

Financial Statements

June 30, 2025

Pacific Grove Unified School District

Pacific Grove Unified School District

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Independent Auditor's Report

To the Governing Board
Pacific Grove Unified School District
Pacific Grove, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pacific Grove Unified School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pacific Grove Unified School District, as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Note 18 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is fluid and cursive, with "Eide" and "Bailly" connected, and "LLP" in a smaller, separate section.

Fresno, California
December 11, 2025



www.pgusd.org

PACIFIC GROVE UNIFIED SCHOOL DISTRICT

435 Hillcrest Avenue Pacific Grove, CA 93950

Dr. Linda Adamson
Superintendent
(831) 646-6510
Fax (831) 646-6500
ladamson@pgusd.org

Joshua Jorn
Assistant Superintendent
(831) 646-6509
Fax (831) 646-6582
josh.jorn@pgusd.org

This section of Pacific Grove Unified School District's (2024-2025) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025, with comparative information as of June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Pacific Grove Unified School District (the "District") using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities), and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

Governmental Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fund Financial Statements* include statements for *Governmental Funds* which are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Pacific Grove Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statements.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$(17,577,315) deficit for the fiscal year ended June 30, 2025, and \$(11,294,389) deficit for the fiscal year ended June 30, 2024, a decrease of \$6,282,926. Of this amount, \$8,871,466 was restricted. Restricted net position is reported separately to show legal constraints from debt covenants grantors, constitutional provisions and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Pacific Grove Unified School District
 Management's Discussion and Analysis
 June 30, 2025

Table 1

	Governmental Activities	
	2025	2024*
Assets		
Current and other assets	\$ 25,238,598	\$ 27,749,031
Capital assets	<u>55,564,902</u>	<u>54,187,279</u>
Total assets	<u>80,803,500</u>	<u>81,936,310</u>
Deferred Outflows of Resources		
	<u>15,028,800</u>	<u>16,889,306</u>
Liabilities		
Current liabilities	1,739,663	5,412,419
Long-term liabilities	<u>100,798,058</u>	<u>95,652,010</u>
Total liabilities	<u>102,537,721</u>	<u>101,064,429</u>
Deferred Inflows of Resources		
	<u>10,871,894</u>	<u>9,055,576</u>
Net Position		
Net investment in capital assets	11,719,261	11,937,707
Restricted	8,871,466	10,772,159
Unrestricted (deficit)	<u>(38,168,042)</u>	<u>(34,004,255)</u>
Total net position (deficit)	<u>\$ (17,577,315)</u>	<u>\$ (11,294,389)</u>

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 18 for further information.

The \$(17,577,315) deficit in net position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement and rearranges it slightly so you can see our total revenues for the year.

Pacific Grove Unified School District
Management's Discussion and Analysis
June 30, 2025

Table 2

	Governmental Activities	
	2025	2024*
Revenues		
Program revenues		
Charges for services and sales	\$ 484,281	\$ 38,376
Operating grants and contributions	8,960,237	10,742,435
General revenues		
Federal and State aid not restricted	3,305,712	3,311,518
Property taxes	40,874,698	40,460,248
Other general revenues	3,127,989	3,800,020
Total revenues	56,752,917	58,352,597
Expenses		
Instruction-related	34,658,030	36,635,412
Pupil services	7,074,326	6,147,123
Administration	5,432,085	4,654,226
Plant services	7,068,048	6,857,110
All other services	4,060,292	3,635,706
Total expenses	58,292,781	57,929,577
Change in net position	\$ (1,539,864)	\$ 423,020

* The expenses for the year ended June 30, 2024, were not restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 18 for further information.

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$58,282,781, as compared to \$57,929,577 in the prior year. The amount that our taxpayers financed for these activities through local taxes was \$40,874,698 because the cost was paid by those who benefited from the programs of \$484,281 or by other governments and organizations who subsidized certain programs with grants and contributions of \$8,960,237. We paid for the remaining "public benefit" portion of our governmental activities with \$3,305,712 in unrestricted Federal and State funds and \$3,127,989 in other revenues, like interest and general entitlements.

In Table 3, we have presented the total cost and net cost of each of the District's largest functions: instruction-related, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits provided by that function.

Pacific Grove Unified School District
Management's Discussion and Analysis
June 30, 2025

Table 3

	Total Cost of Services		Net Cost of Services	
	2025	2024*	2025	2024*
Instruction-related	\$ 34,658,030	\$ 36,635,412	\$ (29,594,699)	\$ (30,521,663)
Pupil services	7,074,326	6,147,123	(4,797,038)	(3,546,244)
Administration	5,432,085	4,654,226	(5,185,472)	(4,328,856)
Plant services	7,068,048	6,857,110	(5,862,817)	(5,969,745)
All other services	4,060,292	3,635,706	(3,408,237)	(2,782,258)
Total	\$ 58,292,781	\$ 57,929,577	\$ (48,848,263)	\$ (47,148,766)

* The expenses for the year ended June 30, 2024, were not restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 18 for further information.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$23,498,935 while the prior year reported \$22,336,612, which is an increase of \$1,162,323 (Table 4).

Table 4

Governmental Funds	Balances and Activity			
	July 1, 2024	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2025
General	\$ 8,753,624	\$ 47,497,890	\$ 49,042,986	\$ 7,208,528
Student Activities	552,396	441,879	427,762	566,513
Adult Education	2,757,494	2,852,767	3,303,351	2,306,910
Child Development	199,991	523,418	572,296	151,113
Cafeteria	1,177,570	1,597,603	1,426,486	1,348,687
Deferred Maintenance	536,991	409,914	123,549	823,356
Building	2,418,291	8,970,123	5,080,323	6,308,091
Capital Facilities	36,528	214,943	-	251,471
Special Reserve Fund for Capital Outlay Projects	865,535	545,519	683,812	727,242
Bond Interest and Redemption	5,038,192	4,150,051	5,381,219	3,807,024
Total	\$ 22,336,612	\$ 67,204,107	\$ 66,041,784	\$ 23,498,935

The fund balance in General Fund decreased by \$1,545,096 over the prior year due to general differences between operating revenues and expenditures. The Building Fund increased \$3,889,800 from prior year due to issuance of general obligation bonds and ongoing bond projects. The Bond Interest and Redemption Fund showed a decrease of \$1,231,168. The District's non-major funds showed an overall decrease of \$166,156.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final budget was adopted on June 5, 2025. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

The District projected a decrease in General Fund balance of \$3,341,393. However, revenues were \$698,990 more than expected and expenditures and transfers out were \$1,097,307 less than projected, resulting in an actual decrease to the fund of \$1,545,096.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2025, the District had \$55,564,902 in a broad range of capital asset and right-to-use leased assets (net of depreciation and amortization), including land, buildings, and furniture and equipment and leased assets. At June 30, 2024, the District's capital assets were \$54,187,279. This amount represents a net increase (including additions, deductions, depreciation, and amortization) of \$1,377,623 from prior year (Table 5).

Table 5

	Governmental Activities	
	2025	2024
Land and construction in progress	\$ 6,213,218	\$ 3,483,439
Buildings and improvements	48,437,410	49,596,486
Equipment	914,274	1,088,668
Right-to-use leased assets	-	18,686
Total	\$ 55,564,902	\$ 54,187,279

We present more detailed information about our capital assets and right-to-use leased assets in the Notes to Financial Statements.

Long-Term Liabilities

At the end of this year, the District had \$100,798,058 in liabilities outstanding versus \$95,951,969 last year, an increase of \$4,846,089. The long-term liabilities of the District include the following:

Table 6

	Governmental Activities	
	2025	2024*
Long-Term Liabilities		
General obligation bonds	\$ 47,112,000	\$ 41,973,000
Unamortized debt premiums	4,122,906	3,844,189
Leases	-	19,624
Early retirement liabilities	897,660	-
Compensated absences	5,197,908	448,782
Total OPEB liability	5,928,471	6,040,531
Aggregate net pension liability	<u>37,539,113</u>	<u>43,625,843</u>
 Total	 <u>\$ 100,798,058</u>	 <u>\$ 95,951,969</u>

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 18 for further information.

The District's S&P bond rating as of the most recent bond issuance was "AA".

