

**PETALUMA CITY SCHOOLS
SONOMA COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2022**

NIGRO & NIGRO^{PC}

PETALUMA CITY SCHOOLS
For the Fiscal Year Ended June 30, 2022
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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
Petaluma City Schools
Petaluma, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Petaluma City Schools, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Petaluma City Schools, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

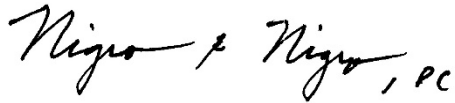
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by 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), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for the LEA Organization Structure and the Schedule of Charter Schools, 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 Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents, except for the LEA Organization Structure and the Schedule of Charter Schools, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The LEA Organization Structure and the Schedule of Charter Schools has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
December 14, 2022

PETALUMA CITY SCHOOLS

Management's Discussion and Analysis (Unaudited) For the Fiscal Year Ended June 30, 2022

This discussion and analysis of Petaluma City Schools' financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

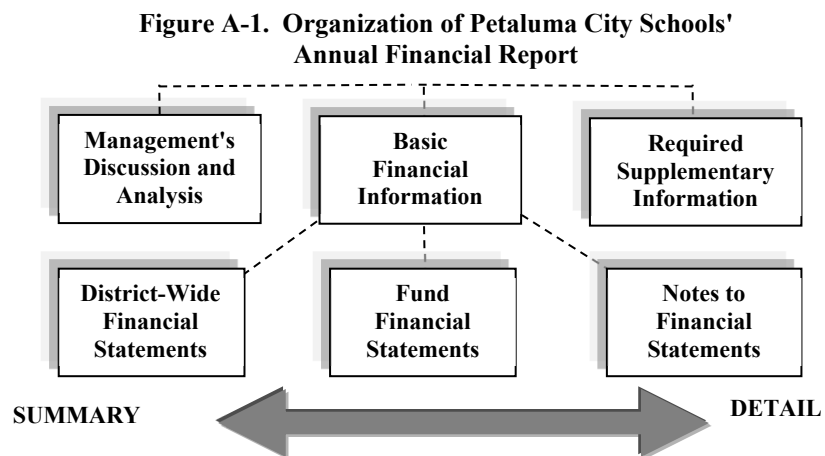
- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$14.9 million, or 201.7%.
- Governmental expenses were about \$101.8 million. Revenues were about \$116.7 million.
- The District acquired over \$10.3 million in new capital assets during the year.
- Governmental funds decreased by \$3.0 million, or 5.5%.
- Reserves for the General Fund decreased by \$37,386, or 0.4%. Revenues were \$109.0 million and expenditures and transfers out were \$105.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
 - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds* statements.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



PETALUMA CITY SCHOOLS

Management's Discussion and Analysis (Unaudited) For the Fiscal Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that is properly using certain revenues.

The District has two kinds of funds:

- 1) ***Governmental funds*** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- 2) ***Proprietary funds*** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the District-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured programs for workers' compensation claims, health and welfare benefits, and property and liability claims.

PETALUMA CITY SCHOOLS

Management's Discussion and Analysis (Unaudited) For the Fiscal Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2022, than it was the year before increasing 201.7% to \$22.2 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance	Business-Type Activities		Variance
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Assets						
Current assets	\$ 62,837,250	\$ 62,605,250	\$ 232,000	\$ 9,356	\$ 9,303	\$ 53
Capital assets	91,542,888	88,785,996	2,756,892	1,421	1,421	-
Total assets	<u>154,380,138</u>	<u>151,391,246</u>	<u>2,988,892</u>	<u>10,777</u>	<u>10,724</u>	<u>53</u>
Total deferred outflows of resources	<u>26,968,457</u>	<u>31,707,921</u>	<u>(4,739,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities						
Current liabilities	11,513,427	8,520,697	2,992,730	-	-	-
Long-term liabilities	106,131,585	158,980,791	(52,849,206)	-	-	-
Total liabilities	<u>117,645,012</u>	<u>167,501,488</u>	<u>(49,856,476)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>41,489,375</u>	<u>8,234,534</u>	<u>33,254,841</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position						
Net investment in capital assets	46,691,238	41,084,463	5,606,775	1,421	1,421	-
Restricted	29,522,090	28,024,406	1,497,684	9,356	9,303	53
Unrestricted	(53,999,120)	(61,745,724)	7,746,604	-	-	-
Total net position	<u>\$ 22,214,208</u>	<u>\$ 7,363,145</u>	<u>\$ 14,851,063</u>	<u>\$ 10,777</u>	<u>\$ 10,724</u>	<u>\$ 53</u>

Changes in net position, governmental activities. The District's total revenues increased 5.3% to \$116.7 million (See Table A-2). The increase is due primarily to an increase in federal and state categorical funds.

The total cost of all programs and services decreased 5.1% to \$101.8 million. The District's expenses are predominantly related to educating and caring for students, 80.5%. The purely administrative activities of the District accounted for just 5.6% of total costs. A significant contributor to the decrease in costs is reduced pension expense resulting from State actuarial estimates.

Table A-2: Statement of Activities

	Governmental Activities		Variance	Business-Type Activities		Variance
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Revenues						
Program Revenues:						
Charges for services	\$ 4,475,923	\$ 3,747,646	\$ 728,277	\$ -	\$ -	\$ -
Operating grants and contributions	24,896,720	22,413,714	2,483,006	-	-	-
General Revenues:						
Property taxes	56,814,569	55,464,322	1,350,247	-	-	-
Federal and state aid not restricted	28,979,129	28,322,533	656,596	-	-	-
Other general revenues	1,516,131	886,292	629,839	53	71	(18)
Total Revenues	<u>116,682,472</u>	<u>110,834,507</u>	<u>5,847,965</u>	<u>53</u>	<u>71</u>	<u>(18)</u>
Expenses						
Instruction-related	67,760,097	75,489,467	(7,729,370)	-	-	-
Pupil services	14,206,641	11,500,622	2,706,019	-	-	-
Administration	5,673,923	5,442,017	231,906	-	-	-
Plant services	10,890,277	11,916,912	(1,026,635)	-	-	-
All other activities	3,300,471	2,940,443	360,028	-	-	-
Total Expenses	<u>101,831,409</u>	<u>107,289,461</u>	<u>(5,458,052)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>\$ 14,851,063</u>	<u>\$ 3,545,046</u>	<u>\$ 11,306,017</u>	<u>\$ 53</u>	<u>\$ 71</u>	<u>\$ (18)</u>
Total net position	<u>\$ 22,214,208</u>	<u>\$ 7,363,145</u>		<u>\$ 10,777</u>	<u>\$ 10,724</u>	

PETALUMA CITY SCHOOLS

Management's Discussion and Analysis (Unaudited) For the Fiscal Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$51.4 million, which is below last year's ending fund balance of \$54.3 million. The primary cause of the decreased fund balance is associated with an increase in instructional related expenses and pupil services expenses.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2021	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2022
General Fund	\$ 22,634,100	\$ 108,889,461	\$ 105,523,281	\$ -	\$ 26,000,280
Student Activity Fund	225,168	286,018	319,752	-	191,434
Adult Education Fund	2,693,187	2,267,614	2,080,279	-	2,880,522
Cafeteria Fund	258,034	4,126,081	3,125,277	-	1,258,838
Deferred Maintenance Fund	4,579	26	-	-	4,605
Building Fund	13,132,789	60,043	4,829,590	-	8,363,242
Capital Facilities Fund	3,511,688	1,328,667	236,871	-	4,603,484
Special Reserve Fund (Capital Outlay)	2,039,635	1,282,887	1,439,996	-	1,882,526
Bond Interest and Redemption Fund	9,739,264	5,702,135	9,366,100	-	6,075,299
Scholarship Fund	107,745	50	-	-	107,795
Totals	<u>\$ 54,346,189</u>	<u>\$ 123,942,982</u>	<u>\$ 126,921,146</u>	<u>\$ -</u>	<u>\$ 51,368,025</u>

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – decreased by \$0.5 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$4.8 million to reflect revised cost estimates.
- Other non-personnel expenses – decreased \$12.9 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$0.6 million, the actual results for the year show that revenues exceeded expenditures by roughly \$3.4 million. Actual revenues were \$7.5 million more than anticipated, and expenditures were \$4.7 million more than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021-22 the District had acquired \$10.3 million in new capital assets, related to construction in progress, site improvements, and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$7.6 million.

