509	(437,713)	-0.8%
Total Assets	\$ 95,741,635	\$ 91,349,920	\$ 4,391,715	4.8%
Deferred Outflows	\$ 9,798,471	\$ 10,094,397	\$ (295,926)	-2.9%
Liabilities				
Current and Other Liabilities	\$ 11,491,269	\$ 6,411,260	\$ 5,080,009	79.2%
Long-Term Liabilities	95,945,300	95,377,507	567,793	0.6%
Total Liabilities	\$ 107,436,569	\$ 101,788,767	\$ 5,647,802	5.5%
Deferred Inflows	\$ 3,230,783	\$ 3,822,420	\$ (591,637)	-15.5%
Net Position				
Net Investment in Capital Assets	\$ 29,357,451	\$ 27,006,969	\$ 2,350,482	8.7%
Restricted	6,990,556	5,665,417	1,325,139	23.4%
Unrestricted	(41,475,253)	(36,839,256)	(4,635,997)	-12.6%
Total Net Position	\$ (5,127,246)	\$ (4,166,870)	\$ (960,376)	23.0%

During the year, deferred outflows of resources decreased by 2.9% and deferred inflows of resources decreased by 15.5% 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 changes of pension liability.

**PACIFICA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Table 2 shows the changes in net position from fiscal year 2021 as compared to 2020:

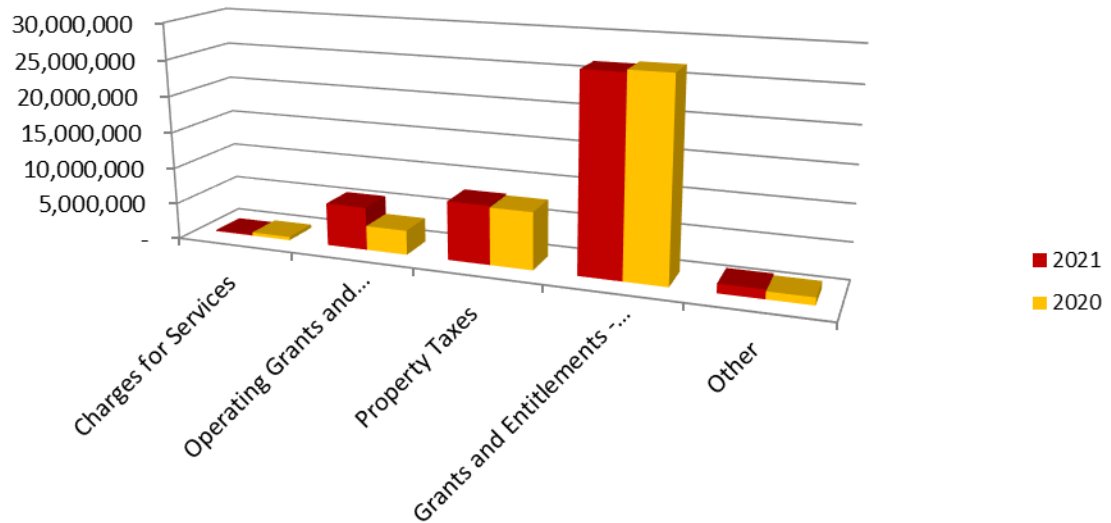
Table 2 - Change in Net Position				
	2021	2020	Increase (Decrease)	Percent Change
Revenues				
Program Revenues:				
Charges for Services	\$ 148,213	\$ 464,667	\$ (316,454)	-68.1%
Operating Grants and Contributions	5,893,143	3,345,373	2,547,770	76.2%
General Revenues:				
Property Taxes	8,039,180	7,816,041	223,139	2.9%
Grants and Entitlements - Unrestricted	26,598,147	26,907,425	(309,278)	-1.1%
Other	1,271,032	1,031,784	239,248	23.2%
Total Revenues	41,949,715	39,565,290	2,384,425	6.0%
Program Expenses				
Instruction	25,294,524	24,401,941	892,583	3.7%
Instruction-Related Services	4,906,872	4,842,584	64,288	1.3%
Pupil Services	2,302,682	3,253,915	(951,233)	-29.2%
General Administration	2,398,404	2,218,134	180,270	8.1%
Plant Services	6,373,698	5,454,727	918,971	16.8%
Interagency and Other	208,356	154,595	53,761	34.8%
Interest and Fiscal Charges	1,425,555	2,499,478	(1,073,923)	-43.0%
Total Expenses	42,910,091	42,825,374	84,717	0.2%
Change in Net Position	\$ (960,376)	\$ (3,260,084)	\$ 2,299,708	-70.5%

Property taxes comprised 19.2% of District revenues and direct instruction costs comprised 58.9% of District expenses for fiscal year 2020-21. Total revenues increased by 6.0% and total expenses increased by .2% for fiscal year 2020-21.

**PACIFICA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

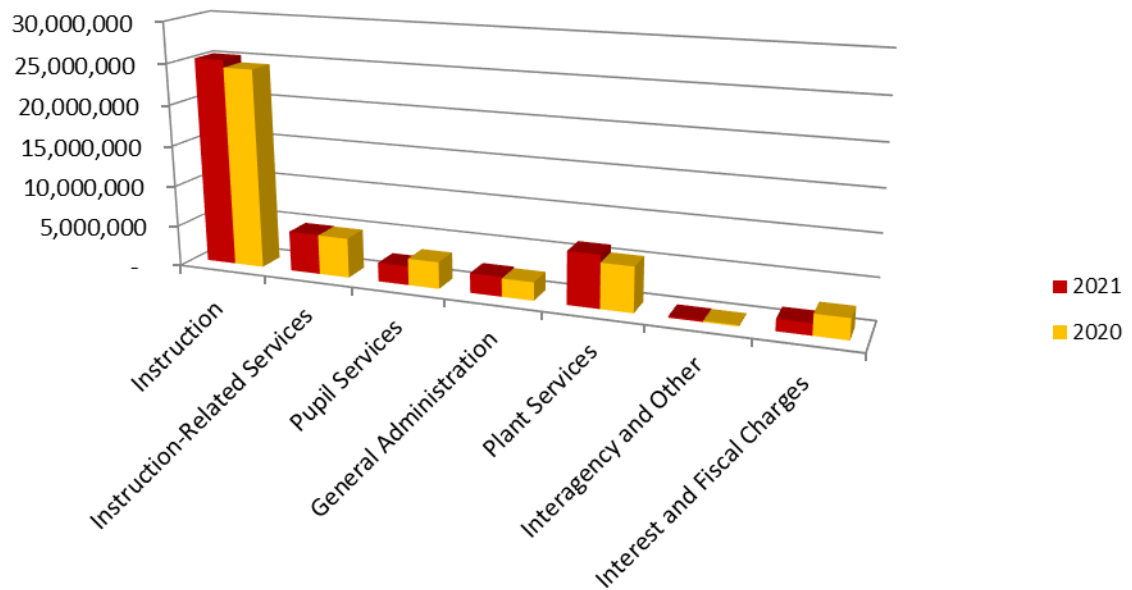
The following is a summary of government-wide revenues for the fiscal years ended June 30, 2020 and 2021:

Revenues Gov't Wide



The following is a summary of expenses by function for the fiscal years ended June 30, 2020 and 2021:

Expenses By Function



**PACIFICA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	2021	2020	Increase (Decrease)	Percent Change
Instruction	\$ 20,974,043	\$ 22,173,819	\$ (1,199,776)	-5.4%
Instruction-Related Services	4,627,011	4,627,944	(933)	0.0%
Pupil Services	1,478,541	2,465,966	(987,425)	-40.0%
General Administration	2,357,426	2,167,546	189,880	8.8%
Plant Services	5,971,358	5,333,317	638,041	12.0%
Interagency and Other	34,801	(252,736)	(287,537)	-113.8%
Interest and Fiscal Charges	1,425,555	2,499,478	(1,073,923)	-43.0%
Total Net Cost of Services	\$ 36,868,735	\$ 39,015,334	\$ (2,721,673)	-5.5%

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 \$30,823,534, which is a decrease of \$1,115,746.