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2024-2025 ARE NOTED BELOW

Pacific Grove High School

- Outdoor bench restoration
- Purchase all new themed benches and café tables for outdoor lunch service
- New mobile cart for food service
- Tennis court resurfacing
- Dance floor coating
- Natural Gas Leak Survey
- New boiler at pool
- Electrical switchgear in final phase

Pacific Grove Middle School

- 1st Floor boys restroom full modernization
- Liquid applied roof coating on Building A and B
- Wood rot repairs and gutter replacement Building A and B
- Anti scale safety fencing
- Stair tread replacement

- Interior paint
- Tree removal and pruning

Forest Grove Elementary

- Removal of compromised trees
- Installation of main gate electrified hardware buzzer system
- All trip hazards removed from play area (tree removed)
- New Kindergarten play structure and swings
- Fence repair
- Outdoor bench(s) modernization

Robert Down Elementary

- Remove compromised portable classroom
- Liquid applied roof coating on Main Building & Building A
- New Kindergarten play structure, pour in play and swings
- BASRP interior Modernization

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2025-2026 year, the District Board and management used the following key assumptions in our revenue and expenditure forecasts:

1. Property tax revenues are budgeted to increase by 5% based on the District's best estimates of the current property tax receipts.
2. District will remain in basic aid status.
3. Federal income is expected to decrease.
4. CalPERS and CalSTRS contribution rates are budgeted as recommended by the actuary and set by the CalPERS Board correspondingly.
5. 2024-2025 PGUSD settled negotiations with no increase to salary schedule and \$0 increase to H and W contribution
6. 2025-2026 Adopted Budget has included a 2% salary increase along with 0.5% (increase to health and welfare contribution for all units.
7. 2026-2027 has included a 2% salary increase along with 0.5% (increase to health and welfare contribution for all units.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Joshua Jorn, Assistant Superintendent, Business Services, at Pacific Grove Unified School District, 435 Hillcrest, Pacific Grove, California 93950, 831-646-6509 or e-mail at josh.jorn@pgusd.org.

Pacific Grove Unified School District
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Deposits and investments	\$ 22,541,421
Receivables	2,673,125
Prepaid expense	519
Stores inventories	23,533
Capital assets not depreciated or amortized	6,213,218
Capital assets, net of accumulated depreciation and amortization	<u>49,351,684</u>
Total assets	<u>80,803,500</u>
Deferred Outflows of Resources	
Deferred charge on refunding	1,081,174
Deferred outflows of resources related to OPEB	1,137,453
Deferred outflows of resources related to pensions	<u>12,810,173</u>
Total deferred outflows of resources	<u>15,028,800</u>
Liabilities	
Accounts payable	1,516,056
Unearned revenue	223,607
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	4,473,094
OPEB liability due within one year	338,780
Long-term liabilities other than OPEB and pensions due in more than one year	52,857,380
Net other postemployment benefits (OPEB) liability due in more than one year	5,589,691
Aggregate net pension liabilities	<u>37,539,113</u>
Total liabilities	<u>102,537,721</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	5,043,749
Deferred inflows of resources related to pensions	<u>5,828,145</u>
Total deferred inflows of resources	<u>10,871,894</u>
Net Position	
Net investment in capital assets	11,719,261
Restricted for	
Debt service	3,807,024
Capital projects	251,471
Educational programs	2,921,304
Child nutrition	1,325,154
Student activities	566,513
Unrestricted (deficit)	<u>(38,168,042)</u>
Total net position (deficit)	<u>\$ (17,577,315)</u>

Pacific Grove Unified School District
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 29,282,556	\$ 211,502	\$ 3,945,532	\$ (25,125,522)
Instruction-related activities				
Supervision of instruction	651,454	1,461	116,000	(533,993)
Instructional library, media, and technology	435,457	352	58,784	(376,321)
School site administration	4,288,563	9,169	720,531	(3,558,863)
Pupil services				
Home-to-school transportation	733,712	-	-	(733,712)
Food services	1,715,997	10,820	1,543,905	(161,272)
All other pupil services	4,624,617	78,486	644,077	(3,902,054)
Administration				
Data processing	628,216	-	6,988	(621,228)
All other administration	4,803,869	409	239,216	(4,564,244)
Plant services	7,068,048	160,359	1,044,872	(5,862,817)
Ancillary services	1,076,186	296	450,249	(625,641)
Community services	572,205	-	112,932	(459,273)
Interest on long-term liabilities	2,264,389	-	-	(2,264,389)
Other outgo	147,512	11,427	77,151	(58,934)
Total governmental activities	\$ 58,292,781	\$ 484,281	\$ 8,960,237	(48,848,263)
General Revenues and Subventions				
Property taxes, levied for general purposes				37,442,457
Property taxes, levied for debt service				3,432,241
Federal and State aid not restricted to specific purposes				3,305,712
Interest and investment earnings				782,201
Miscellaneous				2,345,788
Subtotal, general revenues and subventions				47,308,399
Change in Net Position				(1,539,864)
Net Position - Beginning (Deficit), as previously reported				(11,294,389)
Adjustments (Note 18)				(4,743,062)
Net Position - Beginning (Deficit), as restated				(16,037,451)
Net Position - Ending (Deficit)				\$ (17,577,315)

Pacific Grove Unified School District
Balance Sheet – Governmental Funds
June 30, 2025

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 7,364,575	\$ 5,597,018	\$ 3,807,024	\$ 5,772,804	\$ 22,541,421
Receivables	1,490,140	728,614	-	454,371	2,673,125
Prepaid expenditures	519	-	-	-	519
Stores inventories	-	-	-	23,533	23,533
Total assets	\$ 8,855,234	\$ 6,325,632	\$ 3,807,024	\$ 6,250,708	\$ 25,238,598
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,443,162	\$ 17,541	\$ -	\$ 55,353	\$ 1,516,056
Unearned revenue	203,544	-	-	20,063	223,607
Total liabilities	1,646,706	17,541	-	75,416	1,739,663
Fund Balances					
Nonspendable	5,519	-	-	23,533	29,052
Restricted	2,318,963	6,308,091	3,807,024	2,745,479	15,179,557
Assigned	755,693	-	-	3,406,280	4,161,973
Unassigned	4,128,353	-	-	-	4,128,353
Total fund balances	7,208,528	6,308,091	3,807,024	6,175,292	23,498,935
Total liabilities and fund balances	\$ 8,855,234	\$ 6,325,632	\$ 3,807,024	\$ 6,250,708	\$ 25,238,598

Pacific Grove Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2025

Total Fund Balance - Governmental Funds	\$ 23,498,935
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 97,606,707
Accumulated depreciation and amortization is	<u>(42,041,805)</u>
Net capital assets	55,564,902
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to	
Debt refundings (deferred charge on refunding)	1,081,174
Other postemployment benefits (OPEB)	1,137,453
Net pension liability	<u>12,810,173</u>
Total deferred outflows of resources	15,028,800
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to	
Other postemployment benefits (OPEB)	(5,043,749)
Net pension liability	<u>(5,828,145)</u>
Total deferred inflows of resources	(10,871,894)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	
	(37,539,113)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.	
	(5,928,471)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
General obligation bonds including unamortized premiums	(51,234,906)
Compensated absences	(5,197,908)
Supplemental early retirement	<u>(897,660)</u>
Total long-term liabilities	<u>(57,330,474)</u>
Total net position - governmental activities	
	<u><u>\$ (17,577,315)</u></u>

Pacific Grove Unified School District
 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
 Year Ended June 30, 2025

	General Fund	Adult Education Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Local Control Funding Formula (LCFF)	\$ 40,258,708		\$ -	\$ -	\$ -	\$ 40,258,708
Federal sources	678,228		-	-	398,713	1,076,941
Other State sources	3,423,389		-	8,537	3,411,790	6,843,716
Other local sources	3,137,565		270,123	3,561,496	2,298,186	9,267,370
Total revenues	47,497,890		270,123	3,570,033	6,108,689	57,446,735
Expenditures						
 Current						
Instruction	28,094,005		-	-	1,991,727	30,085,732
Instruction-related activities						
Supervision of instruction	568,571		-	-	-	568,571
Instructional library, media, and technology	409,852		-	-	49,773	459,625
School site administration	3,528,310		-	-	1,006,164	4,534,474
Pupil services						
Home-to-school transportation	404,129		-	-	-	404,129
Food services	82,916		-	-	1,379,146	1,462,062
All other pupil services	4,925,217		-	-	-	4,925,217
Administration						
Data processing	639,531		-	-	-	639,531
All other administration	3,795,902		-	-	155,645	3,951,547
Plant services	4,941,373		1,253,013	-	590,237	6,784,623
Ancillary services	669,400		-	-	427,762	1,097,162
Community services	163,154		-	-	436,477	599,631
Other outgo	147,512		-	-	-	147,512
Facility acquisition and construction	31,907		3,615,145	-	500,325	4,147,377

Pacific Grove Unified School District
 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
 Year Ended June 30, 2025

	General Fund	Adult Education Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Expenditures						
Debt service						
Principal	19,624		-	3,561,000	-	3,580,624
Interest and other	144,229		212,165	1,820,219	-	2,176,613
Total expenditures	48,565,632		5,080,323	5,381,219	6,537,256	65,564,430
Excess (Deficiency) of Revenues Over Expenditures	(1,067,742)		(4,810,200)	(1,811,186)	(428,567)	(8,117,695)
Other Financing Sources (Uses)						
Transfers in	-		-	-	477,354	477,354
Proceeds from bond issuance	-		8,700,000	-	-	8,700,000
Premium on bond issuance	-		-	580,018	-	580,018
Transfers out	(477,354)		-	-	-	(477,354)
Net Financing Sources (Uses)	(477,354)		8,700,000	580,018	477,354	9,280,018
Net Change in Fund Balances	(1,545,096)		3,889,800	(1,231,168)	48,787	1,162,323
Fund Balance - Beginning, as previously reported	8,753,624	2,757,494	2,418,291	5,038,192	3,369,011	22,336,612
Adjustments (Note 18)	-	(2,757,494)	-	-	2,757,494	-
Fund Balance - Beginning, as restated	8,753,624	-	2,418,291	5,038,192	6,126,505	22,336,612
Fund Balance - Ending	\$ 7,208,528		\$ 6,308,091	\$ 3,807,024	\$ 6,175,292	\$ 23,498,935

Pacific Grove Unified School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities
 Year Ended June 30, 2025

Total Net Change in Fund Balances - Governmental Funds \$ 1,162,323

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

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

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

Depreciation and amortization expense	\$ (2,909,816)
Capital outlay	<u>4,287,439</u>

Net expense adjustment

1,377,623

In the Statement of Activities, certain operating expenses, such as compensated absences, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between earned and used.