PETALUMA CITY SCHOOLS

Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Table A-4: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Increase (Decrease)
	2022	2021	
Land	\$ 4,266,886	\$ 4,266,886	\$ -
Improvement of sites	15,406,115	16,203,034	(796,919)
Buildings	64,123,942	65,791,620	(1,667,678)
Equipment	5,057,364	1,514,280	3,543,084
Construction in progress	2,688,581	1,010,176	1,678,405
Total	<u>\$ 91,542,888</u>	<u>\$ 88,785,996</u>	<u>\$ 2,756,892</u>

Long-Term Debt

At year-end the District had \$106.1 million in long-term debt— a decrease of 33.2% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 7-9 to the financial statements)

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Increase (Decrease)
	2022	2021	
General obligation bonds	\$ 53,298,054	\$ 60,834,322	\$ (7,536,268)
Compensated absences	488,481	455,738	32,743
Other postemployment benefits	416,971	456,849	(39,878)
Net pension liability	51,928,079	97,233,882	(45,305,803)
Total	<u>\$ 106,131,585</u>	<u>\$ 158,980,791</u>	<u>\$ (52,849,206)</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

State Budget

The Legislature passed a final budget package on June 29, 2022. The budget package assumes that 2022-23 will end with nearly \$28 billion in total reserves. This consists of: (1) \$23.3 billion in the Budget Stabilization Account; (2) \$3.5 billion in the Special Fund for Economic Uncertainties (SFEU); and (3) \$900 million in the Safety Net Reserve, which is available for spending on the State's safety net programs, like Medi-Cal. In addition to the general-purpose reserves described above, the Proposition 98 Reserve (dedicated to school and community college spending) would reach \$9.5 billion under the spending plan.

Federal Funds Expected to Decline Significantly Between 2021-22 and 2022-23

In the budget federal funds decline \$175 billion, or 55 percent, between 2021-22 and 2022-23. This decline is the result of several significant federal programs enacted in response to COVID-19 expiring in 2022-23. For example, the enhanced Federal Medical Assistance Percentage for the State's Medicaid program (which the administration assumes will expire in December 2022) and \$27 billion in fiscal relief funding from the American Rescue Plan. However, there are also some increases in federal funds in 2022-23 related to the Infrastructure Investment and Jobs Act.

PETALUMA CITY SCHOOLS

*Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022*

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Significant Increase in School and Community College Funding

The Proposition 98 minimum guarantee depends upon various formulas that adjust for several factors, including changes in State General Fund revenue. For 2021-22, the guarantee is up \$16.5 billion (17.6 percent) compared with the estimates made in June 2021. This increase represents one of the largest upward revisions since the adoption of Proposition 98 and is due to higher General Fund revenue estimates. For 2022-23, the guarantee increases by an additional \$117 million (0.1 percent) relative to the revised 2021-22 level.

Makes Required Reserve Deposit and Funds New Programs

When the minimum funding requirement is growing quickly, the Constitution requires the State to deposit some of the available funding into a statewide reserve account for schools and community colleges. Under the adopted budget plan, the State deposits a total of \$9.5 billion into this account across the 2020-21 through 2022-23 period—an increase of \$4.5 billion compared with the estimates made in June 2021. The budget allocates the remaining funds for significant one-time and ongoing program increases. For schools, the largest ongoing augmentation is \$7.9 billion to provide a 13 percent increase to the Local Control Funding Formula and provide greater fiscal stability to school districts experiencing declining attendance. The budget plan also includes \$12.1 billion in one-time funding for two K-12 block grants—\$7.9 billion focused on learning recovery and \$3.6 billion intended for arts, music, and instructional materials. In addition, the budget plan includes \$841 million one time for facilities maintenance and instructional equipment and \$650 million one time for a COVID-19 block grant.

Adjusts Guarantee Upwards for Expansion of Transitional Kindergarten

The June 2021 budget plan established a plan to expand eligibility for transitional kindergarten beginning in 2022-23. Under the plan, all four-year old children will be eligible by 2025-26. (Previously, only children born between September 2 and December 2 were eligible.) The Legislature and Governor also agreed the State would cover the associated costs by adjusting the Proposition 98 formulas to increase the share of General Fund revenue allocated to schools. Consistent with this agreement, the budget plan includes an increase in the 2022-23 guarantee of \$614 million related to the first-year costs of the expansion.

School Facilities Grants

The budget allocates \$1.4 billion (non-Proposition 98 General Fund) attributable to 2021-22 for school facilities grants. Of this total, \$1.3 billion is to cover the State share for new construction and modernization projects under the School Facilities Program. These funds supplement existing funds from Proposition 51, the State school bond approved by voters in 2016. (Funding from Proposition 51 will likely be exhausted in 2022-23.) The remaining \$100 million is for schools to construct or renovate State Preschool, transitional kindergarten, and full-day kindergarten classrooms.

Reserve Cap Triggered

As a result of the balance in the Public School System Stabilization Account, the statutory limitation on school district reserves has been triggered for the 2022-23 budget period, pursuant to Education Code (EC) Section 42127.01(e). Beginning with the 2022-23 fiscal year, the district reserve cap requires that a school district's adopted or revised budget pursuant to EC Section 42127 shall not contain a combined assigned or unassigned ending general fund balance of more than 10 percent of those funds. Assigned and unassigned balances within the Special Fund for Other than Capital Outlay shall also be included within the 10 percent reserve cap. The reserve cap requirement does not apply to small school districts or basic aid school districts pursuant to EC Section 42127.01(c).

All of these factors were considered in preparing the Petaluma City Schools budget for the 2022-23 fiscal year.

PETALUMA CITY SCHOOLS

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2022

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Chief Business Official, Petaluma City Schools, 200 Douglas Street, Petaluma, CA 94952.

PETALUMA CITY SCHOOLS*Statement of Net Position**June 30, 2022*

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Deposits and investments	\$ 49,957,227	\$ 9,356	\$ 49,966,583
Accounts receivable	12,787,430	-	12,787,430
Inventories	70,553	-	70,553
Prepaid expenses	22,040	-	22,040
Capital assets:			
Non-depreciable assets	6,955,467	-	6,955,467
Depreciable assets	208,923,114	56,833	208,979,947
Less accumulated depreciation	(124,335,693)	(55,412)	(124,391,105)
Total assets	<u>154,380,138</u>	<u>10,777</u>	<u>154,390,915</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	26,885,295	-	26,885,295
Deferred amounts on refunding	83,162	-	83,162
Total deferred outflows of resources	<u>26,968,457</u>	<u>-</u>	<u>26,968,457</u>
LIABILITIES			
Accounts payable	9,166,743	-	9,166,743
Accrued interest payable	743,471	-	743,471
Unearned revenue	1,603,213	-	1,603,213
Noncurrent liabilities:			
Due or payable within one year	2,771,267	-	2,771,267
Due in more than one year:			
Other than OPEB and pensions	51,015,268		51,015,268
Net OPEB liability	416,971	-	416,971
Net pension liability	51,928,079	-	51,928,079
Total liabilities	<u>117,645,012</u>	<u>-</u>	<u>117,645,012</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	41,489,375	-	41,489,375
NET POSITION			
Net investment in capital assets	46,691,238	1,421	46,692,659
Restricted for:			
Capital projects	6,486,010	-	6,486,010
Debt service	6,075,299	-	6,075,299
Categorical programs	15,962,283	-	15,962,283
Self-insurance program	699,269	-	699,269
Student activity	299,229	-	299,229
Enterprise activities	-	9,356	9,356
Unrestricted	(53,999,120)	-	(53,999,120)
Total net position	<u>\$ 22,214,208</u>	<u>\$ 10,777</u>	<u>\$ 22,224,985</u>

PETALUMA CITY SCHOOLS
Statement of Activities
For the Fiscal Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
<i>Governmental Activities</i>						
Instructional services:						
Instruction	\$ 56,237,534	\$ 1,896,553	\$ 10,214,219	\$ (44,126,762)	\$ -	\$ (44,126,762)
Instruction-related services:						
Supervision of instruction	4,767,558	237,422	1,489,450	(3,040,686)	-	(3,040,686)
Instructional library, media and technology	1,182,948	126,793	317,660	(738,495)	-	(738,495)
School site administration	5,572,057	26,973	528,245	(5,016,839)	-	(5,016,839)
Pupil support services:						
Home-to-school transportation	1,888,516	456,778	1,233,252	(198,486)	-	(198,486)
Food services	2,936,268	390,306	3,633,455	1,087,493	-	1,087,493
All other pupil services	9,381,857	261,803	2,923,070	(6,196,984)	-	(6,196,984)
General administration services:						
Data processing services	836,902	4,363	2,016	(830,523)	-	(830,523)
Other general administration	4,837,021	108,527	535,254	(4,193,240)	-	(4,193,240)
Plant services	10,890,277	854,536	3,154,475	(6,881,266)	-	(6,881,266)
Ancillary services	1,022,101	33,908	80,014	(908,179)	-	(908,179)
Community services	202,211	23,576	650,238	471,603	-	471,603
Enterprise activities	237,314	44,343	118,993	(73,978)	-	(73,978)
Interest on long-term debt	1,741,299	-	-	(1,741,299)	-	(1,741,299)
Other outgo	97,546	10,042	16,379	(71,125)	-	(71,125)
Total Governmental Activities	101,831,409	4,475,923	24,896,720	(72,458,766)	-	(72,458,766)
<i>Business-Type Activities</i>						
Enterprise activities	-	-	-	-	-	-
Totals	\$ 101,831,409	\$ 4,475,923	\$ 24,896,720	(72,458,766)	-	(72,458,766)
General Revenues:						
Property taxes				56,814,569	-	56,814,569
Federal and state aid not restricted to specific purpose				28,979,129	-	28,979,129
Interest and investment earnings				176,943	53	176,996
Interagency revenues				354,242	-	354,242
Miscellaneous				984,946	-	984,946
Total general revenues				87,309,829	53	87,309,882
Change in net position				14,851,063	53	14,851,116
Net position, July 1, 2021				7,363,145	10,724	7,373,869
Net position, June 30, 2022				\$ 22,214,208	\$ 10,777	\$ 22,224,985