**PACIFICA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	2021	2020	Increase (Decrease)	
General Fund	\$ 5,746,700	\$ 4,461,382	\$	1,285,318
Building Fund	15,161,722	17,774,319		(2,612,597)
Bond Interest & Redemption Fund	4,844,569	5,037,594		(193,025)
Cafeteria Fund	135,664	129,275		6,389
Deferred Maintenance Fund	29,969	26,410		3,559
Capital Facilities Fund	693,849	536,677		157,172
Special Reserve Fund for Capital Projects	3,977,652	3,743,000		234,652
Tax Override Fund	233,409	230,623		2,786
Total Governmental Fund Balances	\$ 30,823,534	\$ 31,939,280	\$	(1,115,746)

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 2021, the District revised its General Fund budget twice, at 1st Interim and 2nd interim, which resulted in an increase in budgeted expenditures of \$3,812,280 from the original to final budget. For the General Fund, the final budget basis revenue and other financing sources estimate was \$32,329,036. The original budgeted estimate was \$40,493,478.

CAPITAL ASSETS

Table 5 shows June 30, 2021 balances as compared to June 30, 2020.

Table 5 - Summary of Capital Assets Net of Depreciation					
Capital Asset	2021			2020	Percent Change
	Cost	Accumulated Depreciation	Net Capital Asset	Net Capital Asset	
Land	\$ 957,974	\$ -	\$ 957,974	\$ 957,974	0%
Buildings and Improvements	90,001,518	37,180,428	52,821,090	53,646,891	-2%
Equipment	1,844,980	1,490,287	354,693	479,644	-26%
Work-in-Progress	523,039	-	523,039	10,000	5130%
Totals	\$ 93,327,511	\$ 38,670,715	\$ 54,656,796	\$ 55,094,509	-1%

At the end of the fiscal year 2021, the District had \$93,327,511 invested in land, buildings, furniture, equipment, and vehicles and work-in-progress located at the District's school sites. Overall capital assets decreased by 1% from fiscal year 2020 to fiscal year 2021 because of \$1,777,783 in current depreciation.

**PACIFICA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	2021	2020	Increase (Decrease)	Percent Change
General obligation bonds	\$ 43,073,664	\$ 45,861,859	\$ (2,788,195)	-6.08%
Unamortized bond premiums - net	1,112,364	1,167,549	(55,185)	-4.73%
Total OPEB liabilities	19,009,960	17,928,205	1,081,755	6.03%
Net pension liabilities	32,561,269	30,189,188	2,372,081	7.86%
Compensated absences	188,043	230,706	(42,663)	-18.49%
Total Debt	\$ 95,945,300	\$ 95,377,507	\$ 567,793	0.60%

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 2020-2021 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

In March 2020 COVID-19 shelter in place orders were ordered by the Governor. Because of the state shut down, districts were not required to complete the annual update for the LCAP nor adopt a new LCAP by June 2020. The state extended the time period in which to adopt an LCAP to December 2020. In the meantime, the state required districts to complete a Learning and Continuity and Attendance Plan in order to serve students during COVID-19. The District adopted the Learning Continuity and Attendance Plan in September 2020 and began the school year in distance learning.

As the District enters 2021-2022, 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 and began completing projects.

**PACIFICA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021

	Governmental Activities
Assets	
Current Assets:	
Cash and investments	\$ 34,819,156
Accounts receivable	6,258,097
Stores inventories	7,586
Total Current Assets	<u>41,084,839</u>
Noncurrent Assets:	
Capital assets - net	54,656,796
Total Noncurrent Assets	<u>54,656,796</u>
Total Assets	<u><u>\$ 95,741,635</u></u>
 Deferred Outflows of Resources	
Pension adjustments	\$ 7,128,710
OPEB adjustments	2,669,761
Total Deferred Outflows of Resources	<u><u>\$ 9,798,471</u></u>
 Liabilities	
Current Liabilities:	
Accounts payable	\$ 5,184,897
Unearned revenue	177,931
Accrued interest	1,229,964
Current loans	4,898,477
Total Current Liabilities	<u>11,491,269</u>
Long-term Liabilities:	
Due within one year:	
General obligation bonds payable	1,971,187
Compensated absences payable	188,043
Total due within one year	<u>2,159,230</u>
Due after one year:	
General obligation bonds payable	42,214,841
Total OPEB liability	19,009,960
Net pension liabilities	32,561,269
Total due after one year	<u>93,786,070</u>
Total long-term Liabilities	<u>95,945,300</u>
Total Liabilities	<u><u>\$ 107,436,569</u></u>
 Deferred Inflows of Resources	
Pension adjustments	\$ 2,587,836
OPEB adjustments	642,947
Total Deferred Inflows of Resources	<u><u>\$ 3,230,783</u></u>
 Net Position	
Net investment in capital assets	\$ 26,744,854
Restricted for:	
Capital projects	1,492,290
Debt service	3,614,605
Educational programs	1,883,661
Total restricted net position	<u>6,990,556</u>
Unrestricted (deficit)	(38,862,656)
Total Net Position	<u><u>\$ (5,127,246)</u></u>

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, 2021**

		Program Revenues		Net (Expense)
			Operating	Revenue and
	Expenses	Charges for	Grants and	Changes in
		Services	Contributions	Net Position
Governmental activities				
Instruction	\$ 25,294,524	\$ 19,238	\$ 4,301,243	\$ (20,974,043)
Instruction-related services:				
Supervision of instruction	1,240,400	1,059	69,430	(1,169,911)
Instruction library, media and technology	879,812	3,116	25,403	(851,293)
School site administration	2,786,660	-	180,853	(2,605,807)
Pupil services:				
Home-to-school transportation	61,272	-	1,443	(59,829)
Food services	1,006,530	-	727,736	(278,794)
All other pupil services	1,234,880	3,664	91,298	(1,139,918)
General administration:				
All other general administration	2,398,404	3	40,975	(2,357,426)
Plant services	6,373,698	36,754	365,586	(5,971,358)
Interagency and other	208,356	86,315	87,240	(34,801)
Interest on long-term debt	1,425,555	-	-	(1,425,555)
Total governmental activities	<u>\$ 42,910,091</u>	<u>\$ 150,149</u>	<u>\$ 5,891,207</u>	<u>(36,868,735)</u>
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				1,829,452
Taxes levied for debt service				4,913,517
Taxes levied for other specific purposes				1,296,211
Federal and state aid not restricted to specific purposes				26,598,147
Interest and investment earnings				324,548
Miscellaneous				946,484
Total general revenues				<u>35,908,359</u>
Change in net position				(960,376)
Net position beginning				<u>(4,166,870)</u>
Net position ending				<u>\$ (5,127,246)</u>