(903,724)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows/inflows of resources and net pension liability during the year.

1,618,845

In the governmental funds, OPEB costs are based on benefit payments made for OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows/inflows of resources and net OPEB liability during the year.

690,938

Proceeds received from general obligation bonds or certificates of participation are a revenue in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.

(8,700,000)

Deferred charge on refunding (the difference between the reacquisition price and the net carrying amount of the refunded debt) is capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.

(87,776)

Pacific Grove Unified School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2025

Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Premium on issuance recognized	(580,018)
Premium amortization	301,301

Payments of principal on long-term liabilities is an expenditure in the governmental funds, but reduce long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	3,561,000
Leases	19,624

Change in net position of governmental activities	<u>\$ (1,539,864)</u>
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Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Pacific Grove Unified School District (the District) was organized in 1895 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates two elementary schools, one middle school, one high school, one adult education center, one continuation high school, and three child care centers.

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. 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.

One fund currently defined as a special revenue fund in the *California State Accounting Manual* (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Postemployment Benefits Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been consolidated with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$6,846.

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

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

Non-Major Governmental Funds

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

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

Capital Project Funds The Capital Project funds are used 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** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code Section 42840*).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

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

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

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

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

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

Investments

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

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

Stores Inventories

Store inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis.

Capital Assets, Depreciation, and Amortization

Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years. Land is not depreciated.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2024.

Right-to-use leased assets are recognized at the lease commencement date and represent the District's right-to-use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The leased assets were fully amortized by the end of the fiscal year.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, a liability for compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, only the portion of accumulated sick leave that is more likely than not to be used by the employee for paid leave is recognized as a liability in the District's financial statements. Credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At

retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time. The portion of sick leave that is more likely than not to be settled through conversion to service credit for employee retirement plans is not included in the District's liability for compensated absences.

Accrued Liabilities and Long-Term Liabilities

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

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

Premiums

Debt premiums are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums are amortized over the life of the debt using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, debt premiums are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources.

Deferred Outflows/Inflows of Resources

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they

are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund

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 the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes 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. The net OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Lease Liabilities

Lease liabilities represent the District's obligation to make lease payments arising from the lease. The District recognizes a lease liability in the government-wide financial statements. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the District.

Fund Balances - Governmental Funds

As of June 30, 2025, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Superintendent or Assistant Superintendent of Business Services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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 governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net of investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$8,871,466 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the *Statement of Activities*.

Estimates

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

Property Tax

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

Adoption of New Accounting Standard

Implementation of GASB Statement No. 101

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 18.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Governmental activities	<u>\$ 22,541,421</u>
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Deposits and investments as of June 30, 2025, consist of the following:

Cash on hand and in banks	\$ 569,154
Cash in revolving	5,000
Investments	<u>21,967,267</u>
 Total deposits and investments	 <u>\$ 22,541,421</u>

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$21,819,746 in the Monterey County Treasury Investment Pool that has an average weighted maturity of 484 days.

Pacific Grove Unified School District

Notes to Financial Statements

June 30, 2025

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Reported Amount	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
Corporate Bond	\$ 10,587	\$ -	\$ 10,587	\$ -	\$ -
Certificates of Deposit	136,934	136,934	-	-	-
County Pool	<u>21,819,746</u>	<u>-</u>	<u>21,819,746</u>	<u>-</u>	<u>-</u>
Total	\$ 21,967,267	\$ 136,934	\$ 21,830,333	\$ -	\$ -

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by the California *Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Reported Amount	Minimum Legal Rating	Rating as of Year End	
			AA-	Unrated
Corporate Bond	\$ 10,587	N/A	\$ 10,587	\$ -
Certificate of Deposit	136,934	N/A	-	136,934
County Pool	<u>21,819,746</u>	<u>N/A</u>	<u>-</u>	<u>21,819,746</u>
Total	\$ 21,967,267		\$ 10,587	\$ 21,956,680

N/A - Not Applicable

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2025, \$114,232 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 agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in Corporate Bonds of \$10,587, the District has a custodial credit risk exposure of \$10,587 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities.

Note 3 - Fair Value Measurements

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

- Level 1 - 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 data 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.

Pacific Grove Unified School District

Notes to Financial Statements

June 30, 2025

The District's fair value measurements are as follows at June 30, 2025:

Investment Type	Reported Amount	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Corporate Bond	\$ 10,587	\$ 10,587	\$ -	\$ -
Certificate of Deposit	<u>136,934</u>	<u>136,934</u>	<u>-</u>	<u>-</u>
Total	\$ 147,521	\$ 147,521	\$ -	\$ -

Investments not subject to fair value hierarchy:

County Pool	<u>\$ 21,819,746</u>
Total Investments	<u><u>\$ 21,967,267</u></u>

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

Note 4 - Receivables

Receivables at June 30, 2025, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 475,074	\$ -	\$ 68,485	\$ 543,559
State Government				
Other State	643,789	-	139,707	783,496
Local Sources	<u>371,277</u>	<u>728,614</u>	<u>246,179</u>	<u>1,346,070</u>
Total	\$ 1,490,140	\$ 728,614	\$ 454,371	\$ 2,673,125

Pacific Grove Unified School District
Notes to Financial Statements
June 30, 2025

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Governmental Activities				
Capital assets not being depreciated or amortized				
Land	\$ 217,496	\$ -	\$ -	\$ 217,496
Construction in progress	3,265,943	2,729,779	-	5,995,722
Total capital assets not being depreciated or amortized	<u>3,483,439</u>	<u>2,729,779</u>	<u>-</u>	<u>6,213,218</u>
Capital assets being depreciated and amortized				
Buildings and improvements	85,337,418	1,470,229	-	86,807,647
Furniture and equipment	4,498,411	87,431	-	4,585,842
Right-to-use leased furniture and equipment	56,054	-	(56,054)	-
Total capital assets being depreciated and amortized	<u>89,891,883</u>	<u>1,557,660</u>	<u>(56,054)</u>	<u>91,393,489</u>
Total capital assets	<u>93,375,322</u>	<u>4,287,439</u>	<u>(56,054)</u>	<u>97,606,707</u>
Accumulated depreciation and amortization				
Buildings and improvements	(35,740,932)	(2,629,305)	-	(38,370,237)
Furniture and equipment	(3,409,743)	(261,825)	-	(3,671,568)
Right-to-use leased furniture and equipment	(37,368)	(18,686)	56,054	-
Total accumulated depreciation and amortization	<u>(39,188,043)</u>	<u>(2,909,816)</u>	<u>56,054</u>	<u>(42,041,805)</u>
Net depreciable and amortizable capital assets	<u>50,703,840</u>	<u>(1,352,156)</u>	<u>-</u>	<u>49,351,684</u>
Governmental activities capital assets, net	<u>\$ 54,187,279</u>	<u>\$ 1,377,623</u>	<u>\$ -</u>	<u>\$ 55,564,902</u>

Pacific Grove Unified School District
 Notes to Financial Statements
 June 30, 2025

Depreciation and amortization expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 1,465,093
Supervision of instruction	114,910
Home-to-school transportation	344,728
Food services	287,273
All other administration	94,540
Data processing	28,727
Plant services	<u>574,545</u>
Total depreciation and amortization expense - governmental activities	<u>\$ 2,909,816</u>

Note 6 - Interfund Transactions

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2025, consist of the following:

The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for future maintenance projects.	\$ 200,000
The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for project contributions.	200,000
The General Fund transferred to the Child Development Non-Major Governmental Fund to correct revenue in the prior year.	41,367
The General Fund transferred to the Capital Facilities Non-Major Governmental Fund to correct revenue in the prior year.	<u>35,987</u>
Total	<u>\$ 477,354</u>

Pacific Grove Unified School District
Notes to Financial Statements
June 30, 2025

Note 7 - Accounts Payable

Accounts payable at June 30, 2025, consist of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 206,294	\$ 17,541	\$ 31,590	\$ 255,425
Salaries and benefits	<u>1,236,868</u>	<u>-</u>	<u>23,763</u>	<u>1,260,631</u>
Total	<u>\$ 1,443,162</u>	<u>\$ 17,541</u>	<u>\$ 55,353</u>	<u>\$ 1,516,056</u>