PETALUMA CITY SCHOOLS
Balance Sheet – Governmental Funds
June 30, 2022

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 24,474,279	\$ 9,453,756	\$ 15,366,029	\$ 49,294,064
Accounts receivable	11,807,560	-	978,878	12,786,438
Due from other funds	135,612	29,780	1,328,448	1,493,840
Inventories	41,386	-	29,167	70,553
Prepaid expenditures	22,040	-	-	22,040
Total Assets	<u>\$ 36,480,877</u>	<u>\$ 9,483,536</u>	<u>\$ 17,702,522</u>	<u>\$ 63,666,935</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 7,572,574	\$ 1,120,294	\$ 471,086	\$ 9,163,954
Due to other funds	1,366,380	-	165,363	1,531,743
Unearned revenue	1,537,038	-	66,175	1,603,213
Total Liabilities	<u>10,475,992</u>	<u>1,120,294</u>	<u>702,624</u>	<u>12,298,910</u>
Fund Balances				
Nonspendable	90,899	-	30,167	121,066
Restricted	13,561,571	8,363,242	15,232,083	37,156,896
Assigned	3,660,060	-	1,737,648	5,397,708
Unassigned	8,692,355	-	-	8,692,355
Total Fund Balances	<u>26,004,885</u>	<u>8,363,242</u>	<u>16,999,898</u>	<u>51,368,025</u>
Total Liabilities and Fund Balances	<u>\$ 36,480,877</u>	<u>\$ 9,483,536</u>	<u>\$ 17,702,522</u>	<u>\$ 63,666,935</u>

PETALUMA CITY SCHOOLS

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2022

Total fund balances - governmental funds \$ 51,368,025

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	215,878,581	
Accumulated depreciation	<u>(124,335,693)</u>	
Net:		91,542,888

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were: 83,162

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: (743,471)

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources from pensions	26,885,295	
Deferred inflows of resources from pensions	<u>(41,489,375)</u>	
Net:		(14,604,080)

In governmental funds, only current liabilities are reported. In the statements of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to government-wide statements, consist of:

General obligation bonds	53,298,054	
Compensated absences	488,481	
Other postemployment benefits	416,971	
Net pension liability	<u>51,928,079</u>	
Total:		(106,131,585)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is: 699,269

Total net position - governmental activities \$ 22,214,208

PETALUMA CITY SCHOOLS

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2022*

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 75,087,545	\$ -	\$ -	\$ 75,087,545
Federal sources	6,467,478	-	3,636,723	10,104,201
Other state sources	13,345,462	-	2,164,750	15,510,212
Other local sources	13,989,002	60,043	9,191,979	23,241,024
Total Revenues	108,889,487	60,043	14,993,452	123,942,982
EXPENDITURES				
Current:				
Instruction	61,439,349	-	905,360	62,344,709
Instruction-Related Services:				
Supervision of instruction	4,462,135	-	95,937	4,558,072
Instructional library, media and technology	1,347,202	-	-	1,347,202
School site administration	5,867,690	-	697,286	6,564,976
Pupil Support Services:				
Home-to-school transportation	5,304,491	-	-	5,304,491
Food services	8,650	-	3,057,638	3,066,288
All other pupil services	9,443,866	-	147,912	9,591,778
Ancillary services	753,692	-	319,752	1,073,444
Community services	209,099	-	-	209,099
Enterprise activities	340,226	-	-	340,226
General Administration Services:				
Data processing services	920,131	-	-	920,131
Other general administration	4,704,846	-	-	4,704,846
Plant services	10,520,975	10,025	160,397	10,691,397
Transfers of indirect costs	(127,653)	-	127,653	-
Intergovernmental Transfers	97,546	-	-	97,546
Capital Outlay	231,036	4,819,565	1,690,240	6,740,841
Debt Service:				
Principal	-	-	7,330,000	7,330,000
Interest	-	-	2,036,100	2,036,100
Total Expenditures	105,523,281	4,829,590	16,568,275	126,921,146
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	3,366,206	(4,769,547)	(1,574,823)	(2,978,164)
Fund Balances, July 1, 2021	22,638,679	13,132,789	18,574,721	54,346,189
Fund Balances, June 30, 2022	\$ 26,004,885	\$ 8,363,242	\$ 16,999,898	\$ 51,368,025

PETALUMA CITY SCHOOLS

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, 2022

Total net change in fund balances - governmental funds \$ (2,978,164)

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

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	10,334,696	
Depreciation expense	<u>(7,577,804)</u>	
Net:		2,756,892

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long term debt were: 7,330,000

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 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. Amortization of premium and discount for the period is: 206,268

In governmental funds, interest on long-term debt is recognized in the period it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 114,521

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pensions costs are recognized on the accrual basis. This year, differences between accrual-basis pension costs and actual employer contributions was: 7,337,485

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, differences between accrual-basis OPEB costs and actual employer contributions was: 39,878

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities these amounts are amortized over the shorter of the life of the refunded bonds or the refunding bonds. The difference between current year amounts and the current year amortization was: (25,987)

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and earned was: (32,743)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 102,913

Change in net position - governmental activities \$ 14,851,063

PETALUMA CITY SCHOOLS*Statement of Net Position – Proprietary Fund**June 30, 2022*

	Governmental Activities <u>Self-Insurance Fund</u>	Business-Type Activities <u>Enterprise Fund</u>
ASSETS		
Deposits and investments	\$ 663,163	\$ 9,356
Accounts receivable	992	-
Due from other funds	37,932	-
Capital assets:		
Equipment	-	56,833
Less accumulated depreciation	-	(55,412)
Total assets	<u>702,087</u>	<u>10,777</u>
LIABILITIES		
Accounts payable	2,789	-
Due to other funds	29	-
Total liabilities	<u>2,818</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	-	1,421
Restricted	<u>699,269</u>	<u>9,356</u>
Total Net Position	<u>\$ 699,269</u>	<u>\$ 10,777</u>

PETALUMA CITY SCHOOLS*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2022*

	Governmental Activities <u>Self-Insurance Fund</u>	Business-Type Activities <u>Enterprise Fund</u>
OPERATING REVENUES		
In-district premiums/contributions	\$ 154,406	\$ -
Total operating revenues	154,406	-
OPERATING EXPENSES		
Payments for claims and other operating expenses	54,958	-
Operating Income	99,448	-
NON-OPERATING REVENUE		
Interest income	3,465	53
Change in net position	102,913	53
Net position, July 1, 2021	596,356	10,724
Net position, June 30, 2022	<u>\$ 699,269</u>	<u>\$ 10,777</u>

PETALUMA CITY SCHOOLS
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2022

	Governmental Activities <u>Self-Insurance Fund</u>	Business-Type Activities <u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from self-insurance premiums	\$ 147,153	\$ -
Cash paid for operating expenses	(52,140)	-
Net cash provided by operating activities	95,013	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	2,473	53
Net increase in cash	97,486	53
Cash, July 1, 2021	565,677	9,303
Cash, June 30, 2022	<u>\$ 663,163</u>	<u>\$ 9,356</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 99,448	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	44	
Due from other funds	(1,129)	-
Accounts payable & due to other funds	(3,350)	-
Net cash provided (used) by operating activities	<u>\$ 95,013</u>	<u>\$ -</u>

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. Pursuant to the provisions of *Education Code* Section 35110, the Petaluma Joint Union High School District and the Petaluma City Elementary School District are organized and operated under a common Board of Education and administration with combined financial management and reporting, but are legally separate governmental entities. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category – *governmental* and *proprietary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The District also maintains a Deferred Maintenance Fund. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in this fund is being reported within the General Fund.

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

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

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

Student Activity Fund: The District maintains a separate fund for each school that operates an ASB fund, whether it is organized or not.

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs.

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090 and 38093).

Scholarship Fund: This fund is a private-purpose trust fund, which is used to account for assets held by the District as trustee. The Scholarship Fund consists of the Schwobeda Memorial Trust Fund and the At-Risk Youth Trust Fund, which are both used to provide financial assistance to students of the District.

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Projects Funds: Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund: This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.).

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 21, 25, 30, 35, or 49.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code* sections 15125-15262).

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds in the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code* Section 17566).

Other Enterprise Fund: This is an enterprise fund that was established to account for transactions of the Downtown Project, which is financed and operated in a manner similar to a business enterprise, where the intent is to recover the cost of providing services through user charges.

2. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District's proprietary funds and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

C. Budgetary Data

The budgetary process is prescribed by provisions of the *California Education Code* and requires the Board of Education to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District Board of Education satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have been included as revenue and expenditures as required under generally accepted accounting principles.

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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 as of June 30.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Sites and Improvements	10-30 years
Buildings and Improvements	25-40 years
Furniture and Equipment	5-15 years

4. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report 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 and will not be recognized as an inflow of resources (revenue) until that time.

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

6. Compensated Absences

The liability for compensated absences reported in the District-wide statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. Leases

Lessee:

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

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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

Lessor:

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

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

7. Leases (continued)

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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

9. 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 Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

10. Fund Balances

The fund balance for Governmental Funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

10. Fund Balances (continued)

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

11. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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.