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

**PACIFICA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 9,682,701	\$ 15,295,055	\$ 4,834,190	\$ 5,007,210	\$ 34,819,156
Accounts receivable	6,144,793	39,044	10,379	63,881	6,258,097
Due from other funds	80,900	-	-	127,252	208,152
Stores inventories	-	-	-	7,586	7,586
Total Assets	<u>\$ 15,908,394</u>	<u>\$ 15,334,099</u>	<u>\$ 4,844,569</u>	<u>\$ 5,205,929</u>	<u>\$ 41,292,991</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 4,958,034	\$ 172,377	\$ -	\$ 54,486	\$ 5,184,897
Due to other funds	127,252	-	-	80,900	208,152
Unearned revenue	177,931	-	-	-	177,931
Current loans	4,898,477	-	-	-	4,898,477
Total Liabilities	<u>10,161,694</u>	<u>172,377</u>	<u>-</u>	<u>135,386</u>	<u>10,469,457</u>
Fund balances:					
Nonspendable:					
Revolving fund	7,500	-	-	-	7,500
Stores inventories	-	-	-	7,586	7,586
Restricted for:					
Educational programs	1,755,583	-	-	-	1,755,583
Debt service	-	-	4,844,569	-	4,844,569
Cafeteria programs	-	-	-	128,078	128,078
Capital projects	-	15,161,722	-	1,492,290	16,654,012
Assigned for:					
Debt service	-	-	-	232,392	232,392
Capital projects	-	-	-	3,180,228	3,180,228
Other postemployment benefits	902,055	-	-	-	902,055
Site repairs	-	-	-	29,969	29,969
Unassigned:					
Economic uncertainties	3,081,562	-	-	-	3,081,562
Total Fund Balances	<u>5,746,700</u>	<u>15,161,722</u>	<u>4,844,569</u>	<u>5,070,543</u>	<u>30,823,534</u>
Total Liabilities and Fund Balances	<u>\$ 15,908,394</u>	<u>\$ 15,334,099</u>	<u>\$ 4,844,569</u>	<u>\$ 5,205,929</u>	<u>\$ 41,292,991</u>

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, 2021

Total fund balances - governmental funds		\$ 30,823,534
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 \$93,327,511. and the accumulated depreciation is \$38,670,715.		54,656,796
To recognize accrued interest at year end which is not reported in the governmental funds		(1,229,964)
The differences from pension plan and OPEB 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.		(3,230,783)
Deferred outflows of resources include amounts that will not be included in the calculation of the District's net pension liability and total OPEB liability of the plan year included in this report such as current fiscal year contributions as recorded in the fund statements.		9,798,471
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	\$ 43,073,664	
Unamortized premiums from bond refunding	1,112,364	
Net pension liability	32,561,269	
Total OPEB liability	19,009,960	
Compensated absences (vacation)	188,043	(95,945,300)
Net position - governmental activities		<u>\$ (5,127,246)</u>

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, 2021

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
LCFF sources	\$ 27,724,516	\$ -	\$ -	\$ 73,900	\$ 27,798,416
Federal	1,953,261	-	639	347,783	2,301,683
Other state	3,996,843	-	21,916	50,175	4,068,934
Other local	1,548,972	587,282	4,918,520	725,908	7,780,682
Total revenues	35,223,592	587,282	4,941,075	1,197,766	41,949,715
Expenditures:					
Instruction	22,317,411	-	-	-	22,317,411
Instruction-related services:					
Supervision of instruction	1,081,973	-	-	-	1,081,973
Instruction library, media and technology	791,526	-	-	-	791,526
School site administration	2,449,705	-	-	-	2,449,705
Pupil services:					
Home-to-school transportation	44,450	-	-	-	44,450
Food services	337,503	-	-	511,615	849,118
All other pupil services	1,058,017	-	-	-	1,058,017
General administration:					
All other general administration	2,117,293	-	-	-	2,117,293
Plant services	3,414,040	2,378,128	-	337,968	6,130,136
Facility acquisition and construction	-	821,751	-	61,625	883,376
Interagency and other	208,356	-	-	-	208,356
Debt service:					
Principal	-	-	2,288,395	-	2,288,395
Interest and other costs	-	-	2,845,705	-	2,845,705
Total expenditures	33,820,274	3,199,879	5,134,100	911,208	43,065,461
Excess (deficiency) of revenues over (under) expenditures	1,403,318	(2,612,597)	(193,025)	286,558	(1,115,746)
Other financing sources (uses):					
Transfers in	-	-	-	118,000	118,000
Transfers out	(118,000)	-	-	-	(118,000)
Total other financing sources (uses)	(118,000)	-	-	118,000	-
Net change in fund balances	1,285,318	(2,612,597)	(193,025)	404,558	(1,115,746)
Fund balances beginning	4,461,382	17,774,319	5,037,594	4,665,985	31,939,280
Fund balances ending	\$ 5,746,700	\$ 15,161,722	\$ 4,844,569	\$ 5,070,543	\$ 30,823,534

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, 2021**

Total net change in fund balances - governmental funds	\$	(1,115,746)
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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 net deletions	\$	1,340,070	
Depreciation additions		(1,777,783)	(437,713)

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:

Repayment of bond principal		2,288,395
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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.		499,800
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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:		55,185
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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 outflows of resources.		(1,659,980)
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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.		(1,498,145)
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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:

		42,663
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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.

		865,165
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Changes in net position of governmental activities	\$	(960,376)
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The notes to the financial statements are an integral part of this statement

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021, 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.

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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. Basis of Accounting

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

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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.

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

The following summarizes the pension plan balances for the fiscal year:

	PERS	STRS	Total
Deferred outflows of resources	\$ 1,567,269	\$ 5,561,441	\$ 7,128,710
Deferred inflows of resources	\$ 887,646	\$ 1,700,190	\$ 2,587,836
Pension expense	\$ 1,508,707	\$ 4,238,448	\$ 5,747,155
Net pension liabilities	\$ 9,303,109	\$ 23,258,160	\$ 32,561,269

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2020
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

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.

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

- 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:

<u>Assets</u>	<u>Years</u>
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.

**PACIFICA SCHOOL DISTRICT
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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.

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2021, capital assets net of accumulated depreciation totaling \$54,656,796 was reduced by \$43,073,664 in related debt, increased by unspent bond proceeds of \$15,161,722. 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 \$4,834,190 that are restricted for debt service payments by debt covenants, reduced by outstanding bond premiums of \$1,112,364.