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2025, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
State categorical aid	\$ 177,012	\$ 20,063	\$ 197,075
Other local	<u>26,532</u>	<u>-</u>	<u>26,532</u>
Total	<u>\$ 203,544</u>	<u>\$ 20,063</u>	<u>\$ 223,607</u>

Note 9 - Tax and Revenue Anticipation Notes (TRANS)

On August 8, 2024, the District issued \$3,225,000 of Tax and Revenue Anticipation Notes bearing interest at 5%. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 30, 2025. By June 30, 2025, the District had placed 100% of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

Issue Date	Rate	Maturity Date	Outstanding July 1, 2024	Additions	Payments	Outstanding June 30, 2025
8/8/2024	5%	6/30/2025	<u>\$ -</u>	<u>\$ 3,225,000</u>	<u>\$ (3,225,000)</u>	<u>\$ -</u>

Pacific Grove Unified School District
Notes to Financial Statements
June 30, 2025

Note 10 - Long-Term Liabilities Other than OPEB and Pensions

Summary

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

	Balance July 1, 2024, as Restated	Additions	Deductions	Balance June 30, 2025	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 41,973,000	\$ 8,700,000	\$ (3,561,000)	\$ 47,112,000	\$ 3,045,000
Unamortized debt premiums	3,844,189	580,018	(301,301)	4,122,906	-
Leases	19,624	-	(19,624)	-	-
Supplemental early retirement	-	1,496,100	(598,440)	897,660	299,220
Compensated absences	5,191,844	6,064	-	5,197,908	1,128,874
Total	\$ 51,028,657	\$ 10,782,182	\$ (4,480,365)	\$ 57,330,474	\$ 4,473,094

The change in compensated absences is presented as a net change.

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund with local tax revenues. The premiums will be amortized over the life of the related debt. Payments on leases are made from the General Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2024	Issued	Redeemed	Bonds Outstanding June 30, 2025
6/30/2015	8/1/2030	2.0 - 5.0%	\$ 4,925,000	\$ 2,480,000	\$ -	\$ (335,000)	\$ 2,145,000
6/30/2015	8/1/2031	2.0 - 5.0%	3,380,000	1,855,000	-	(220,000)	1,635,000
7/14/2016	8/1/2039	2.0 - 4.0%	16,125,000	15,055,000	-	(645,000)	14,410,000
12/12/2017	8/1/2037	3.0 - 4.0%	10,130,000	8,355,000	-	(575,000)	7,780,000
4/27/2021	8/1/2032	2.0 - 3.0%	6,000,000	4,480,000	-	(140,000)	4,340,000
11/9/2023	8/1/2043	4.0 - 5.0%	6,540,000	6,540,000	-	-	6,540,000
11/6/2024	8/1/2044	4.0 - 5.0%	8,700,000	-	8,700,000	(300,000)	8,400,000
Notes from direct borrowings and direct placements							
7/12/2011	8/1/2026	5.01%	7,780,000	2,792,000	-	(930,000)	1,862,000
4/28/2022	8/1/2024	1.94%	2,126,000	416,000	-	(416,000)	-
Total			\$ 41,973,000	\$ 8,700,000	\$ (3,561,000)	\$ 47,112,000	

Pacific Grove Unified School District
Notes to Financial Statements
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Debt Service Requirements to Maturity

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2026	\$ 3,045,000	\$ 1,876,054	\$ 4,921,054
2027	3,342,000	1,734,361	5,076,361
2028	2,570,000	1,611,669	4,181,669
2029	2,565,000	1,511,918	4,076,918
2030	2,565,000	1,413,694	3,978,694
2031-2035	13,345,000	5,540,342	18,885,342
2036-2040	11,335,000	3,027,235	14,362,235
2041-2045	8,345,000	900,450	9,245,450
Total	\$ 47,112,000	\$ 17,615,723	\$ 64,727,723

Leases

The District has entered into agreements to lease various equipment. The District's liability on lease agreements is summarized below:

Lease	Leases Outstanding July 1, 2024	Payments	Leases Outstanding June 30, 2025
Copiers	\$ 19,624	\$ (19,624)	\$ -

Copier Lease

The District entered an agreement to lease copiers for three years, beginning July, 2022. Under the terms of the lease, the District paid the monthly payments of \$1,680, which amounted to total principal and interest costs of \$60,480. The annual interest rate charged on the lease is 5%. At June 30, 2025, the District has recognized no right-to-use leased and no lease liability related to this agreement as it had expired during the 2024-2025 fiscal year. During the fiscal year, the District recorded \$18,686 in amortization expense and \$536 in interest expense for the right-to-use the copiers. The District also pays for each additional copy in excess of the contracted amount, which is not included in the measurement of the lease liability as they are variable in nature.

Supplemental Employee Retirement Plan (SERP)

Effective July 1, 2024, the District offered a Supplemental Employee Retirement Plan. Eligibility requirements for employees to participate in the plan shall be as follows:

- Employee must be an "Active" Certificated, Certificated Management, Classified, or Classified Management employee of the District as of June 30, 2024,
- Employee must be at least 55 years of age by June 30, 2024,

Pacific Grove Unified School District
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- Employee must have at least 5 years of service with District by June 30, 2024,
- Employee must be eligible to retire/resign from CalSTRS/CalPERS by June 30, 2024,
- Employee must retire/resign from the District on or by June 30, 2024,
- Employee must submit their Letter of Retirement/Resignation and the SERP Enrollment Package no later than November 9, 2023.

The remaining payment requirements for the plan as of June 30, 2025, are as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>
2026	\$ 299,220
2027	299,220
2028	<u>299,220</u>
 Total	 <u>\$ 897,660</u>

Note 11 - Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2025, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plan:

<u>OPEB Plan</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 5,815,221	\$ 1,137,453	\$ 5,043,749	\$ 185,013
Medicare Premium Payment (MPP) Program	<u>113,250</u>	-	-	<u>(33,134)</u>
 Total	 <u>\$ 5,928,471</u>	 <u>\$ 1,137,453</u>	 <u>\$ 5,043,749</u>	 <u>\$ 151,879</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	101
Active employees	<u>200</u>
Total	<u><u>301</u></u>

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Pacific Grove Teachers Association (PGTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, PGTA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2024, the District paid \$280,463 in benefits including \$72,678 for an implicit rate subsidy.

Total OPEB Liability of the District

The District's total OPEB liability of \$5,815,221 was measured as of June 30, 2024, by applying certain roll-forward procedures to the valuation completed as of June 20, 2023.

Actuarial Assumptions

The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Discount rate	3.93%
Healthcare cost trend rates	4.00%

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

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

Pacific Grove Unified School District
Notes to Financial Statements
June 30, 2025

higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actual experience study for the period July 1, 2022 to June 30, 2023.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2023	<u>\$ 5,594,188</u>
Service cost	364,796
Interest	207,227
Differences between expected and actual experience	82,201
Changes of assumptions or other inputs	(152,728)
Benefit payments	<u>(280,463)</u>
Net change in total OPEB liability	<u>221,033</u>
Balance, June 30, 2024	<u>\$ 5,815,221</u>

Changes in Benefit Terms - There were no changes in the benefit terms since the previous measurement.

Changes of Assumptions –The discount rate changed from 3.65% to 3.93%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Total OPEB Liability
1% decrease (2.93%)	\$ 6,356,332
Current discount rate (3.93%)	5,815,221
1% increase (4.93%)	5,352,127

Pacific Grove Unified School District

Notes to Financial Statements

June 30, 2025

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rate:

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (3%)	\$ 5,249,475
Current healthcare cost trend rate (4%)	5,815,221
1% increase (5%)	6,481,987

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

At June 30, 2025, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 299,959	\$ -
Differences between expected and actual experience	91,869	4,043,425
Changes of assumptions	745,625	1,000,324
Total	\$ 1,137,453	\$ 5,043,749

* Includes implicit subsidy payments of \$109,121.

The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent fiscal year.

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Notes to Financial Statements

June 30, 2025

The deferred outflows of resources and deferred inflows of resources related to differences between expected and actual experience and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period and will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2026	\$ 197,771	\$ (1,100,751)
2027	197,771	(1,089,228)
2028	191,002	(970,907)
2029	136,597	(692,094)
2030	46,480	(611,531)
Thereafter	67,873	(579,238)
Total	\$ 837,494	\$ (5,043,749)

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits 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, 2023, annual actuarial valuation report, Medicare Premium Payment 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/forms-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (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. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative

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Notes to Financial Statements

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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.

Net OPEB Liability and OPEB Expense

At June 30, 2025, the District reported a liability of \$113,250 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. 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, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.0425% and 0.0482%, resulting in a net decrease in the proportionate share of 0.0057%.

For the year ended June 30, 2025, the District recognized OPEB expense of \$(33,134).

Actuarial Methods and Assumptions

The June 30, 2024 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024, using the assumptions listed in the following table:

Measurement Date	June 30, 2024	June 30, 2023
Valuation Date	June 30, 2023	June 30, 2022
Experience Study	July 1, 2007 through June 30, 2022	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.93%	3.65%
Medicare Part A Premium Cost Trend Rate	5.00%	4.50%
Medicare Part B Premium Cost Trend Rate	6.50%	5.40%

For the valuation as of June 30, 2023, CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP-2021 Ultimate Projection Scale.