F. Minimum Fund Balance Policy

This Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the General Fund financial statements. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the District against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy also authorizes and directs the Chief Financial Officer to prepare financial reports which accurately categorize fund balance as per Governmental Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Minimum Fund Balance Policy (continued)

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

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 49,294,064
Proprietary funds	<u>663,163</u>
Governmental activities	49,957,227
Business-type activities	<u>9,356</u>
Total deposits and investments	<u><u>\$ 49,966,583</u></u>

Deposits and investments as of June 30, 2022 consist of the following:

Cash on hand and in banks	\$ 998,685
Cash in revolving fund	28,473
Investments	<u>48,939,425</u>
Total deposits and investments	<u><u>\$ 49,966,583</u></u>

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2022, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

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. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2022, \$730,017 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments – Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2022, consist of the following:

	Rating	Reported Amount	Maturity		Fair Value Measurement
			Less Than One Year	One Year Through Five Years	
Investment maturities:					
Certificates of deposit	AA	\$ 97,262	\$ 97,262	\$ -	Level 1
Sonoma County Investment Pool	N/A	48,842,163	48,842,163	-	Uncategorized
Total Investments		<u>\$ 48,939,425</u>	<u>\$ 48,939,425</u>	<u>\$ -</u>	

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments – Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2022, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments – Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2022, the District had the following investments that represents more than five percent of the District's net investments outside the County treasury.

Certificates of deposit	100%
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Fair Value Measurements

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

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized – Investments in the Sonoma 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.

All assets have been valued using a market approach, with quoted market prices.

PETALUMA CITY SCHOOLS
Notes to Financial Statements
June 30, 2022

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2022, consisted of the following:

	Governmental Funds			Proprietary Fund
	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Fund
LCFF Sources	\$ 990,105	\$ -	\$ 990,105	\$ -
Federal Government:				
Categorical aid programs	4,668,481	641,873	5,310,354	-
State Government:				
LCFF	-	-	-	-
Lottery	423,593	-	423,593	-
Categorical aid programs	260,067	208,409	468,476	-
Local:				
Interagency services	1,376,894	-	1,376,894	-
Special Education	148,933	-	148,933	-
VW Mitigation Grant	3,355,886	-	3,355,886	-
Other local resources	583,601	128,596	712,197	992
Total	\$ 11,807,560	\$ 978,878	\$ 12,786,438	\$ 992

NOTE 4 – INTERFUND TRANSACTIONS

Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2022, consisted of the following:

	Due from other funds				Total Governmental Funds
	General Fund	Building Fund	Non-Major Governmental Funds	Self-Insurance Funds	
General Fund	\$ -	\$ -	\$ 1,328,448	\$ 37,932	\$ 1,366,380
Non-Major Governmental Funds	135,583	29,780	-	-	165,363
Self-Insurance Funds	29	-	-	-	29
Totals	\$ 135,612	\$ 29,780	\$ 1,328,448	\$ 37,932	\$ 1,531,772

General Fund due to Cafeteria Fund for write-off of negative student meal accounts and expenses	\$ 13,751
General Fund due to Capital Facilities Fund for expenses	119,179
General Fund due to Special Reserve Fund for Capital Outlay Projects for RDA facilities portion	1,195,518
General Fund due to Self-Insurance Fund for VSP clearing account transfer	37,932
Adult Education Fund due to General Fund for indirect costs and expenditure transfers	65,084
Cafeteria Fund due to General Fund for indirect costs and expenditure transfers	70,499
Special Reserve Fund for Capital Outlay Projects due to Building Fund for expenses	29,780
Self-Insurance Fund due to General Fund for health and welfare payment	29
Total	\$ 1,531,772

PETALUMA CITY SCHOOLS
Notes to Financial Statements
June 30, 2022

NOTE 5 – FUND BALANCES

At June 30, 2022, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 27,473	\$ -	\$ 1,000	\$ 28,473
Stores inventories	41,386	-	29,167	70,553
Prepaid expenditures	22,040	-	-	22,040
Total Nonspendable	<u>90,899</u>	<u>-</u>	<u>30,167</u>	<u>121,066</u>
Restricted:				
Categorical programs	13,561,571	-	-	13,561,571
Adult education program	-	-	1,141,874	1,141,874
Food service program	-	-	1,229,671	1,229,671
Capital projects	-	8,363,242	6,486,010	14,849,252
Student activity	-	-	299,229	299,229
Debt service	-	-	6,075,299	6,075,299
Total Restricted	<u>13,561,571</u>	<u>8,363,242</u>	<u>15,232,083</u>	<u>37,156,896</u>
Assigned:				
2% Reserve for economic uncertainty	2,110,466	-	-	2,110,466
South County Consortium reserve	1,120,194	-	-	1,120,194
Local site donations	424,795	-	-	424,795
Deferred maintenance program	4,605	-	-	4,605
Adult education program	-	-	1,737,648	1,737,648
Total Assigned	<u>3,660,060</u>	<u>-</u>	<u>1,737,648</u>	<u>5,397,708</u>
Unassigned:				
Reserve for economic uncertainties	3,165,698	-	-	3,165,698
Remaining unassigned balances	5,526,657	-	-	5,526,657
Total Unassigned	<u>8,692,355</u>	<u>-</u>	<u>-</u>	<u>8,692,355</u>
Total	<u>\$ 26,004,885</u>	<u>\$ 8,363,242</u>	<u>\$ 16,999,898</u>	<u>\$ 51,368,025</u>

PETALUMA CITY SCHOOLS
Notes to Financial Statements
June 30, 2022

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2022, was as follows:

Governmental Activities	Balance, July 1, 2021	Additions	Retirements	Balance, June 30, 2022
Capital assets not being depreciated:				
Land	\$ 4,266,886	\$ -	\$ -	\$ 4,266,886
Construction in progress	1,010,176	6,496,934	4,818,529	2,688,581
Total capital assets not being depreciated	5,277,062	6,496,934	4,818,529	6,955,467
Capital assets being depreciated:				
Improvement of sites	37,098,893	1,859,054	-	38,957,947
Buildings	155,091,726	2,959,474	-	158,051,200
Equipment	8,076,204	3,837,763	-	11,913,967
Total capital assets being depreciated	200,266,823	8,656,291	-	208,923,114
Accumulated depreciation for:				
Improvement of sites	(20,895,859)	(2,655,973)	-	(23,551,832)
Buildings	(89,300,106)	(4,627,152)	-	(93,927,258)
Equipment	(6,561,924)	(294,679)	-	(6,856,603)
Total accumulated depreciation	(116,757,889)	(7,577,804)	-	(124,335,693)
Total capital assets being depreciated, net	83,508,934	1,078,487	-	84,587,421
Governmental activity capital assets, net	\$ 88,785,996	\$ 7,575,421	\$ 4,818,529	\$ 91,542,888
Business-Type Activities				
	Balance, July 1, 2021	Additions	Retirements	Balance, June 30, 2022
Capital Assets being depreciated				
Equipment	\$ 56,833	\$ -	\$ -	\$ 56,833
Accumulated depreciation for:				
Equipment	(55,412)	-	-	(55,412)
Business-type activity capital assets, net	\$ 1,421	\$ -	\$ -	\$ 1,421

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 4,721,335
Instruction-Related Services	822,210
Pupil Services	975,919
General Administration	392,607
Plant Services	665,733
Total Depreciation	\$ 7,577,804

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS

Changes in long-term debt for the fiscal year ended June 30, 2022, were as follows:

	Balance, July 1, 2021	Additions	Deductions	Balance, June 30, 2022	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 58,770,000	\$ -	\$ 7,330,000	\$ 51,440,000	\$ 2,565,000
Bond issuance premiums	2,064,322	-	206,268	1,858,054	206,267
Total - Bonds	60,834,322	-	7,536,268	53,298,054	2,771,267
Compensated Absences	455,738	32,743	-	488,481	-
Totals	\$ 61,290,060	\$ 32,743	\$ 7,536,268	\$ 53,786,535	\$ 2,771,267

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local property tax revenues. Compensated absences liabilities are primarily obligations of the fund for which the employee worked.

General Obligation Bonds

Election of 1992

On April 14, 1992, the voters of the District approved a measure authorizing the District to issue up to \$45 million of general obligation bonds for the purpose of renovating and modernizing school facilities. All bonds authorized by this election have been issued, but only the Series G bonds remain outstanding at June 30, 2022.

Election of 2014 (Elementary District, Measure E)

On June 3, 2014, the voters of the District approved a measure by more than a 55% affirmative vote authorizing the District to issue up to \$21 million of general obligation bonds. The Bonds are being issued to finance the renovation, construction, and improvement of school facilities.

Election of 2014 (High School District, Measure C)

On June 3, 2014, the voters of the District approved a measure by more than a 55% affirmative vote authorizing the District to issue up to \$68 million of general obligation bonds. The Bonds are being issued to finance the renovation, construction, and improvement of school facilities.

Prior-Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2022, none of the defeased debt remains outstanding.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2022, deferred amounts on refunding were \$83,162.