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.

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.

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

J. Implemented New Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities*.

Issued in January 2017, this statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and describes four fiduciary funds that should be reported, if applicable. The statement is effective beginning fiscal year 2021. Items previously reported as part of the agency fund classification of the Fiduciary Funds statements were reviewed to evaluate if they met the new custodial funds criteria. As of June 30, 2021, this Statement did not have an impact on the District's financial statements.

K. Upcoming Accounting and Reporting Changes

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

GASB Statement No. 87, *Leases*

Issued in June 2017, this statement establishes standards of accounting and financial reporting for leases by lessees and lessors. It provides guidance on accounting treatment of lease assets, lease liability, short-term leases, certain regulated leases, measurement for leases other than short-term leases and contracts that transfer ownership, subleases, lease-leaseback transactions, intra-entity leases, and leases between related parties. The statement will be effective beginning fiscal year 2022.

GASB Statement No. 91, *Conduit Debt Obligations*

Issued in May 2019, this statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement will be effective beginning fiscal year 2023. GASB Statement No. 92, "Omnibus 2020." Issued in January 2020, this statement was issued for clarity and consistency by addressing practice issues identified from the implementation and application of certain GASB statements. The statement will be effective beginning fiscal year 2022.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*

Issued in March 2020, this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) such as the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021. The statement will be effective beginning fiscal year 2022.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

Issued in March 2020, this statement is to improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and available payment arrangement (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. The statement will be effective beginning fiscal year 2023.

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

Issued in May 2020, the statement provides guidance on the accounting and financial reporting for subscription based information technology arrangements (SBITAs) for governments by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures regarding a SBITA. The statement will be effective beginning fiscal year 2023.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

Issued in June 2020, the statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (e.g., certain Section 457 plans), while mitigating the costs associated with reporting those plans. The statement will be effective beginning fiscal year 2022..

NOTE 2 - CASH AND INVESTMENTS

Summary of Deposits

A summary of deposits as of June 30, 2021, is as follows:

Description	Carrying Amount	Fair Value	Investment Rating
Government-Wide Statements:			
Cash in county treasury investment pool	\$ 34,755,639	\$ 34,884,235	AA
Cash in revolving fund	7,500	7,500	Not Rated
Cash in bank	26,040	26,040	Not Rated
Cash with fiscal agent	29,977	30,088	AA
Total Cash and Investments	<u>\$ 34,819,156</u>	<u>\$ 34,947,863</u>	

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, 2021, the bank balance of the District's accounts with banks was \$33,595, 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.

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

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 \$2.12 billion and an amortized book value of \$2.11 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

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2021:

Receivables	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Funds	Total
Federal Government	\$ 585,711	\$ -	\$ -	\$ 47,269	\$ 632,980
State Government	442,749	-	-	-	442,749
Other Local	48,949	329	-	3,801	53,079
Unrestricted:					
LCFF State Aid	4,961,289	-	-	-	4,961,289
Unrestricted	106,095	38,715	10,379	12,811	168,000
Total Accounts Receivable	<u>\$ 6,144,793</u>	<u>\$ 39,044</u>	<u>\$ 10,379</u>	<u>\$ 63,881</u>	<u>\$ 6,258,097</u>

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2021, is shown below:

Capital Assets	Balance July 01, 2020	Additions	Deletions	Balance June 30, 2021
Land - not depreciable	\$ 957,974	\$ -	\$ -	\$ 957,974
Work-in-progress - not depreciable	10,000	513,039	-	523,039
Buildings	86,962,541	747,646	(127,270)	87,582,917
Site improvements	2,310,792	107,809	-	2,418,601
Equipment	1,861,240	-	(16,260)	1,844,980
Total capital assets	92,102,547	1,368,494	(143,530)	93,327,511
Less accumulated depreciation for:				
Buildings	33,513,908	1,641,000	(98,846)	35,056,062
Site improvements	2,112,534	11,832	-	2,124,366
Equipment	1,381,596	124,951	(16,260)	1,490,287
Total accumulated depreciation	37,008,038	1,777,783	(115,106)	38,670,715
Total capital assets - net depreciation	<u>\$ 55,094,509</u>	<u>\$ (409,289)</u>	<u>\$ (28,424)</u>	<u>\$ 54,656,796</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activity	Depreciation Expense
Instruction	\$ 1,089,770
Supervision of instruction	66,926
Instruction library, media and technology	21,348
School site administration	129,788
Home-to-school transportation	13,063
Food services	85,604
All other pupil services	87,388
All other general administration	102,055
Plant services	181,841
Total depreciation expense	<u>\$ 1,777,783</u>

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.

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Interfund Receivables/Payables (Due From/Due To)

Interfund receivables and payables consisted of the following as of June 30, 2021:

Fund	Due From Other Funds	Due to Other Funds
General Fund	\$ 80,900	\$ 127,252
Nonmajor Funds	127,252	80,900
Totals	<u>\$ 208,152</u>	<u>\$ 208,152</u>

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 2021 were as follows:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 118,000
Nonmajor Funds	118,000	-
Totals	<u>\$ 118,000</u>	<u>\$ 118,000</u>

NOTE 6 – CURRENT LOANS

During the year ended June 30, 2021, the District received a \$7,000,000 Dry Period Financing Loan from the California School Finance Authority to supplement cash shortfalls created by the retraction of ERAF funds by the County Controller's Office. This was a short-term, temporary loan to be repaid by November 30, 2021 at less than 1% interest. The outstanding balance on the loan at June 30, 2021, was \$4,898,477.

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, 2021:

	Balance July 01, 2020	Additions/ Accretion	Reductions	Balance June 30, 2021	Due Within One Year
Long Term Liabilities					
General obligation bonds	\$ 47,029,408	\$ 1,656,805	\$ 4,500,185	\$ 44,186,028	\$ 1,971,187
Total OPEB obligation	17,928,205	5,514,491	4,432,736	19,009,960	-
Net pension liabilities	30,189,188	11,544,914	9,172,833	32,561,269	-
Compensated absences	230,706	-	42,664	188,043	188,043
Total Long-Term Liabilities	<u>\$ 95,377,507</u>	<u>\$ 18,716,210</u>	<u>\$ 18,148,418</u>	<u>\$ 95,945,300</u>	<u>\$ 2,159,230</u>

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.