Assumptions were made about future participation (enrollment) into the MPP Program because 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' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 154 or an average of 0.12% of the potentially eligible population (132,333).

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, 2024, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

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, 2024, 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, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

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 calculated using the current discount rate, as well as what the net OPEB 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 OPEB Liability
1% decrease (2.93%)	\$ 122,193
Current discount rate (3.93%)	113,250
1% increase (4.93%)	105,385

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 calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (4.00% Part A and 5.50% Part B)	\$ 104,914
Current Medicare costs trend rates (5.00% Part A and 6.50% Part B)	113,250
1% increase (6.00% Part A and 7.50% Part B)	122,556

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Note 12 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Stores inventories	-	-	-	23,533	23,533
Prepaid expenditures	519	-	-	-	519
Total nonspendable	5,519	-	-	23,533	29,052
Restricted					
Legally restricted programs	2,318,963	-	-	602,341	2,921,304
Student activities	-	-	-	566,513	566,513
Food service	-	-	-	1,325,154	1,325,154
Capital projects	-	6,308,091	-	251,471	6,559,562
Debt services	-	-	3,807,024	-	3,807,024
Total restricted	2,318,963	6,308,091	3,807,024	2,745,479	15,179,557
Assigned					
Deferred maintenance	244,828	-	-	823,356	1,068,184
CalSTRS/CalPERS reserve	357,845	-	-	-	357,845
Property taxes	146,482	-	-	-	146,482
Postemployment benefits	6,538	-	-	-	6,538
Adult education	-	-	-	1,855,682	1,855,682
Capital outlay projects	-	-	-	727,242	727,242
Total assigned	755,693	-	-	3,406,280	4,161,973
Unassigned					
Reserve for economic uncertainties	1,468,969	-	-	-	1,468,969
Remaining unassigned	2,659,384	-	-	-	2,659,384
Total unassigned	4,128,353	-	-	-	4,128,353
Total	\$ 7,208,528	\$ 6,308,091	\$ 3,807,024	\$ 6,175,292	\$ 23,498,935

Note 13 - 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, 2025, the District contracted with NorCal ReLiEF for property and liability insurance coverage. 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.

Workers' Compensation

For fiscal year 2025, the District participated in the Monterey Educational Risk Management Authority (MERMA), an insurance purchasing pool. The intent of MERMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in MERMA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in MERMA.

Employee Medical Benefits

The District has contracted with the Monterey County Schools Insurance Group (MCSIG) to provide employee medical benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

Note 14 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2025, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 19,561,118	\$ 7,303,201	\$ 5,188,511	\$ 1,764,066
CalPERS	<u>17,977,995</u>	<u>5,506,972</u>	<u>639,634</u>	<u>3,119,013</u>
Total	<u><u>\$ 37,539,113</u></u>	<u><u>\$ 12,810,173</u></u>	<u><u>\$ 5,828,145</u></u>	<u><u>\$ 4,883,079</u></u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, 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/forms-publications>.

Benefits Provided

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

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

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

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 Notes to Financial Statements
 June 30, 2025

The STRP provisions and benefits in effect at June 30, 2025, are summarized as follows:

STRP Defined Benefit Program		
Hire date	On or before December 31, 2012	On or after 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 employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the District's total contributions were \$3,773,064.

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

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 19,561,118
State's proportionate share of the net pension liability	<u>8,974,708</u>
Total	<u>\$ 28,535,826</u>

The net pension liability was measured as of June 30, 2024. 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 member districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.0291% and 0.0326%, resulting in a net decrease in the proportionate share of 0.0035%.

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Notes to Financial Statements

June 30, 2025

For the year ended June 30, 2025, the District recognized pension expense of \$1,764,066. In addition, the District recognized pension expense and revenue of \$817,042 for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,773,064	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,231,896	2,918,229
Differences between projected and actual earnings on pension plan investments	-	78,929
Differences between expected and actual experience in the measurement of the total pension liability	2,212,614	855,396
Changes of assumptions	<u>85,627</u>	<u>1,335,957</u>
 Total	 <u>\$ 7,303,201</u>	 <u>\$ 5,188,511</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (1,311,322)
2027	1,579,319
2028	(128,853)
2029	<u>(218,073)</u>
 Total	 <u>\$ (78,929)</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (281,664)
2027	(337,027)
2028	(204,184)
2029	(270,951)
2030	(49,685)
Thereafter	<u>(435,934)</u>
 Total	 <u>\$ (1,579,445)</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 2007 through June 30, 2022
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP-2021 Ultimate Projection Scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2024 in

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Notes to Financial Statements

June 30, 2025

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. The assumed asset allocation and best estimates of the expected rates of return for each major asset class for the year ended June 30, 2024, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 34,792,828
Current discount rate (7.10%)	19,561,118
1% increase (8.10%)	6,842,008

California Public Employees Retirement System (CalPERS)**Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Schools Pool Actuarial Valuation. 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/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2025, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	27.050%	27.050%

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Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the total District contributions were \$2,728,859.

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

As of June 30, 2025, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$17,977,995. The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively was 0.0503% and 0.0519%, resulting in a net decrease in the proportionate share of 0.0016%.

For the year ended June 30, 2025, the District recognized pension expense of \$3,119,013. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,728,859	
Change in proportion and differences between contributions made and District's proportionate share of contributions	175,206	510,966
Differences between projected and actual earnings on pension plan investments	698,341	-
Differences between expected and actual experience in the measurement of the total pension liability	1,507,192	128,668
Changes of assumptions	397,374	-
 Total	 \$ 5,506,972	 \$ 639,634

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.

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The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (6,020)
2027	1,085,761
2028	(160,435)
2029	(220,965)
Total	\$ 698,341

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 842,635
2027	369,618
2028	227,885
Total	\$ 1,440,138

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity - cap-weighted	30%	4.54%
Global equity non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private Debt	5%	3.57%
Real assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, SEP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on SEP investments was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	\$ 26,706,462
Current discount rate (6.90%)	17,977,995
1% increase (7.90%)	10,767,587

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 Social Security.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,812,161 (10.828% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS.

Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves. On behalf payments have been included in the calculation of available reserves and have been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

Note 15 - Commitments and Contingencies

Sick Leave

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; the certificated, management, and classified employees do gain a vested right to accumulated sick leave. In addition, certificated, management, and confidential employees are paid an incentive amount for any sick leave balance at year-end and at termination of employment, subject to a contracted sick leave incentive program. Therefore, the value of accumulated sick leave incentive payments are recognized in the District's financial statements.

Grants and Fiscal Penalties

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. Additionally, related to State findings, the District has potential fiscal penalties, which could be appealed or reduced so a current year liability was not recorded for the amount. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2025.

Litigation

The District is not currently a party to any legal proceedings.

Construction Commitments

As of June 30, 2025, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Energy savings project	\$ <u>1,200,000</u>	June 2026

Note 16 - Participation in Public Entity Risk Pools and Joint Powers Authorities

The District is a member of the Monterey County Schools' Insurance Group (MCSIG), NorCal ReLiEF, the Monterey Educational Risk Management Authority (MERMA) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

The District has appointed one member to the governing board of MCSIG.

During the year ended June 30, 2025, the District made payment of \$2,719,524 to MCSIG for medical, dental, vision, and life insurance.

The District has appointed one member to the governing board of NorCal ReLiEF.

During the year ended June 30, 2025, the District made payment of \$272,263 to NorCal ReLiEF for liability and property insurance.

The District has appointed one member to the governing board of MERMA.

During the year ended June 30, 2025, the District made payment of \$790,715 to MERMA for workers' compensation insurance.

Note 17 - Subsequent Events

Tax and Revenue Anticipation Notes

The District issued \$8,000,000 of Tax and Revenue Anticipation Notes dated July 15, 2025. The notes mature on June 30, 2026, and yield 5.00% interest. The notes were sold to supplement cash flow. Repayment requirements are that 100% of principal and interest be deposited with the Fiscal Agent by April 30, 2026.

Note 18 - Restatement

Change in Accounting Principle

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, compensated absences increased by \$4,743,062 as of July 1, 2024. The effect of this change in accounting principle is described in the table below.