PETALUMA CITY SCHOOLS
Notes to Financial Statements
June 30, 2022

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

General Obligation Bonds (continued)

Below is a schedule of bonds issued and outstanding as of June 30, 2022.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2021	Issuances	Redemptions	Balance, June 30, 2022
<u>Elementary District</u>								
Election of 2014								
Series A	8/27/2014	8/1/2039	3.0% - 5.0%	\$ 7,000,000	\$ 5,110,000	\$ -	\$ 75,000	\$ 5,035,000
Series B	5/24/2018	8/1/2042	2.0% - 5.0%	9,000,000	7,470,000	-	600,000	6,870,000
Refunding Issues								
2011 Refunding	11/1/2011	8/1/2027	3.0% - 4.0%	8,470,000	1,455,000	-	450,000	1,005,000
2013 Refunding	5/7/2013	8/1/2028	2.0% - 4.0%	1,880,000	1,125,000	-	125,000	1,000,000
2015 Refunding	11/17/2015	8/1/2023	2.0% - 4.0%	3,260,000	725,000	-	320,000	405,000
Total Elementary District					\$ 15,885,000	\$ -	\$ 1,570,000	\$ 14,315,000
<u>High School District</u>								
Election of 1992								
Series G	6/17/2010	8/1/2024	2.0% - 4.5%	\$ 2,418,791	\$ 2,415,000	\$ -	\$ -	\$ 2,415,000
Election of 2014								
Series A	8/17/2014	8/1/2039	2.0% - 4.0%	23,000,000	16,590,000	-	240,000	16,350,000
Series B	2/8/2017	8/1/2041	3.0% - 5.0%	20,000,000	16,750,000	-	200,000	16,550,000
Refunding Issues								
2012 Refunding	8/9/2012	8/1/2024	2.0% - 4.0%	12,845,000	7,130,000	-	5,320,000	1,810,000
Total High School District					\$ 42,885,000	\$ -	\$ 5,760,000	\$ 37,125,000
Total General Obligation Bonds					\$ 58,770,000	\$ -	\$ 7,330,000	\$ 51,440,000

The annual requirements to amortize general obligation bonds payable are as follows:

Fiscal Year	Principal	Interest	Totals
2022-2023	\$ 2,565,000	\$ 1,892,281	\$ 4,457,281
2023-2024	2,735,000	1,795,456	4,530,456
2024-2025	2,525,000	1,695,738	4,220,738
2025-2026	1,330,000	1,619,050	2,949,050
2026-2027	1,475,000	1,565,238	3,040,238
2027-2032	8,470,000	6,922,909	15,392,909
2032-2037	12,540,000	5,083,022	17,623,022
2037-2042	18,610,000	2,254,581	20,864,581
2042-2043	1,190,000	29,750	1,219,750
Totals	\$ 51,440,000	\$ 22,858,025	\$ 74,298,025

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For the fiscal year ended June 30, 2022, the District did not offer any retiree benefits other than pensions, but reported a net OPEB liability related to the Medicare Premium Payment Program.

Medicare Premium Payment (MPP) Program

Plan Description

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the DB Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2021, 5,096 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with Education Code section 25930, contributions that would otherwise be credited to the Defined Benefit Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Total OPEB Liability

At June 30, 2022, the District reported a liability of \$416,971 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2021, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total OPEB liability to June 30, 2021. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<u>Percentage Share of MPP Program</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2022</u>	<u>Fiscal Year Ending June 30, 2021</u>	
Measurement Date	<u>June 30, 2021</u>	<u>June 30, 2020</u>	
Proportion of the Net OPEB Liability	0.104540%	0.107802%	-0.003262%

For the year ended June 30, 2022, the District reported OPEB expense of \$(39,878).

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2021
Valuation Date	June 30, 2020
Experience Study	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.16%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

Assumptions were made about future participation (enrollment) into the MPP Program as CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population of 152,062.

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

Discount Rate

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2021, was 2.16%, which is a decrease from 2.21% as of June 30, 2020.

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

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

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

Discount Rate	MPP OPEB Liability
1% decrease	\$ 459,617
Current discount rate	\$ 416,971
1% increase	\$ 380,535

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	\$ 379,186
Current trend rate	\$ 416,971
1% increase	\$ 460,290

NOTE 9 – PENSION PLANS

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

For the fiscal year ended June 30, 2022, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 31,649,242	\$ 19,534,036	\$ 32,516,926	\$ (1,210,855)
CalPERS	20,278,837	7,351,259	8,972,449	1,697,191
Totals	<u>\$ 51,928,079</u>	<u>\$ 26,885,295</u>	<u>\$ 41,489,375</u>	<u>\$ 486,336</u>

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 9 – PENSION PLANS (continued)

The details of each plan are as follows:

A. California State Teachers’ Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and non-employer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.92%	16.92%
Required State Contribution Rate	10.828%	10.828%

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 9 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

Contributions

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

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046. California Senate Bill 90 (Chapter 33, Statutes of 2019) and California Assembly Bill 84 (Chapter 16, Statutes of 2020) (collectively, special legislation)—signed into law in June 2019 and June 2020, respectively—provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021–22.

The contribution rates for each program for the year ended June 30, 2022, are presented above, and the District's total contributions were \$7,318,821.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	\$	31,649,242
State's proportionate share of the net pension liability associated with the District		<u>15,924,671</u>
Total	\$	<u><u>47,573,913</u></u>

The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2022</u>	<u>Fiscal Year Ending June 30, 2021</u>	
Measurement Date	<u>June 30, 2021</u>	<u>June 30, 2020</u>	
Proportion of the Net Pension Liability	0.069547%	0.071133%	-0.001586%

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 9 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

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

For the year ended June 30, 2022, the District recognized pension expense of \$(1,210,855). In addition, the District recognized pension expense and revenue of \$(2,775,693) for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	\$ 7,318,821	\$ -
Net change in proportionate share of net pension liability	7,651,571	4,113,421
Difference between projected and actual earnings on pension plan investments	-	25,035,366
Changes of assumptions	4,484,361	-
Differences between expected and actual experience	79,283	3,368,139
Totals	<u>\$ 19,534,036</u>	<u>\$ 32,516,926</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	\$ 4,418,413	\$ 8,672,147
2024	4,420,500	7,272,353
2025	1,047,450	7,457,347
2026	1,047,450	7,727,916
2027	738,316	640,427
Thereafter	543,086	746,736
Totals	<u>\$ 12,215,215</u>	<u>\$ 32,516,926</u>

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 9 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price of Inflation	2.75%
Wage Growth	3.50%

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

The long-term investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study.

For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2022, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	42.0%	4.8%
Real Estate	15.0%	3.6%
Private Equity	13.0%	6.3%
Fixed Income	12.0%	1.3%
Risk Mitigating Strategies	10.0%	1.8%
Inflation Sensitive	6.0%	3.3%
Cash/Liquidity	2.0%	(0.4%)

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 9 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 64,426,530
Current discount rate (7.10%)	31,649,242
1% increase (8.10%)	4,444,720

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. Through the special legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately \$2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$4,484,817.

B. California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb>.

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 9 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	22.91%	22.91%

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022 are presented above, and the total District contributions were \$3,292,800.

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 9 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$20,278,837. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2022	Fiscal Year Ending June 30, 2021	
Measurement Date	June 30, 2021	June 30, 2020	
Proportion of the Net Pension Liability	0.099727%	0.092232%	0.007495%

For the year ended June 30, 2022, the District recognized pension expense of \$1,697,191. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	\$ 3,292,800	\$ -
Net change in proportionate share of net pension liability	2,420,789	109,934
Difference between projected and actual earnings on pension plan investments	1,032,295	8,814,709
Changes of assumptions	-	-
Differences between expected and actual experience	605,375	47,806
Totals	\$ 7,351,259	\$ 8,972,449

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years.

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 9 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	\$ 1,467,432	\$ 2,447,257
2024	1,161,219	2,180,376
2025	892,546	2,180,376
2026	537,262	2,164,440
2027	-	-
Thereafter	-	-
Totals	<u>\$ 4,058,459</u>	<u>\$ 8,972,449</u>

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Inflation Rate	2.50%
Salary Increases	Varies by entry age and service

Post-retirement mortality rates are 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. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 9 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Public Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	(0.92%)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 34,192,967
Current discount rate (7.15%)	20,278,837
1% increase (8.15%)	8,727,124

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

D. Payables to the Pension Plans

At June 30, 2022, the District reported payables of \$281 and \$0 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2022.

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 10 – JOINT VENTURES

The District participates in three joint ventures under joint powers agreements (JPAs); the Redwood Empire Schools Insurance Group (RESIG) for workers' compensation, property and liability, and dental coverage, the Schools Excess Liability Fund public entity risk pools for excess liability, and the School Project for Utility Rate Reduction joint powers authority (JPA) for direct purchase of gas, electricity, and other utility services. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

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

The JPAs are audited on an annual basis. Financial information can be obtained by contacting each JPA's management.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. 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. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. Construction Commitments

As of June 30, 2022, the District had commitments with respect to unfinished capital projects of \$103,599.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2022.

NOTE 12 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2022, the District contracted with Redwood Empire Schools Insurance Group (RESIG). Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. In addition, property and liability claims for which the District retains the risk of loss (claims below the District's retained limits), are administered by the Self- Insurance Fund.