**PACIFICA SCHOOL DISTRICT
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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, 2021:

Bond	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2020	Additions/ Accretion	Redeemed	Bonds Outstanding June 30, 2021
Principal Bonds:								
1998B	CAB	8/1/98	8/1/23	5.15-5.3	\$ 8,383,854	\$ 3,497,655	\$ -	\$ 2,595,459
2000C	CAB	6/15/00	9/1/30	5-6.12	6,492,858	5,608,912	-	5,522,713
SERIES 2018	GOB	9/12/18	8/1/48	4-5	18,000,000	16,350,000	-	15,050,000
Subtotal General Obligation Bonds				32,876,712	25,456,567	-	2,288,395	23,168,172
Accreted Interest:								
1998B					7,266,183	502,529	1,947,804	5,820,908
2000C					13,139,109	1,154,276	208,801	14,084,584
Subtotal Accreted Interest					20,405,292	1,656,805	2,156,605	19,905,492
Unamortized Bond Premium				1,537,401	1,167,549	-	55,185	1,112,364
Total General Obligation Bonds				<u>\$34,414,113</u>	<u>\$ 47,029,408</u>	<u>\$ 1,656,805</u>	<u>\$ 4,500,185</u>	<u>\$ 44,186,028</u>

The following is a summary of the District's annual debt service requirements as of June 30, 2021:

For the Fiscal Year Ending June 30,	Principal	Interest to Maturity	Total
2022	\$ 1,971,187	\$ 2,931,913	\$ 4,903,100
2023	954,498	3,048,602	4,003,100
2024	89,969	3,186,216	3,276,185
2025	1,676,025	3,418,990	5,095,015
2026-2030	4,087,928	19,147,822	23,235,750
2031-2035	2,098,565	6,331,584	8,430,149
2036-2040	2,670,000	2,463,350	5,133,350
2041-2045	4,410,000	1,635,250	6,045,250
2046-2050	5,210,000	436,800	5,646,800
Total Debt Service	<u>\$ 23,168,172</u>	<u>\$ 42,600,527</u>	<u>\$ 65,768,699</u>

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2021, 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	20.700%	20.700%

(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.

**PACIFICA SCHOOL DISTRICT
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For the year ended June 30, 2021, the District's contributions were as follows:

	CalPERS
Employer Contributions	\$ 878,087

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

As of June 30, 2021, 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)
CalPERS	\$ 9,303,109

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, 2020, 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, 2019 rolled forward to June 30, 2020 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, 2020 and 2021 was as follows:

	CalPERS
Proportion - June 30, 2020	0.03231%
Proportion - June 30, 2021	0.03032%
Change - Increase/(Decrease)	-0.00199%

For the year ended June 30, 2021, the District recognized pension expense of \$1,508,707 for the Plan.

At June 30, 2021, 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	\$ 34,115	\$ -
Differences between Expected and Actual Experience	461,406	-
Differences between Projected and Actual Investment Earnings	193,661	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	205,373
Change in Employer's Proportion	-	682,273
Pension Contributions Made Subsequent to Measurement Date	878,087	-
Total	\$ 1,567,269	\$ 887,646

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The District reported \$878,087 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, 2022.

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	Deferred Outflows/ (Inflows) of Resources
Ending June 30:	CalPERS
2022	\$ (121,511)
2023	(104,422)
2024	(45,951)
2025	73,419
2026	-
Thereafter	-
Total	\$ (198,465)

Actuarial Assumptions - The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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 entry 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, 2020 based on June 30, 2019 Valuations, that can be obtained from the CalPERS website.

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 Public Employees Retirement Fund (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.

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
	Asset Allocation		
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 ACFR, 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 2.00% 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	\$ 13,374,915
Current	7.15%
Net Pension Liability	\$ 9,303,109
1% Increase	8.15%
Net Pension Liability	\$ 5,923,714

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

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021, 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	16.150%	16.150%
Required State contribution rates	10.328%	10.328%

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, 2021, the District's contributions were as follows:

	CalSTRS
Employer Contributions	\$ 1,925,558
State Contributions	1,286,134
Total	<u>\$ 3,211,692</u>

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

As of June 30, 2021, 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	\$ 23,258,160
State	11,989,581
Total	\$ 35,247,741

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, 2020, 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, 2019 rolled forward to June 30, 2020 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 10.47 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year plus. 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, 2020 and 2021 was as follows:

	CalSTRS
Proportion - June 30, 2020	0.02300%
Proportion - June 30, 2021	0.02400%
Change - Increase/(Decrease)	0.00100%

For the year ended June 30, 2021, the District recognized pension expense of \$4,238,448 for the Plan.

At June 30, 2021, 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	\$ 2,268,000	\$ -
Differences between Expected and Actual Experience	41,040	655,920
Differences between Projected and Actual Investment Earnings	552,480	-
Differences between Employer's Contributions and Proportionate Share of Contributions	48,457	716,739
Change in Employer's Proportion	725,906	327,531
Pension Contributions Made Subsequent to Measurement Date	1,925,558	-
Total	\$ 5,561,441	\$ 1,700,190

The District reported \$1,925,558 as deferred outflows of resources related to contributions subsequent

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The District reported \$1,925,558 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, 2022.

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	Deferred Outflows/ (Inflows) of Resources
Ending June 30:	CalSTRS
2022	\$ 109,131
2023	679,131
2024	899,479
2025	254,057
2026	(71,962)
Thereafter	65,857
Total	\$ 1,935,693

Actuarial Assumptions - The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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

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

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 and summarized as follows:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return (a) (b)</u>
Global Equity	42.00%	4.75%
Private Equity	13.00%	6.25%
Real Estate	15.00%	3.55%
Inflation Sensitive	6.00%	3.25%
Fixed Income	12.00%	1.25%
Risk Mitigation Strategies	10.00%	1.75%
Liquidity	2.00%	-0.35%
Total	<u>100.00%</u>	

(a) Real return is net of assumed 2.75% inflation.

(b) 20-year geometric 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:

	<u>CalSTRS</u>
1% Decrease	6.10%
Net Pension Liability	\$ 35,139,840
Current	7.10%
Net Pension Liability	\$ 23,258,160
1% Increase	8.10%
Net Pension Liability	\$ 13,448,160

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

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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:

	<u>Certificated</u>	<u>Classified</u>	<u>Management</u>
Benefits Provided:	Medical and dental	Medical and dental	Medical, dental and vision
Duration of Benefits:	10 years but not beyond age 70	To age 70	10 years 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%
Cap:	None	None	None

Employees Covered by Benefit Terms

At June 30, 2020 (the valuation date), the benefit terms covered the following employees:

Active employees	286
Inactive employees	<u>191</u>
Total employees	<u><u>477</u></u>

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 \$579,994. Total benefit payments included in the measurement period were \$579,994.

The actuarially determined contribution for the measurement period was \$2,319,753. The District's contributions were 3.73% of covered payroll during the measurement period June 30, 2020. 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.