	<u>Governmental Activities</u>
Beginning, as previously reported on July 1, 2024	\$ (11,294,389)
Change in accounting principle	<u>(4,743,062)</u>
Beginning, as restated on July 1, 2024	<u>\$ (16,037,451)</u>

Change within the Reporting Entity

During year ended June 30, 2025, there was a change within the financial reporting entity which resulted in the Adult Education Fund being reported as a nonmajor fund instead of major fund which resulted in adjustments to and restatements of beginning fund balance in the table below:

	Governmental Funds	
	Adult Education Fund	Non-Major Governmental Funds
Beginning, as previously reported on July 1, 2024	\$ 2,757,494	\$ 3,369,011
Change to or within the financial reporting entity	<u>(2,757,494)</u>	<u>2,757,494</u>
Beginning, as Restated on July 1, 2024	<u>\$ -</u>	<u>\$ 6,126,505</u>

Required Supplementary Information
June 30, 2025

Pacific Grove Unified School District

Pacific Grove Unified School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2025

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	
				Final to Actual
Revenues				
Local Control Funding Formula	\$ 38,715,228	\$ 39,664,269	\$ 40,258,708	\$ 594,439
Federal sources	649,269	666,401	678,228	11,827
Other State sources	3,548,242	3,600,355	3,423,389	(176,966)
Other local sources	2,833,233	2,867,875	3,137,565	269,690
Total revenues¹	45,745,972	46,798,900	47,497,890	698,990
Expenditures				
Current				
Certificated salaries	19,831,349	19,498,754	19,435,798	62,956
Classified salaries	9,115,232	9,156,485	9,282,654	(126,169)
Employee benefits	11,524,409	12,098,695	12,204,678	(105,983)
Books and supplies	1,101,393	2,560,119	1,152,851	1,407,268
Services and operating expenditures	4,346,793	6,115,534	6,282,150	(166,616)
Other outgo	82,000	(14,419)	(8,130)	(6,289)
Capital outlay	28,386	274,351	51,778	222,573
Debt service				
Debt service - principal	-	-	19,624	(19,624)
Debt service - interest	-	-	144,229	(144,229)
Total expenditures¹	46,029,562	49,689,519	48,565,632	1,123,887
(Deficiency) of Revenues Over Expenditures	(283,590)	(2,890,619)	(1,067,742)	1,822,877
Other Financing Uses				
Transfers out	(400,000)	(450,774)	(477,354)	(26,580)
Net Change in Fund Balances	(683,590)	(3,341,393)	(1,545,096)	1,796,297
Fund Balance - Beginning	8,753,624	8,753,624	8,753,624	-
Fund Balance - Ending	\$ 8,070,034	\$ 5,412,231	\$ 7,208,528	\$ 1,796,297

¹ Due to the consolidation of Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

Pacific Grove Unified School District
 Schedule of Changes in the District's Total OPEB Liability and Related Ratios
 Year Ended June 30, 2025

	2025	2024	2023	2022
Total OPEB Liability				
Service cost	\$ 364,796	\$ 456,615	\$ 562,346	\$ 832,192
Interest	207,227	279,743	186,502	209,898
Difference between expected and actual experience	82,201	(2,938,329)	30,060	(1,335,987)
Changes of assumptions	(152,728)	274,564	(1,099,427)	(259,070)
Benefit payments	<u>(280,463)</u>	<u>(324,639)</u>	<u>(342,777)</u>	<u>(236,208)</u>
Net change in total OPEB liability	221,033	(2,252,046)	(663,296)	(789,175)
Total OPEB Liability - Beginning	<u>5,594,188</u>	<u>7,846,234</u>	<u>8,509,530</u>	<u>9,298,705</u>
Total OPEB Liability - Ending	<u>\$ 5,815,221</u>	<u>\$ 5,594,188</u>	<u>\$ 7,846,234</u>	<u>\$ 8,509,530</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

¹ The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

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

Pacific Grove Unified School District
 Schedule of Changes in the District's Total OPEB Liability and Related Ratios
 Year Ended June 30, 2025

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 654,488	\$ 732,709	\$ 749,355	\$ 729,299
Interest	271,615	388,268	374,476	323,758
Difference between expected and actual experience	(79,139)	(3,431,279)	-	-
Changes of assumptions	1,120,109	196,109	(280,400)	-
Benefit payments	(282,253)	(356,353)	(477,910)	(459,529)
Net change in total OPEB liability	1,684,820	(2,470,546)	365,521	593,528
Total OPEB Liability - Beginning	<u>7,613,885</u>	<u>10,084,431</u>	<u>9,718,910</u>	<u>9,125,382</u>
Total OPEB Liability - Ending	<u>\$ 9,298,705</u>	<u>\$ 7,613,885</u>	<u>\$ 10,084,431</u>	<u>\$ 9,718,910</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

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

Pacific Grove Unified School District
 Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
 Year Ended June 30, 2025

	2025	2024	2023	2022
Year ended June 30,				
Proportion of the net OPEB liability	<u>0.0425%</u>	<u>0.0482%</u>	<u>0.0477%</u>	<u>0.0490%</u>
Proportionate share of the net OPEB liability	<u>\$ 113,250</u>	<u>\$ 146,384</u>	<u>\$ 157,246</u>	<u>\$ 195,613</u>
Covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>(1.02%)</u>	<u>(0.96%)</u>	<u>(0.94%)</u>	<u>(0.80%)</u>
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

Pacific Grove Unified School District
 Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
 Year Ended June 30, 2025

	2021	2020	2019	2018
Year ended June 30,				
Proportion of the net OPEB liability	0.0531%	0.0558%	0.0547%	0.0524%
Proportionate share of the net OPEB liability	\$ 225,036	\$ 207,788	\$ 209,268	\$ 220,432
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

Pacific Grove Unified School District
 Schedule of the District's Proportionate Share of the Net Pension Liability – CalSTRS
 Year Ended June 30, 2025

CalSTRS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.0291%	0.0326%	0.0318%	0.0326%	0.0305%
Proportionate share of the net pension liability	\$ 19,561,118	\$ 24,840,032	\$ 22,101,316	\$ 14,847,537	\$ 29,533,108
State's proportionate share of the net pension liability	<u>8,974,708</u>	<u>11,901,558</u>	<u>11,068,252</u>	<u>7,470,705</u>	<u>15,224,321</u>
Total	<u>\$ 28,535,826</u>	<u>\$ 36,741,590</u>	<u>\$ 33,169,568</u>	<u>\$ 22,318,242</u>	<u>\$ 44,757,429</u>
Covered payroll	\$ 20,100,518	\$ 19,962,403	\$ 18,412,914	\$ 18,014,774	\$ 17,165,082
Proportionate share of the net pension liability as a percentage of its covered payroll	97.32%	124.43%	120.03%	82.42%	172.05%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.0315%	0.0305%	0.0289%	0.0277%	0.0296%
Proportionate share of the net pension liability	\$ 28,487,151	\$ 27,994,732	\$ 26,764,572	\$ 22,436,743	\$ 19,898,672
State's proportionate share of the net pension liability	<u>15,541,643</u>	<u>16,028,293</u>	<u>15,833,695</u>	<u>12,772,837</u>	<u>10,524,204</u>
Total	<u>\$ 44,028,794</u>	<u>\$ 44,023,025</u>	<u>\$ 42,598,267</u>	<u>\$ 35,209,580</u>	<u>\$ 30,422,876</u>
Covered payroll	\$ 17,164,484	\$ 16,273,839	\$ 15,413,665	\$ 14,180,214	\$ 13,253,423
Proportionate share of the net pension liability as a percentage of its covered payroll	165.97%	172.02%	173.64%	158.23%	150.14%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Pacific Grove Unified School District
 Schedule of the District's Proportionate Share of the Net Pension Liability – CalPERS
 Year Ended June 30, 2025

CalPERS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.0503%	0.0519%	0.0531%	0.0505%	0.0501%
Proportionate share of the net pension liability	\$ 17,977,995	\$ 18,785,811	\$ 18,283,009	\$ 10,266,466	\$ 15,363,509
Covered payroll	\$ 9,945,656	\$ 9,029,385	\$ 8,162,536	\$ 7,256,034	\$ 7,221,155
Proportionate share of the net pension liability as a percentage of its covered payroll	180.76%	208.05%	223.99%	141.49%	212.76%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.0486%	0.0453%	0.0436%	0.0439%	0.0434%
Proportionate share of the net pension liability	\$ 14,170,883	\$ 12,068,714	\$ 10,417,835	\$ 8,674,075	\$ 6,396,296
Covered payroll	\$ 6,737,438	\$ 5,973,196	\$ 5,574,618	\$ 5,296,801	\$ 4,768,252
Proportionate share of the net pension liability as a percentage of its covered payroll	210.33%	202.05%	186.88%	163.76%	134.14%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Pacific Grove Unified School District
 Schedule of the District's Contributions – CalSTRS
 Year Ended June 30, 2025

CalSTRS	2025	2024	2023	2022	2021
Contractually required contribution	\$ 3,773,064	\$ 3,839,199	\$ 3,812,819	\$ 3,115,465	\$ 2,909,386
Less contributions in relation to the contractually required contribution	<u>3,773,064</u>	<u>3,839,199</u>	<u>3,812,819</u>	<u>3,115,465</u>	<u>2,909,386</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	<u>\$ 19,754,262</u>	<u>\$ 20,100,518</u>	<u>\$ 19,962,403</u>	<u>\$ 18,412,914</u>	<u>\$ 18,014,774</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>
	2020	2019	2018	2017	2016
Contractually required contribution	\$ 2,935,229	\$ 2,794,378	\$ 2,348,315	\$ 1,939,039	\$ 1,521,537
Less contributions in relation to the contractually required contribution	<u>2,935,229</u>	<u>2,794,378</u>	<u>2,348,315</u>	<u>1,939,039</u>	<u>1,521,537</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	<u>\$ 17,165,082</u>	<u>\$ 17,164,484</u>	<u>\$ 16,273,839</u>	<u>\$ 15,413,665</u>	<u>\$ 14,180,214</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>