PETALUMA CITY SCHOOLS

Notes to Financial Statements

June 30, 2022

NOTE 12 – RISK MANAGEMENT (continued)

Workers' Compensation

For fiscal year 2021-22, the District participated in the Redwood Empire School Insurance Group (RESIG), an insurance purchasing pool. The intent of the RESIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the RESIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the RESIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage.

A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the RESIG. Participation in the RESIG is limited to districts that can meet the RESIG selection criteria.

NOTE 13 – SUBSEQUENT EVENTS

On August 3, 2022, the Petaluma City Elementary School District issued \$5,000,000 of Election of 2014, Series C General Obligation Bonds. The Series C Bonds are the third and final series of bonds to be issued under this authorization.

On August 3, 2022, the Petaluma Joint Union High School District issued \$25,000,000 of Election of 2014, Series C General Obligation Bonds. The Series C Bonds are the third and final series of bonds to be issued under this authorization.

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Required Supplementary Information

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PETALUMA CITY SCHOOLS

*Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2022*

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final
	Original	Final		Budget - Pos (Neg)
Revenues				
LCFF Sources	\$ 70,456,194	\$ 74,196,565	\$ 75,087,545	\$ 890,980
Federal Sources	8,738,196	4,178,287	6,467,478	2,289,191
Other State Sources	12,082,370	13,142,446	13,345,462	203,016
Other Local Sources	10,626,020	9,886,924	13,988,976	4,102,052
Total Revenues	101,902,780	101,404,222	108,889,461	7,485,239
Expenditures				
Current:				
Certificated Salaries	38,460,798	40,390,282	44,616,435	(4,226,153)
Classified Salaries	14,166,606	15,059,533	14,300,463	759,070
Employee Benefits	26,989,848	28,928,576	26,716,466	2,212,110
Books and Supplies	16,593,290	6,012,752	5,308,498	704,254
Services and Other Operating	11,055,946	9,953,409	10,769,999	(816,590)
Capital Outlay	1,616,738	551,550	3,841,526	(3,289,976)
Other Outgo	53,169	(76,735)	(30,106)	(46,629)
Total Expenditures	108,936,395	100,819,367	105,523,281	(4,703,914)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,033,615)	584,855	3,366,180	2,781,325
Other Financing Sources and Uses				
Interfund Transfers Out	500,000	300,000	-	(300,000)
Total Other Financing Sources and Uses	500,000	300,000	-	(300,000)
Net Change in Fund Balances	(6,533,615)	884,855	3,366,180	2,481,325
Fund Balances, July 1, 2021	22,634,099	22,634,099	22,634,100	1
Fund Balances, June 30, 2022	<u>\$ 16,100,484</u>	<u>\$ 23,518,954</u>	26,000,280	<u>\$ 2,481,326</u>
Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
		Deferred Maintenance Fund	4,605	
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			<u>\$ 26,004,885</u>	

PETALUMA CITY SCHOOLS

Schedule of Proportionate Share of the Net Pension Liability-CalSTRS For the Fiscal Year Ended June 30, 2022

	<i>Last Ten Fiscal Years*</i>			
	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
District's proportion of the net pension liability	0.0695%	0.0711%	0.0668%	0.0660%
District's proportionate share of the net pension liability	\$ 31,649,242	\$ 68,934,305	\$ 60,288,959	\$ 60,623,309
State's proportionate share of the net pension liability associated with the District	15,924,671	35,535,643	32,891,652	34,709,680
Totals	<u>\$ 47,573,914</u>	<u>\$ 104,469,948</u>	<u>\$ 93,180,611</u>	<u>\$ 95,332,989</u>
District's covered-employee payroll	<u>\$ 38,235,484</u>	<u>\$ 38,673,922</u>	<u>\$ 36,199,016</u>	<u>\$ 35,536,980</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>82.77%</u>	<u>178.24%</u>	<u>166.55%</u>	<u>170.59%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>87%</u>	<u>72%</u>	<u>73%</u>	<u>71%</u>
	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
District's proportion of the net pension liability	0.0632%	0.0693%	0.0561%	0.0639%
District's proportionate share of the net pension liability	\$ 58,470,686	\$ 56,036,666	\$ 37,738,597	\$ 37,339,236
State's proportionate share of the net pension liability associated with the District	34,590,764	31,905,371	19,959,504	22,547,269
Totals	<u>\$ 93,061,450</u>	<u>\$ 87,942,037</u>	<u>\$ 57,698,101</u>	<u>\$ 59,886,505</u>
District's covered-employee payroll	<u>\$ 33,722,901</u>	<u>\$ 33,761,603</u>	<u>\$ 32,337,613</u>	<u>\$ 28,459,709</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>173.39%</u>	<u>165.98%</u>	<u>116.70%</u>	<u>131.20%[#]</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

PETALUMA CITY SCHOOLS

*Schedule of Proportionate Share of the Net Pension Liability-CalPERS
For the Fiscal Year Ended June 30, 2022*

*Last Ten Fiscal Years**

	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
District's proportion of the net pension liability	0.0997%	0.0922%	0.0914%	0.0902%
District's proportionate share of the net pension liability	\$ 20,278,837	\$ 28,299,577	\$ 26,652,082	\$ 24,056,795
District's covered-employee payroll	\$ 13,346,792	\$ 13,295,086	\$ 12,705,725	\$ 11,915,852
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	151.94%	212.86%	209.76%	201.89%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%
	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
District's proportion of the net pension liability	0.0925%	0.0984%	0.1040%	0.1038%
District's proportionate share of the net pension liability	\$ 22,091,986	\$ 19,441,662	\$ 15,329,711	\$ 11,782,491
District's covered-employee payroll	\$ 11,828,859	\$ 11,819,178	\$ 11,510,458	\$ 10,895,176
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	186.76%	164.49%	133.18%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

PETALUMA CITY SCHOOLS
Schedule of Pension Contributions-CalSTRS
For the Fiscal Year Ended June 30, 2022

*Last Ten Fiscal Years**

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Contractually required contribution	\$ 7,318,821	\$ 6,175,031	\$ 6,613,241	\$ 5,893,200
Contributions in relation to the contractually required contribution	<u>7,318,821</u>	<u>6,175,031</u>	<u>6,613,241</u>	<u>5,893,200</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 43,255,443</u>	<u>\$ 38,235,484</u>	<u>\$ 38,673,922</u>	<u>\$ 36,199,016</u>
Contributions as a percentage of covered-employee payroll	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>
	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Contractually required contribution	\$ 5,127,986	\$ 4,242,341	\$ 3,622,620	\$ 2,871,580
Contributions in relation to the contractually required contribution	<u>5,127,986</u>	<u>4,242,341</u>	<u>3,622,620</u>	<u>2,871,580</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 35,536,980</u>	<u>\$ 33,722,901</u>	<u>\$ 33,761,603</u>	<u>\$ 32,337,613</u>
Contributions as a percentage of covered-employee payroll	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

PETALUMA CITY SCHOOLS
Schedule of Pension Contributions-CalPERS
For the Fiscal Year Ended June 30, 2022

*Last Ten Fiscal Years**

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Contractually required contribution	\$ 3,292,800	\$ 2,762,786	\$ 2,621,924	\$ 2,294,908
Contributions in relation to the contractually required contribution	<u>3,292,800</u>	<u>2,762,786</u>	<u>2,621,924</u>	<u>2,294,908</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 14,372,763</u>	<u>\$ 13,346,792</u>	<u>\$ 13,295,086</u>	<u>\$ 12,705,725</u>
Contributions as a percentage of covered-employee payroll	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>
	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Contractually required contribution	\$ 1,850,651	\$ 1,642,792	\$ 1,400,218	\$ 1,354,896
Contributions in relation to the contractually required contribution	<u>1,850,651</u>	<u>1,642,792</u>	<u>1,400,218</u>	<u>1,354,896</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 11,915,852</u>	<u>\$ 11,828,859</u>	<u>\$ 11,819,178</u>	<u>\$ 11,510,458</u>
Contributions as a percentage of covered-employee payroll	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

PETALUMA CITY SCHOOLS

*Schedule of the District's Proportionate Share of the Net OPEB Liability-MPP Program
For the Fiscal Year Ended June 30, 2022*

Employer's Fiscal Year Measurement Period	<i>Last Ten Fiscal Years*</i>				
	2021-22 2020-21	2020-21 2019-20	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17
District's proportion of net OPEB liability	0.1045%	0.1078%	0.1032%	0.1037%	0.1006%
District's proportionate share of net OPEB liability	\$ 416,971	\$ 456,849	\$ 384,208	\$ 397,037	\$ 423,353
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.80%)	(0.71%)	(0.81%)	0.40%	0.01%

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

PETALUMA CITY SCHOOLS

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2022

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

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

Change in benefit terms – There were no changes in benefit terms since the previous valuations for either CalSTRS and CalPERS.

Change of assumptions - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

Schedule of District Contributions

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

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program

This schedule presents information on the District's proportionate share of the net OPEB liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – The discount rate was changed from 2.21 percent to 2.16 percent since the previous valuation.

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Supplementary Information

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PETALUMA CITY SCHOOLS

Local Educational Agency Organization Structure

June 30, 2022

The Petaluma City Schools was established in 1857 and is comprised of the Petaluma Joint Union High School District and the Petaluma City Elementary School District. The District operates five elementary schools, two junior high schools, two comprehensive high schools, three continuation schools, a community day school, and four charter schools. The District also operates an independent study school and an adult school. There were no boundary changes during the year.