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Actuarial Assumptions

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

Valuation Date:	June 30, 2020
Measurement Date:	June 30, 2020
Actuarial Cost Method:	Entry Age Actuarial Cost
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	2.20%
Inflation	2.75%
Salary Increases	2.75%
Healthcare Trend Rate	4.00%
Investment Rate of Return	2.20%, Net of OPEB plan investment expenses, including inflation
Mortality	2020 CalSTRS Mortality
	2017 CalPERS Mortality for Miscellaneous and School Employees
Retirement	Hired 2013 and earlier, 2020 CALSTRS 2.0% @ 60 Rates
	Hired 2013 and earlier, 2020 CALSTRS 2.0% @ 62 Rates
	Hired 2012 and earlier, 2017 CalPERS 2.0% @ 55 Rates for Schools Employees
	Hired 2013 and after, 2017 CalPERS, 2017 CALPERS 2.0% @ Rates for Schools 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, 2020:

Fiscal Year Ended June 30, 2021 (Measurement Date June 30, 2021)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2020	\$ 17,928,205	\$ -	\$ 17,928,205
Service cost	1,134,607	-	1,134,607
Interest in Total OPEB Liability	527,142	-	527,142
Benefit payments	(579,994)	-	(579,994)
Net changes	1,081,755	-	1,081,755
Balance at June 30, 2021	\$ 19,009,960	\$ -	\$ 19,009,960
Covered Employee Payroll	\$ 15,544,317		
Total OPEB Liability as a % of Covered Employee Payroll	122.30%		
Plan Fid. Net Position as a % of Total OPEB Liability	0.00%		
Service Cost as a % of Covered Employee Payroll	7.30%		
Net OPEB Liability as a % of Covered Employee Payroll	122.30%		

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.

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Deferred Inflows and Outflows of Resources

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 642,947
Change in assumptions	2,669,761	-
Totals	\$ 2,669,761	\$ 642,947

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

Year Ended June 30,	Amount
2022	\$ 416,390
2023	416,390
2024	416,390
2025	375,680
2026	334,970
Thereafter	66,994
Total	\$ 2,026,814

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2021.

Service cost	\$ 1,134,607
Interest in TOL	527,142
Difference between actual and expected experience	(123,644)
Change in assumptions	540,034
OPEB Expense	\$ 2,078,139

The following summarizes changes in the total OPEB liability as reconciled to OPEB expense during the year ended June 30, 2021, for the measurement date of June 30, 2020:

Total OPEB liability ending	\$ 19,009,960
Total OPEB liability beginning	(17,928,205)
Change in total OPEB liability	1,081,755
Changes in deferred outflows	540,034
Changes in deferred inflows	(123,644)
Benefit payments and adjustments	579,994
OPEB Expense	\$ 2,078,139

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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)	2.20%	(1% Increase)
Total OPEB Liability	\$ 21,688,535	\$ 19,009,960	\$ 16,795,073

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	\$ 13,958,859	\$ 19,009,960	\$ 22,565,182

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.

**PACIFICA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

	SMCSIG
	June 30, 2020
Total Assets and Deferred Outflows	\$ 26,765,380
Total Liabilities and Deferred Inflows	11,162,290
Total Equity	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.

NOTE 12 - SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus surfaced (COVID-19) and spread around the world, with resulting business and social disruption. The operations and business results of the District could be materially and adversely affected in the future, including a reduction in the level of funding and potential impacts from the timing of cash flows. In addition, significant estimates may be materially and adversely impacted by national, state and local events designed to contain the coronavirus. Debt ratings for outstanding issuances may further be impacted. For the 2021-2022 school year, the District is offering instruction in formats consistent with local health guidelines. Throughout the pandemic the District has put into practice a number of safety measures to protect students and employees and will continue to revise them as needed. At the date of the issuance of these financial statements, the future impact of the CV19 Crisis cannot be reasonably estimated.

**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, 2021

	Budgeted Amounts			Variance with Final Budget Positive - (Negative)
	Original	Final	Actual (GAAP Basis)	
Revenues:				
LCFF sources	\$ 27,206,720	\$ 32,543,224	\$ 27,724,516	\$ (4,818,708)
Federal	736,831	2,211,468	1,953,261	(258,207)
Other state	1,798,805	3,424,612	3,996,843	572,231
Other local	1,961,680	2,014,174	1,548,972	(465,202)
Total revenues	31,704,036	40,193,478	35,223,592	(4,969,886)
Expenditures:				
Certificated salaries	12,306,928	9,987,835	12,397,366	(2,409,531)
Classified salaries	4,486,878	4,575,657	4,329,582	246,075
Employee benefits	9,928,906	12,944,343	9,692,933	3,251,410
Books and supplies	995,475	1,996,210	1,156,654	839,556
Services and other operating expenditures	4,911,206	6,940,088	6,048,840	891,248
Other outgo	207,703	205,243	194,899	10,344
Total expenditures	32,837,096	36,649,376	33,820,274	2,829,102
Excess (deficiency) of revenues over (under) expenditures	(1,133,060)	3,544,102	1,403,318	(2,140,784)
Other financing sources (uses):				
Transfers in	625,000	300,000	-	(300,000)
Transfers out	(725,000)	(600,000)	(118,000)	482,000
Total other financing sources (uses)	(100,000)	(300,000)	(118,000)	182,000
Net change in fund balances	(1,233,060)	3,244,102	1,285,318	(1,958,784)
Fund balance beginning	2,052,100	827,684	4,461,382	3,633,698
Fund balance ending	\$ 819,040	\$ 4,071,786	\$ 5,746,700	\$ 1,674,914

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. The budgetary control level is by object on the modified accrual basis per U.S. GAAP. Expenditures can not legally exceed appropriations by major object. Any excesses were not in accordance with Education Code 42600.

**PACIFICA SCHOOL DISTRICT
SCHEDULE OF CALPERS PENSION PLAN CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

CalPERS	2015	2016	2017	2018	2019	2020	2021
Contractually Required Contributions	\$ 434,161	\$ 516,127	\$ 629,910	\$ 707,467	\$ 810,732	\$ 877,359	\$ 878,087
Contributions in Relation to Contractually Required Contributions	434,161	516,127	629,910	707,467	810,732	877,359	878,087
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,688,395	\$ 4,356,605	\$ 4,535,642	\$ 4,555,193	\$ 4,488,606	\$ 4,448,857	\$ 4,241,966
Contributions as a % of Covered Payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%

Notes to Schedule:

Valuation Date: June 30, 2019
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
4.1 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 six years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.
The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.
In 2019, the amortization period for actuarial gains and losses was shortened from 30 years to 20 years.
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

**PACIFICA SCHOOL DISTRICT
SCHEDULE OF CALPERS PROPORTIONATE SHARE
OF NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

CalPERS	2015	2016	2017	2018	2019	2020	2021
District's Proportion of Net Pension Liability	0.03310%	0.03144%	0.03313%	0.03555%	0.03443%	0.03231%	0.03032%
District's Proportionate Share of Net Pension Liability	\$ 3,757,655	\$ 4,633,745	\$ 6,542,362	\$ 8,486,723	\$ 9,180,122	\$ 9,416,508	\$ 9,303,109
Covered Payroll	\$ 3,478,317	\$ 3,688,395	\$ 4,356,605	\$ 4,535,642	\$ 4,555,193	\$ 4,488,606	\$ 4,448,857
Proportionate Share of NPL as a % of Covered Payroll	108.03%	125.63%	150.17%	187.11%	201.53%	209.79%	209.11%
Plan's Fiduciary Net Position as a % of the TPL	83.38%	79.43%	73.90%	71.87%	70.85%	70.05%	70.00%

Fiscal year 2015 was the first year of implementation, therefore only six 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.

In 2019, the amortization period for actuarial gains and losses was shortened from 30 years to 20 years.