Pacific Grove Unified School District
 Schedule of the District's Contributions – CalPERS
 Year Ended June 30, 2025

CalPERS	2025	2024	2023	2022	2021
Contractually required contribution	\$ 2,728,859	\$ 2,653,501	\$ 2,290,755	\$ 1,870,037	\$ 1,501,999
Less contributions in relation to the contractually required contribution	<u>2,728,859</u>	<u>2,653,501</u>	<u>2,290,755</u>	<u>1,870,037</u>	<u>1,501,999</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	<u>\$ 10,088,203</u>	<u>\$ 9,945,656</u>	<u>\$ 9,029,385</u>	<u>\$ 8,162,536</u>	<u>\$ 7,256,034</u>
Contributions as a percentage of covered payroll	27.050%	26.680%	25.370%	22.910%	20.700%
	2020	2019	2018	2017	2016
Contractually required contribution	\$ 1,424,084	\$ 1,216,916	\$ 927,697	\$ 774,203	\$ 627,512
Less contributions in relation to the contractually required contribution	<u>1,424,084</u>	<u>1,216,916</u>	<u>927,697</u>	<u>774,203</u>	<u>627,512</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	<u>\$ 7,221,155</u>	<u>\$ 6,737,438</u>	<u>\$ 5,973,196</u>	<u>\$ 5,574,618</u>	<u>\$ 5,296,801</u>
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	11.847%

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 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.

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 Changes in the District's Total OPEB Liability and Related Ratios

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The discount rate changed from 3.65% to 3.93%.

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 plan fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.65% to 3.93% since the previous valuation. The Medicare Part A premium cost trend rate assumption was changed from 4.50% to 5.00%, while the Medicare Part B premium cost trend rate assumption was changed from 5.40% to 6.50% since the previous valuation.

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.

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

Schedule of the District's Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

Supplementary Information

June 30, 2025

Pacific Grove Unified School District

Pacific Grove Unified School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	\$ 403,414
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	<u>20,024</u>
Subtotal FFAL 84.027			<u>423,438</u>
Special Education Grants to States - Preschool Grants	84.173	13430	5,777
Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	<u>25</u>
Subtotal FFAL 84.173			<u>5,802</u>
Total Special Education Cluster			<u>429,240</u>
Adult Education - Basic Grants to States, Basic	84.002	14508	38,132
Adult Education - Basic Grants to States, Secondary	84.002	13978	<u>12,825</u>
Subtotal FFAL 84.002			<u>50,957</u>
Title I Grants to Local Educational Agencies	84.010	14329	168,067
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	36,777
Student Support and Academic Enrichment Program	84.424	15396	13,612
Career and Technical Education - Basic Grants to States	84.048	14894	<u>30,532</u>
Total U.S. Department of Education			<u>729,185</u>

Pacific Grove Unified School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed Through California Department of Social Services:			
Child Care and Development Fund (CCDF) Cluster			
COVID-19 Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act- One-time Stipend	93.575	15555	425
Child Development: ARP California State Preschool Program One-time Stipend	93.575	15640	<u>1,016</u>
Subtotal FFAL 93.575			<u>1,441</u>
Total CCDF Cluster			<u>1,441</u>
Total U.S. Department of Health and Human Services			<u>1,441</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
School Lunch - Section 4	10.555	13523	95,659
School Lunch - Section 11	10.555	13524	134,114
Supply Chain Assistance (SCA) Funds	10.555	15655	122,325
Local Food for Schools	10.555	15708	<u>3,484</u>
Subtotal FFAL 10.555			<u>355,582</u>

Pacific Grove Unified School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
School Breakfast Program - National School Breakfast	10.553	13525	113,683
School Breakfast Program - Especially Needy			
Breakfast	10.553	13526	<u>816</u>
Subtotal FFAL 10.553			<u>114,499</u>
Total Child Nutrition Cluster			<u>470,081</u>
Total U.S. Department of Agriculture			<u>470,081</u>
Total Federal Financial Assistance			<u>\$ 1,200,707</u>

Pacific Grove Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2025

	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA		
Transitional kindergarten through third	453.43	454.64
Fourth through sixth	365.02	365.73
Seventh and eighth	278.80	278.82
Ninth through twelfth	<u>516.59</u>	<u>516.38</u>
 Total regular ADA	 <u>1,613.84</u>	 <u>1,615.57</u>
 Community Day School		
Ninth through twelfth	 <u>2.44</u>	 <u>2.19</u>
 Total ADA	 <u>1,616.28</u>	 <u>1,617.76</u>

Pacific Grove Unified School District

Schedule of Instructional Time

Year Ended June 30, 2025

Grade Level	1986-1987 Minutes Requirement	2024-2025 Actual Minutes	Number of Actual Days	Status
Kindergarten	36,000	48,420	180	Complied
Grades 1 - 3	50,400			
Grade 1		54,695	180	Complied
Grade 2		54,695	180	Complied
Grade 3		54,695	180	Complied
Grades 4 - 8	54,000			
Grade 4		54,695	180	Complied
Grade 5		54,695	180	Complied
Grade 6		65,278	180	Complied
Grade 7		65,278	180	Complied
Grade 8		65,278	180	Complied
Grades 9 - 12	64,800			
Grade 9		65,120	180	Complied
Grade 10		65,120	180	Complied
Grade 11		65,120	180	Complied
Grade 12		65,120	180	Complied

Pacific Grove Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2025

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2025.

Pacific Grove Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2025

	(Budget)			
	2026 ¹	2025	2024 ¹	2023 ¹
General Fund³				
Revenues	\$ 47,858,802	\$ 47,497,582	\$ 46,978,398	\$ 45,155,903
Expenditures	48,556,287	48,565,632	47,050,381	43,938,387
Other uses	340,051	477,354	400,000	418,286
Total Expenditures and Other Uses	48,896,338	49,042,986	47,450,381	44,356,673
Increase (Decrease) in Fund Balance	(1,037,536)	(1,545,404)	(471,983)	799,230
Ending Fund Balance	\$ 6,164,146	\$ 7,201,682	\$ 8,747,086	\$ 9,219,069
Available Reserves²	\$ 2,974,864	\$ 4,128,353	\$ 4,994,708	\$ 5,283,854
Available Reserves as a Percentage of Total Outgo	6.08%	8.42%	10.53%	11.91%
Long-Term Liabilities⁴	Not Available	\$ 100,798,058	\$ 95,951,969	\$ 91,880,501
Average Daily Attendance at P-2	1,616	1,616	1,594	1,543

The General Fund balance has decreased by \$2,017,387 over the past two years. The fiscal year 2025-2026 budget projects a decrease of \$1,037,536 (14.4%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2025-2026 fiscal year. Total long-term liabilities have increased by \$8,917,557 over the past two years mostly due to the increase in the net pension obligation and issuance of General Obligation Bonds.

Average daily attendance has increased by 73 over the past two years. No change in ADA is anticipated during fiscal year 2025-2026.

¹ Financial information for 2026, 2024, and 2023 are included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained within the General Fund.

³ General Fund amounts do not include activity related to the consolidation of the Special Reserve Retiree Benefits Fund as required by GASB Statement No. 54.

⁴ Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 18 for further information.

Pacific Grove Unified School District
 Combining Balance Sheet – Non-Major Governmental Funds
 June 30, 2025

	Student Activities Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Assets								
Deposits and investments	\$ 566,513	\$ 2,162,342	\$ 142,615	\$ 1,160,103	\$ 819,908	\$ 251,364	\$ 669,959	\$ 5,772,804
Receivables	-	174,421	38,460	179,772	3,448	107	58,163	454,371
Stores inventories	-	-	-	23,533	-	-	-	23,533
Total assets	\$ 566,513	\$ 2,336,763	\$ 181,075	\$ 1,363,408	\$ 823,356	\$ 251,471	\$ 728,122	\$ 6,250,708
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	29,853	\$ 9,899	\$ 14,721	\$ -	\$ -	\$ 880	\$ 55,353
Unearned revenue	-	-	20,063	-	-	-	-	20,063
Total liabilities	-	29,853	29,962	14,721	-	-	880	75,416
Fund Balances								
Nonspendable	-	-	-	23,533	-	-	-	23,533
Restricted	566,513	451,228	151,113	1,325,154	-	251,471	-	2,745,479
Assigned	-	1,855,682	-	-	823,356	-	727,242	3,406,280
Total fund balances	566,513	2,306,910	151,113	1,348,687	823,356	251,471	727,242	6,175,292
Total liabilities and fund balances	\$ 566,513	\$ 2,336,763	\$ 181,075	\$ 1,363,408	\$ 823,356	\$ 251,471	\$ 728,122	\$ 6,250,708

Pacific Grove Unified School District
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
 Year Ended June 30, 2025