BOARD OF EDUCATION

Member	Office	Term Expires
Joanna Paun	President	November 2022
Sheldon Gen	Clerk/Vice President	November 2024
Mady Cloud	Member	November 2022
Caitlin Quinn	Member	November 2022
Ellen Webster	Member	November 2024

DISTRICT ADMINISTRATORS

Matthew Harris,
Superintendent

Maita Iturri,
Assistant Superintendent, Student Services

Tony Hua,
Assistant Superintendent, Educational Services

Jason Sutter,
Assistant Superintendent, Human Resources

Chris Thomas,
Chief Business Official

PETALUMA CITY SCHOOLS

Schedule of Average Daily Attendance-Districts

For the Fiscal Year Ended June 30, 2022

PETALUMA CITY ELEMENTARY		
	Second Period Report	Annual Report
Regular ADA:		
TK/Grades K-3	800.77	804.89
Grades 4-6	629.35	627.63
Total Regular ADA	1,430.12	1,432.52
Special Education, Nonpublic, Nonsectarian Schools:		
Grades 4-6	2.42	2.66
Total ADA	1,432.54	1,435.18

PETALUMA JOINT UNION HIGH		
	Second Period Report	Annual Report
Regular ADA:		
Grades 7-8	1,218.50	1,213.80
Grades 9-12	3,015.58	2,989.92
Total Regular ADA	4,234.08	4,203.72
Special Education, Nonpublic, Nonsectarian Schools:		
Grades 7-8	5.92	5.90
Grades 9-12	21.39	21.09
Total Special Education ADA	27.31	26.99
Total ADA	4,261.39	4,230.71

PETALUMA CITY SCHOOLS

*Schedule of Average Daily Attendance-Charters
For the Fiscal Year Ended June 30, 2022*

	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA:		
TK/Grades K-3	174.66	173.98
Grades 4-6	124.76	124.95
Grades 7-8	86.24	86.51
Total ADA	<u>385.66</u>	<u>385.44</u>
Total Classroom-Based ADA	<u>385.66</u>	<u>385.44</u>

	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA:		
TK/Grades K-3	273.98	271.93
Grades 4-6	162.92	161.26
Total ADA	<u>436.90</u>	<u>433.19</u>
Total Classroom-Based ADA	<u>436.90</u>	<u>433.19</u>

	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA:		
Grades 7-8	115.31	115.08
Total Classroom-Based ADA	<u>115.31</u>	<u>115.08</u>

PETALUMA CITY SCHOOLS
Schedule of Instructional Time - District
For the Fiscal Year Ended June 30, 2022

Petaluma City Schools				
Grade Level	Instructional Minutes Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Kindergarten	36,000	47,635	183	Complied
Grade 1	50,400	51,885	183	Complied
Grade 2	50,400	51,885	183	Complied
Grade 3	50,400	51,885	183	Complied
Grade 4	54,000	54,975	183	Complied
Grade 5	54,000	54,975	183	Complied
Grade 6	54,000	54,975	183	Complied
Grade 7	54,000	55,987	183	Complied
Grade 8	54,000	55,987	183	Complied
Grade 9	64,800	67,895	183	Complied
Grade 10	64,800	67,895	183	Complied
Grade 11	64,800	68,040	183	Complied
Grade 12	64,800	67,895	183	Complied

PETALUMA CITY SCHOOLS
Schedule of Instructional Time - Charters
For the Fiscal Year Ended June 30, 2022

Mary Collins School at Cherry Valley

Grade Level	Instructional Minutes Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Kindergarten	36,000	45,635	183	Complied
Grade 1	50,400	51,530	183	Complied
Grade 2	50,400	51,530	183	Complied
Grade 3	50,400	51,530	183	Complied
Grade 4	54,000	55,720	183	Complied
Grade 5	54,000	55,720	183	Complied
Grade 6	54,000	58,075	183	Complied
Grade 7	54,000	58,075	183	Complied
Grade 8	54,000	58,075	183	Complied

Penngrove Elementary

Grade Level	Instructional Minutes Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Kindergarten	36,000	48,170	183	Complied
Grade 1	50,400	52,564	183	Complied
Grade 2	50,400	52,564	183	Complied
Grade 3	50,400	52,564	183	Complied
Grade 4	54,000	55,758	183	Complied
Grade 5	54,000	55,758	183	Complied
Grade 6	54,000	55,758	183	Complied

Petaluma Accelerated

Grade Level	Instructional Minutes Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Grade 7	54,000	58,265	183	Complied
Grade 8	54,000	58,265	183	Complied

PETALUMA CITY SCHOOLS
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2022

General Fund	(Budget) 2023 ³	2022 ⁴	2021	2020
Revenues and other financing sources	\$ 107,638,871	\$ 108,889,461	\$ 98,809,004	\$ 93,503,444
Expenditures	108,582,745	105,523,281	93,359,055	93,234,564
Other uses and transfers out	-	-	500,000	154,614
Total outgo	108,582,745	105,523,281	93,859,055	93,389,178
Change in fund balance (deficit)	(943,874)	3,366,180	4,949,949	114,266
Ending fund balance	\$ 25,056,406	\$ 26,000,280	\$ 22,634,100	\$ 17,684,151
Available reserves ¹	\$ 11,303,462	\$ 8,692,355	\$ 8,729,741	\$ 7,553,444
Available reserves as a percentage of total outgo	10.4%	8.2%	9.3%	8.1%
Total long-term debt	\$ 103,360,318	\$ 106,131,585	\$ 158,980,791	\$ 155,593,551
Average daily attendance at P-2 ²	6,767	6,632	N/A	7,138

The General Fund balance has increased by \$8.3 million over the past two years. The fiscal year 2022-23 adopted budget projects a decrease of \$943,874. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred operating deficits in any of the past three years, but does anticipate incurring an operating deficit during the 2022-23 fiscal year. Long-term debt has decreased by \$49.5 million over the past two years.

Average daily attendance decreased by 506 ADA in 2021-22 compared to 2019-20. Budgeted ADA for 2022-23 is projected to be 6,767.

¹ Available reserves consist of all unassigned fund balances in the General Fund.

² Average daily attendance includes District and charter school ADA.

³ Revised Final Budget August, 2022.

⁴ The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

PETALUMA CITY SCHOOLS

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2022*

*There were no differences between the Annual Financial and Budget Report and the
Audited Financial Statements in any funds.*

PETALUMA CITY SCHOOLS
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2022

Charter School		Inclusion of Financial
Name	Number	Statements
Live Oak Charter	0382	Not included
Mary Collins School at Cherry Valley	0480	Included
Penngrove Elementary	1512	Included
Petaluma Accelerated Charter	1726	Included

PETALUMA CITY SCHOOLS
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Grantor/Program or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S.Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Basic	10.553	13525	\$ 50,786	
School Breakfast Program - Especially Needy	10.553	13526	721,016	
National School Lunch Program	10.555	13523	2,077,270	
SNP COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.555	15637	121,791	
USDA Donated Foods	10.555	13391	54,514	
Subtotal Child Nutrition Cluster:				\$ 3,025,377
Child and Adult Care Food Program Cluster:				
Child and Adult Care Food Program	10.558	13393	74,454	
CACFP in Lieu of Commodities	10.558	N/A	5,693	
COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.558	15577	9,528	
Subtotal Child and Adult Food Program Cluster				89,675
Pandemic EBT Local Administrative Grant	10.649	15644		6,126
Total U.S.Department of Agriculture				3,121,178
U.S.Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A Grants:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	480,858	
School Improvement Funding for LEAs	84.010	15438	323,986	
Subtotal Title I, Part A Grants				804,844
Title II, Part A, Supporting Effective Instruction	84.367	14341		111,723
Title III, Limited English Proficiency	84.365	14346		95,020
Title IV, Part A Student Support & Academic Enrichment Grants	84.424	15396		26,951
Adult Education Cluster:				
Adult Basic Education & ELA	84.002A	14508	67,703	
Adult Secondary Education	84.002	13978	65,685	
Total Adult Education Cluster				133,388
COVID-19 Education Stabilization Funds:				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	2,550	
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	1,596,715	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	1,236,991	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	417,446	
Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	38,587	
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	178,289	
Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	34,992	
Total COVID-19 Education Stabilization Funds				3,505,570
Passed through Sonoma County SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B	84.027	13379	1,777,362	
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	71,608	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	74,400	
Total Special Education (IDEA) Cluster				1,923,370
Total U.S.Department of Education				6,600,866
Total Expenditures of Federal Awards				\$ 9,722,044

Of the Federal expenditures presented in this schedule, the District provided no federal awards to subrecipients.

PETALUMA CITY SCHOOLS

Note to the Supplementary Information

June 30, 2022

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*.

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.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and displays information for each charter school and whether or not the charter school is included in the District audit.

Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

	<u>Assistance Listing</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 10,104,201
Differences between Federal Revenues and Expenditures:		
Child Nutrition Cluster	10.553, 10.555	<u>(382,157)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 9,722,044</u>

Other Independent Auditors' Reports

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INDEPENDENT AUDITORS' 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 Education
Petaluma City Schools
Petaluma, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Petaluma City Schools as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2022.