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, 2021**

CalSTRS	2015	2016	2017	2018	2019	2020	2021
Contractually Required Contributions	\$ 1,013,870	\$ 1,344,767	\$ 1,566,961	\$ 1,786,933	\$ 2,009,014	\$ 2,120,415	\$ 1,925,558
Contributions in Relation to Contractually Required Contributions	1,013,870	1,344,767	1,566,961	1,786,933	2,009,014	2,120,415	1,925,558
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 11,417,455	\$ 12,532,777	\$ 12,455,970	\$ 12,383,458	\$ 12,340,381	\$ 12,400,088	\$ 11,922,960
Contributions as a % of Covered Payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%	16.15%

Notes to Schedule:

Valuation Date: June 30, 2019
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-2019 Ultimate Projection Scale table issued by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only seven 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, 2021**

CalSTRS	2015	2016	2017	2018	2019	2020	2021
District's Proportion of Net Pension Liability	0.02500%	0.02211%	0.02242%	0.02300%	0.02300%	0.02300%	0.02400%
District's Proportionate Share of Net Pension Liability	\$ 14,609,250	\$ 14,882,504	\$ 18,136,184	\$ 21,270,170	\$ 21,138,610	\$ 20,772,680	\$ 23,258,160
State's Proportionate Share of Net Pension Liability Associated with the District Total	<u>8,821,650</u> <u>\$ 23,430,900</u>	<u>7,871,208</u> <u>\$ 22,753,712</u>	<u>10,324,567</u> <u>\$ 28,460,751</u>	<u>12,583,220</u> <u>\$ 33,853,390</u>	<u>12,102,911</u> <u>\$ 33,241,521</u>	<u>11,332,951</u> <u>\$ 32,105,631</u>	<u>11,989,581</u> <u>\$ 35,247,741</u>
Covered Payroll	\$ 10,958,085	\$ 11,417,455	\$ 12,532,777	\$ 12,455,970	\$ 12,383,458	\$ 12,340,381	\$ 12,400,088
District's Proportionate Share of NPL as a % of Covered Payroll	133.32%	130.35%	144.71%	170.76%	170.70%	168.33%	187.56%
Plan's Fiduciary Net Position as a % of the TPL	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%

Fiscal year 2015 was the first year of implementation, therefore only seven 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, 2021**

Fiscal Year Ended	2018	2019	2020	2021
Total OPEB liability				
Service cost	\$ 973,689	\$ 1,000,465	\$ 1,090,968	\$ 1,134,607
Interest	469,295	469,295	515,795	527,142
Differences between expected and actual experience	-	-	(890,234)	-
Changes of assumptions	-	-	3,793,741	-
Benefit payments	(545,421)	(534,810)	(563,711)	(579,994)
Net change in Total OPEB Liability	897,563	934,950	3,946,559	1,081,755
Total OPEB Liability - beginning	12,149,133	13,046,696	13,981,646	17,928,205
Total OPEB Liability - ending	<u>\$ 13,046,696</u>	<u>\$ 13,981,646</u>	<u>\$ 17,928,205</u>	<u>\$ 19,009,960</u>
Plan fiduciary net position				
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability (asset)	\$ 13,046,696	13,981,646	17,928,205	19,009,960
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	\$ 16,169,197	\$ 16,168,197	\$ 16,149,177	\$ 15,872,056
Net OPEB liability as a percentage of covered employee payroll	80.69%	86.48%	111.02%	119.77%
Total OPEB liability as a percentage of covered employee payroll	80.69%	86.48%	111.02%	119.77%

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 no changes in benefit terms.

The discount rate was decreased from 3.5% in 2019 to 2.2% in 2020.

There were no changes in trend rates or assumptions.

**SUPPLEMENTARY
INFORMATION**

**PACIFICA SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Special Revenue Fund		Capital Projects Funds		Debt Service Funds	
	Deferred Maintenance Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve for Capital Projects Fund	Tax Override Fund	Total Nonmajor Funds
Assets						
Cash and investments	\$ 29,893	\$ 139,304	\$ 690,049	\$ 3,915,136	\$ 232,828	\$ 5,007,210
Accounts receivable	77	47,269	3,801	12,153	581	63,881
Due from other funds	33,900	15,000	-	78,352	-	127,252
Stores inventories	-	7,586	-	-	-	7,586
Total Assets	<u>\$ 63,870</u>	<u>\$ 209,159</u>	<u>\$ 693,850</u>	<u>\$ 4,005,641</u>	<u>\$ 233,409</u>	<u>\$ 5,205,929</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ 26,495	\$ -	\$ 27,991	\$ -	\$ 54,486
Due to other funds	33,900	47,000	-	-	-	80,900
Total Liabilities	<u>33,900</u>	<u>73,495</u>	<u>-</u>	<u>27,991</u>	<u>-</u>	<u>135,386</u>
Fund balances:						
Nonspendable stores inventories	-	7,586	-	-	-	7,586
Restricted for cafeteria programs	-	128,078	-	-	-	128,078
Restricted for capital projects	-	-	-	1,491,273	1,017	1,492,290
Assigned for debt service	-	-	-	-	232,392	232,392
Assigned for capital projects	-	-	693,849	2,486,379	-	3,180,228
Assigned for site repairs	29,969	-	-	-	-	29,969
Total Fund Balances	<u>29,969</u>	<u>135,664</u>	<u>693,849</u>	<u>3,977,652</u>	<u>233,409</u>	<u>5,070,543</u>
Total Liabilities and Fund Balances	<u>\$ 63,869</u>	<u>\$ 209,159</u>	<u>\$ 693,849</u>	<u>\$ 4,005,643</u>	<u>\$ 233,409</u>	<u>\$ 5,205,929</u>

**PACIFICA SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Special Revenue Fund		Capital Projects Funds		Debt Service Funds	
	Deferred Maintenance Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve for Capital Projects Fund	Tax Override Fund	Total Nonmajor Funds
Revenues:						
LCFF sources	\$ 73,900	\$ -	\$ -	\$ -	\$ -	\$ 73,900
Federal	-	347,783	-	-	-	347,783
Other state	-	50,175	-	-	-	50,175
Other local	410	2,046	157,172	563,494	2,786	725,908
Total revenues	74,310	400,004	157,172	563,494	2,786	1,197,766
Expenditures:						
Pupil services:						
Food services	-	511,615	-	-	-	511,615
Plant services	70,751	-	-	267,217	-	337,968
Facility acquisition and construction	-	-	-	61,625	-	61,625
Total expenditures	70,751	511,615	-	328,842	-	911,208
Excess (deficiency) of revenues over (under) expenditures	3,559	(111,611)	157,172	234,652	2,786	286,558
Other financing sources (uses):						
Transfers in	-	118,000	-	-	-	118,000
Total other financing sources (uses)	-	118,000	-	-	-	118,000
Net change in fund balances	3,559	6,389	157,172	234,652	2,786	404,558
Fund balances beginning	26,410	129,275	536,677	3,743,000	230,623	4,665,985
Fund balances ending	\$ 29,969	\$ 135,664	\$ 693,849	\$ 3,977,652	\$ 233,409	\$ 5,070,543