Report on Internal Control Over Financial Reporting

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

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

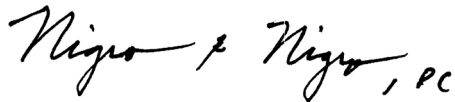
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Handwritten signature in black ink that reads "Nigro & Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California
December 14, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education
Petaluma City Schools
Petaluma, California

Report on Compliance for Each Major Federal Program

We have audited the Petaluma City Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Petaluma City Schools' major federal programs for the year ended June 30, 2022. The Petaluma City Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Petaluma City Schools compiled, 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

Nigro & Nigro, PC

Murrieta, California
December 14, 2022



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Petaluma City Schools
Petaluma, California

Report on Compliance

Opinion

We have audited the Petaluma City Schools' (District) compliance with the requirements specified in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2022.

In our opinion, Petaluma City Schools complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to

above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Yes
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes

Description	Procedures Performed
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom-Based	Yes
Charter School Facility Grant Program	Not Applicable

Areas marked as Not Applicable were not operated by the District.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings 2022-001 and 2022-002.

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

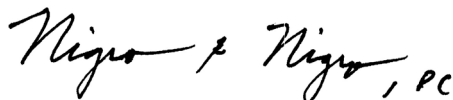
Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Murrieta, California
December 14, 2022

Schedule of Findings and Questioned Costs

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PETALUMA CITY SCHOOLS

Summary of Auditors' Results

For the Fiscal Year Ended June 30, 2022

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516(a)?	<u>No</u>

Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.173, 84.027A</u>	<u>Special Education Cluster</u>
<u>84.425D, 84.425C, 84.425U</u>	<u>COVID-19: Education Stabilization Funds</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

State Awards

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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PETALUMA CITY SCHOOLS

Financial Statement Findings

For the Fiscal Year Ended June 30, 2022

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2021-22.

PETALUMA CITY SCHOOLS

Federal Award Findings and Questioned Costs For the Fiscal Year Ended June 30, 2022

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2021-22.

PETALUMA CITY SCHOOLS
State Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2022

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

FINDING 2022-001: Instructional Materials (70000)

Criteria: Education Code section 60119 requires a school district’s governing board to hold a public hearing on or before the end of the eighth week from the first day pupils attended school. In addition, the school district’s governing board must provide a 10-day notice of the required public hearing. The notice must include the time, place, and purpose of the hearing and the notice must be posted in a minimum of three public locations in the school district.

Condition: The school district failed to provide a 10-day notice of the required meeting and did not hold the meeting on or before the eighth week from the first day pupils attended school. The public hearing was held on November 15, 2021.

Context: Not applicable

Cause: The District experienced turnover in management positions within its Educational Services Department, which resulted in a lack of oversight to ensure all compliance areas were met.

Effect: None

Recommendation: The District should incorporate deadlines for instructional materials in their internal calendar. This would allow management to hold the Education Services department accountable in ensuring that the District is in compliance with instructional materials requirements.

Views of Responsible Officials: The District failed to meet the 10-day notice requirement and 8-week window due to a transition in both Director and Assistant Superintendent of Education Services as well as staffing shortages in the department due to the impacts of the pandemic. In addition, there was a significant need for resources in Ed Services to be redirected to school sites to ensure adequate staffing at Junior High and High Schools, which were also being significantly impacted by COVID-19 outbreaks, required quarantine, and staffing shortages.

In response, the District has created a mechanism to track on deadlines and due dates for Federal, State, and Local program requirements. In addition, the Department meets weekly to review reporting deadlines and requirement to ensure compliance.

FINDING 2022-002: California Clean Energy (40000)

Criteria: Local Educational Agencies (LEAs) are required to submit a final project completion report to the California Clean Energy Commission 12-15 month after the energy expenditure plan is completely installed. An energy expenditure plan is considered complete when the LEA has completed all measures in the approved energy expenditure plan. A final project completion report is required for each approved energy expenditure plan.

Condition: The district completed one project on April 5, 2016 and submitted the final report on December 4, 2019. A second project was completed on November 30, 2016 and submitted the final report on March 20, 2018. In both instances, the final reports were submitted after 15 months of the project’s completion date.

PETALUMA CITY SCHOOLS

State Award Findings and Questioned Costs (continued)

For the Fiscal Year Ended June 30, 2022

FINDING 2022-002: California Clean Energy (40000) (continued)

Context: Not applicable

Cause: The District was behind schedule in preparing and submitting the final reports.

Effect: None

Recommendation: Not applicable as this is the final year of this state compliance requirement.

Views of Responsible Officials: The District contracted with an outside organization to monitor, review, oversee the projects, and complete the final reports. Due to staffing changes in their organization, the final reports for these two small projects were overlooked and not filed in a timely manner. In the future, the District will provide greater oversight of any consultants who oversee project completion and reporting for any State and local funded projects.

PETALUMA CITY SCHOOLS

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2022

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2021-001: Equitable Services to Private Schools</i>	<p>Program Identification: Federal Agency: U.S. Department of Education Pass-through Entity: California Department of Education Program Names: Title I, Part A State Grants (84.010)</p> <p>LEAs that receive funds under ESSER I and/or GEER programs must provide equitable services in the same manner as provided under section 1117 of Title I, Part A of the ESEA (20 USC 6320) to students and teachers in private schools as determined in consultation with private school officials (section 18005(a)) of the CARES Act. To meet this requirement, an LEA must determine the proportional share of funds available for equitable services.</p>	50000	We recommend that the District make equitable services available to private schools during the 2021-2022 fiscal year.	Implemented
<i>Finding 2021-002: Title I, Participation Of Private School</i>	<p>Program Identification: Federal Agency: U.S. Department of Education Pass-through Entity: California Department of Education Program Names: Title I, Part A State Grants (84.010)</p> <p>LEAs or other eligible entities receiving financial assistance under an applicable program must provide eligible private school children and their teachers or other educational personnel with equitable services or other benefits under the program. Before an agency or consortium makes any decision that affects the opportunity of eligible private school children, teachers, and other educational personnel to participate, the agency or consortium must engage in timely and meaningful consultation with private school officials. Expenditures for services and benefits to eligible private school children and their teachers and other educational personnel must be</p>	50000	The District should implement oversight procedures and ensure the consultation documentation as well as allocation calculations are maintained on file to demonstrate upon request. In addition, maintaining allocation calculations will allow the District to track and ensure that the allocations amounts were actually expensed during the course of the year.	Implemented

PETALUMA CITY SCHOOLS

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2022

Original Finding No.	Finding	Code	Recommendation	Current Status
<p><i>Finding 2021-003: Title I, Part A School Allocations</i></p>	<p>equal on a per-pupil basis to the expenditures for participating public school children and their teachers and other educational personnel, taking into account the number and educational needs of the children, teachers and other educational personnel to be served (Sections 8501 of ESEA (20 USC 7881); 34 CFR sections 299.6 through 299.9).</p> <p>The District was unable to provide adequate documentation that timely consultation occurred with eligible private schools. In addition, with the lack of consultation documentation there was no allocation calculation. As a result, we were unable to verify that planned expenses were actually made, or to verify allocated method.</p> <p>Program Identification: Federal Agency: U.S. Department of Education Pass-through Entity: California Department of Education Program Names: Title I, Part A State Grants (84.010)</p> <p>LEAs are required to report Title I, Part A School Student Counts data collection on their Consolidated Application and Reporting System (CARS). The purpose of the Title I, Part A School Student Counts is to report low-income measurement, student enrollment counts, and low-income student enrollment counts. School allocations are reported in the CARS, which is used to distribute funds to school sites and eligible private schools by the LEA.</p> <p>The District was unable to provide documentation used to populate student enrollment counts and low-income student enrollment counts on the CARS reports.</p>	<p>50000</p>	<p>The District may elect to keep the pre-populated figures in this section of the CARS. Pre-populated figures are derived from the California Longitudinal Pupil Achievement Data System (CALPADS) Fall 1 data collection (CALPADS 1.17 with Title I Age Eligibility Filter). Second, the District may elect to revise pre-populated figures with CALPADS 1.17 reports from prior year or current year. Most importantly, if the District elects to revise the pre-populated figures it must be consistent in terms of using the same CALPADS 1.17 for all sites' student enrollment counts as well as low-income enrollment counts.</p>	<p>Implemented</p>



To the Board of Education
Petaluma City Schools
Petaluma, California

In planning and performing our audit of the basic financial statements of Petaluma City Schools for the year ending June 30, 2022, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 14, 2022 on the financial statements of Petaluma City Schools.

ASSOCIATED STUDENT BODY FUNDS

Observation: During our walk through of controls over disbursements, we noted the following deficiencies:

- Seventeen expenditures lacked prior approval
- One expenditure was shipped to an employee's personal address
- One expenditure was for items which were not received
- Two expenses lacked travel and conference request forms, and it was noted that these expenses consisted of various seat upgrades.

Recommendation: The District should hold a training in which employees are reminded of the established procedures which must be followed for each type of expense, as well as a refreshment on the established board policies which disallows items being shipped to a personal address as well as last minute seat upgrades.

We will review the status of the current year comments during our next audit engagement.

Murrieta, California
December 14, 2022