**STATE AND FEDERAL
AWARD COMPLIANCE
SECTION**

**PACIFICA SCHOOL DISTRICT
ORGANIZATION (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The District was established in 1980 and serves approximately 3,100 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
Kai Doggett	President	2024
Lynda Brocchini	Vice-President	2024
Laverne Villalobos	Clerk	2022
Nidhi Patel	Vice Clerk	2022
Elizabeth Bredall	Member	2022

Administration

Heather Olsen
Superintendent

Julie Carrillo
Executive Director, Special Education, and Pupil Services

Will Lucey
Executive Director, Educational Support Services

Josephine Peterson
Chief Business Official

Alexis O’Faherty
Executive Director Human Resources

**PACIFICA SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Grade Level	Minutes Requirements	2021 Actual Minutes	Actual Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	n/a	n/a	180	0	In compliance ⁽¹⁾
Grade 1	n/a	n/a	180	0	In compliance ⁽¹⁾
Grade 2	n/a	n/a	180	0	In compliance ⁽¹⁾
Grade 3	n/a	n/a	180	0	In compliance ⁽¹⁾
Grade 4	n/a	n/a	180	0	In compliance ⁽¹⁾
Grade 5	n/a	n/a	180	0	In compliance ⁽¹⁾
Grade 6	n/a	n/a	180	0	In compliance ⁽¹⁾
Grade 7	n/a	n/a	180	0	In compliance ⁽¹⁾
Grade 8	n/a	n/a	180	0	In compliance ⁽¹⁾

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. However, for fiscal year 2021, districts are only required to offer a minimum number of days based on Education Code Section 46200, chapter 2, part 26. This schedule reports the District's compliance with this Ed. Code Section.

**PACIFICA SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021

	(Budget ¹)			
	2022	2021	2020	2019
<u>General Fund</u>				
Revenues and other financial sources	\$ 33,896,567	\$ 35,223,592	\$ 33,138,235	\$ 34,167,415
Expenditures	33,346,684	33,820,274	32,612,386	33,297,979
Other uses and transfers out	300,000	118,000	306,000	56,000
Total outgo	33,646,684	33,938,274	32,918,386	33,353,979
Change in fund balance	\$ 249,883	\$ 1,285,318	\$ 219,849	\$ 813,436
Ending fund balance	\$ 5,996,583	\$ 5,746,700	\$ 4,461,382	\$ 4,241,533
Available reserves ⁽²⁾	\$ 2,841,117	\$ 3,081,562	\$ 2,543,862	\$ 2,007,598
Unassigned - Reserved for economic uncertainties	\$ 2,841,117	\$ 3,081,562	\$ 2,543,862	\$ 1,750,078
Unassigned fund balance	\$ -	\$ -	\$ -	\$ 257,520
Available reserves as a percentage of total outgo	8.44%	9.08%	7.73%	6.02%
Total long-term debt	\$ 93,786,070	\$ 95,945,300	\$ 95,377,507	\$ 94,509,819
Average daily attendance at P-2	2,879	2,983	2,983	2,987

Average daily attendance has decreased by 4 over the past three years. The district anticipates decrease of 104 ADA in 2021-22.

The fund balance in the General Fund has decreased by \$1,505,167 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 3 of the past 3 years. Total long-term debt has increased by \$1,435,481.

¹ Budget numbers are based on the first adopted budget of the fiscal year 2021/22.

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, 2021**

PROGRAM NAME	FEDERAL CATALOG NUMBER	PASS THROUGH NUMBER	PROGRAM EXPENDITURE
U. S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education			
<i>Special Education Cluster</i>			
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	\$ 617,251
Special Ed: IDEA Local Assistance, Part B, Sec 611	84.027	10115	17,920
Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	90
Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	84.173	13430	15,230
<i>Total Special Education Cluster</i>			<u>650,491</u>
ESEA (ESSA): Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	121,418
ESEA (ESSA): Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	14,450
ESEA (ESSA) Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	9,400
ESEA (ESSA): Title III, English Learner Student Program	84.365	14346	23,854
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425	15536	82,456
Governor's Emergency Education Relief (GEER) Fund: Learning LossMitigation	84.425C	15517	<u>21,557</u>
TOTAL U. S. DEPARTMENT OF EDUCATION			<u>923,626</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Grants:			
Unrestricted: Medi-Cal Administrative Activities (MAA)	93.778	10060	<u>3,917</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>3,917</u>
U.S. DEPARTMENT OF TREASURY			
Passed Through California Department of Education			
Coronavirus Relief Fund (CRF): Learning Loss Mitigation	⁽¹⁾ 21.019	25516	<u>1,025,718</u>
TOTAL U.S. DEPARTMENT OF TREASURY			<u>1,025,718</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education			
<i>Child Nutrition Cluster</i>			
National School Lunch Program	10.555	13391	347,783
School Noncash Commodities Program	10.555	N/A	<u>71,724</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>419,507</u>
TOTAL FEDERAL PROGRAMS			<u>\$ 2,372,768</u>

⁽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, 2021

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds
June 30, 2021 Annual Financial and Budget Report Fund Balances	\$ 4,071,791	\$ 15,161,722	\$ 4,844,569	\$ 6,745,451
Adjustments and Reclassifications:				
Special Reserve Fund for Other Than Capital Outlay Projects:				
Cash with County Treasury	770,933	-	-	(770,933)
Accounts Receivable	1,921	-	-	(1,921)
Special Reserve Fund for Postemployment Benefits:				
Cash with County Treasury	899,813	-	-	(899,813)
Accounts Receivable	2,242	-	-	(2,242)
June 30, 2021 Audited Financial Statements Fund Balances	<u>\$ 5,746,700</u>	<u>\$ 15,161,722</u>	<u>\$ 4,844,569</u>	<u>\$ 5,070,542</u>

**PACIFICA SCHOOL DISTRICT
NOTES TO STATE AND FEDERAL AWARD COMPLIANCE SECTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. PURPOSE OF SCHEDULES

A. Schedule of Instructional Time

This schedule presents information on the amount of instructional time/days offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

B. 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.

C. 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.

D. 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.

E. 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.

**PACIFICA SCHOOL DISTRICT
NOTES TO STATE AND FEDERAL AWARD COMPLIANCE SECTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**



**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, 2021, 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 30, 2021.

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,



Chavan and Associates, LLP
Certified Public Accountants

providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 30, 2021
Morgan Hill, California



**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, 2021. 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, 2021.



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 30, 2021
Morgan Hill, California



**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 *2020-21 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, 2021.

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, *2020-21 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 *2020-21 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:

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



<u>Description</u>	<u>Procedures Performed</u>
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	N/A
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	N/A
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, 2021.

C & A LLP

December 30, 2021
Morgan Hill, California

FINDINGS AND RECOMMENDATIONS

**PACIFICA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

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:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
21.019	Coronavirus Relief Fund (CRF): Learning Loss Mitigation

Dollar threshold used to distinguish between
type A and type B programs: \$ 750,000

Auditee qualified as low risk auditee? x Yes 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

**PACIFICA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

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.

**PACIFICA SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2021**

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.