	Student Activities Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Revenues								
Federal sources	\$ -	\$ 50,957	\$ -	\$ 347,756	\$ -	\$ -	\$ -	\$ 398,713
Other State sources	-	1,860,892	161,678	1,209,586	179,634	-	-	3,411,790
Other local sources	441,879	940,918	320,373	40,261	30,280	178,956	345,519	2,298,186
Total revenues	441,879	2,852,767	482,051	1,597,603	209,914	178,956	345,519	6,108,689
Expenditures								
Current								
Instruction	-	1,864,194	127,533	-	-	-	-	1,991,727
Instruction-related activities								
Instructional library, media, and technology	-	49,773	-	-	-	-	-	49,773
School site administration	-	1,005,206	958	-	-	-	-	1,006,164
Pupil services	-	-	-	1,379,146	-	-	-	1,379,146
Food services	-	-	-	-	-	-	-	
Administration	-	101,366	6,939	47,340	-	-	-	155,645
All other administration	-	219,491	389	-	97,077	-	273,280	590,237
Plant services	427,762	-	-	-	-	-	-	427,762
Ancillary services	-	-	436,477	-	-	-	-	436,477
Community services	-	63,321	-	-	26,472	-	410,532	500,325
Total expenditures	427,762	3,303,351	572,296	1,426,486	123,549	-	683,812	6,537,256
Excess (Deficiency) of Revenues Over Expenditures	14,117	(450,584)	(90,245)	171,117	86,365	178,956	(338,293)	(428,567)
Other Financing Sources								
Transfers in	-	-	41,367	-	200,000	35,987	200,000	477,354
Net Change in Fund Balances	14,117	(450,584)	(48,878)	171,117	286,365	214,943	(138,293)	48,787

Pacific Grove Unified School District
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
 Year Ended June 30, 2025

	Student Activities Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Fund Balance - Beginning, as previously reported	552,396	-	199,991	1,177,570	536,991	36,528	865,535	3,369,011
Adjustments (Note 18)	-	2,757,494	-	-	-	-	-	2,757,494
Fund Balance - Beginning, as restated	552,396	2,757,494	199,991	1,177,570	536,991	36,528	865,535	6,126,505
Fund Balance - Ending	<u>\$ 566,513</u>	<u>\$ 2,306,910</u>	<u>\$ 151,113</u>	<u>\$ 1,348,687</u>	<u>\$ 823,356</u>	<u>\$ 251,471</u>	<u>\$ 727,242</u>	<u>\$ 6,175,292</u>

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Pacific Grove Unified School District (the District) under programs of the federal government for the year ended June 30, 2025. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Pacific Grove Unified School District, it is not intended to and does not present the net position, changes in net position or fund balances of Pacific Grove Unified School District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2025, the District had no food commodities in inventory.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Pacific Grove Unified School District

Notes to Supplementary Information

June 30, 2025

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Non-Major Governmental Funds - Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

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

Other Information

June 30, 2025

Pacific Grove Unified School District

Pacific Grove Unified School District
Local Education Agency Organization Structure (Unaudited)
June 30, 2025

Organization

The Pacific Grove Unified School District was organized in 1895 and consists of an area comprising approximately 12 square miles. The District operates two elementary schools, one middle school, one high school, one adult education center, one continuation high school, and three child care centers. There were no boundary changes during the year.

Governing Board

Member	Office	Term Expires
Dr. Elliott Hazen	President	2026
Jennifer McNary	Clerk	2026
Laura Ottmar	Member	2026
Beth Shammash	Member	2028
Mike Wachs	Member	2028

Administration

Dr. Linda Adamson	Superintendent
Joshua Jorn	Assistant Superintendent, Business
Buck Roggeman	Chief Human Resources Officer
Dr. Lawrence Haggquist	Executive Director, Educational Services
Yolanda Cork-Anthony	Executive Director, Student Services
Matthew Binder	Director, Education Technology
Louis Algaze	Director, Technology Information Systems
Robert Silveira	Director, Nutrition Services

Independent Auditor's Reports
June 30, 2025

Pacific Grove Unified School District



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

To the Governing Board
Pacific Grove Unified School District
Pacific Grove, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pacific Grove Unified School District (the District), as of and for the year ended June 30, 2025, 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 11, 2025.

Adoption of New Accounting Standard

As discussed in Note 18 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024, to restate beginning net position. Our opinions are not modified with respect to this matter.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 11, 2025.

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.

A handwritten signature in black ink, appearing to read "Eddie Baily LCP". The signature is fluid and cursive, with "Eddie" and "Baily" connected, and "LCP" in a smaller, separate section.

Fresno, California
December 11, 2025



Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Governing Board
Pacific Grove Unified School District
Pacific Grove, California

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Pacific Grove Unified School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2025. The District's major federal programs is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over*

compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

A handwritten signature in black ink, appearing to read "Eddie Bailely LCP". The signature is fluid and cursive, with "Eddie" and "Bailely" being the most prominent parts.

Fresno, California
December 11, 2025



Independent Auditor's Report on State Compliance and on Internal Control Over Compliance

To the Governing Board
Pacific Grove Unified School District
Pacific Grove, California

Report on Compliance

Opinion on State Compliance

We have audited Pacific Grove Unified School District's (the District) compliance with the requirements specified in the *2024-2025 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, 2025.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 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 *2024-2025 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 *2024-2025 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:

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	No (see below)
Continuation Education	No (see below)
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Not Applicable
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
Charter Schools	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Independent Study and Continuation Education because average daily attendance reported did not exceed thresholds required for testing.

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

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

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 items 2025-001 and 2025-002. Our opinion on state compliance is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the noncompliance findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state 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 state 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 state 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2025-001 and 2025-002 to be material weaknesses.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Pacific Grove Unified School District's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The Pacific Grove Unified School District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Fresno, California
December 11, 2025

Schedule of Findings and Questioned Costs
June 30, 2025

Pacific Grove Unified School District

Pacific Grove Unified School District
 Summary of Auditor's Results
 Year Ended June 30, 2025

Financial Statements

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

Federal Awards

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

Identification of major programs

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

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Other matters to be reported	Yes
Type of auditor's report issued on compliance for programs	Unmodified

Pacific Grove Unified School District
Financial Statement Findings
Year Ended June 30, 2025

None reported.

Pacific Grove Unified School District
Federal Awards Findings and Questioned Costs
Year Ended June 30, 2025

None reported.

Pacific Grove Unified School District
State Compliance Findings and Questioned Costs
Year Ended June 30, 2025

The following findings represent material weaknesses in controls over compliance and instances of noncompliance, including questioned costs, that are required to be reported by the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
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40000	State Compliance
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2025-001 40000 - Expanded Learning Opportunity Program

Criteria or Specific Requirements

Education Code Section 46120(b)(2) as a condition of apportionment, the LEA is required to offer to all unduplicated pupils in classroom-based instructional programs in kindergarten (including TK programs) and grades 1 to 6, inclusive, Expanded Learning Opportunity Programs, and provided the opportunity to enroll.

Condition

The District did not provide access to 6th grade students to enroll in the Expanded Learning Opportunity Program.

Cause

The District did not offer the Expanded Learning Opportunity Program to unduplicated pupils in classroom-based instructional program in grade 6. Of 212 pupils identified on the unduplicated pupil count, 28 pupils were not offered the program.

Effect

The penalty amount was determined to be \$39,768 as the District is currently out of compliance with *Education Code* Section 46120(b)(2) as determined by utilizing the “Estimating the Cost of a School District or Charter School Failure to Offer or Provide Access to the Expanded Learning Opportunities Program (ELO-P) Audit Finding” workbook published by the California Department of Education for fiscal years 2023-2024, and each year thereafter.

Pacific Grove Unified School District
State Compliance Findings and Questioned Costs
Year Ended June 30, 2025

Questioned Costs

The penalty was calculated to be \$39,768 as outlined below:

Entitlement, Rate 2	<u>\$ 301,100</u>
ELO-P Eligible Students	212
Students not Offered Services	28
Proportional Penalty Factor	0.132075
ELO-P Offering and Access Penalty	\$ 39,768
Required Intersession Days	30
Intersession Days Offered	130
ELO-P Days Short	-
Penalty Factor	0.0048
ELO-P Day Offering Penalty	-
Total ELO-P Penalty	<u>\$ 39,768</u>

Repeat Finding

No

Recommendation

We recommend the District offer the Expanded Learning Opportunity Program to all unduplicated pupils in classroom-based instructional programs in kindergarten (including TK programs) and grades 1 to 6.

Corrective Action Plan and Views of Responsible Officials

The District concurs with the finding and will continue to explore the feasibility of offering the ELOP program to grade 6.

2025-002 40000 – Unduplicated Local Control Funding Formula Pupil Count

Criteria or Specific Requirements

With the Local Control Funding Formula, school districts receive supplemental funding known as the Supplement Grant and Concentration Grant. The amount of funding received is generated by the number of pupils who are either English Learners (EL) or participants in the Free/Reduced meal program in accordance with *Education Code Sections 2574(b)(3)(C), 42238.02(b)(3)(b), and 41020*.

Condition

During the audit of the unduplicated local control funding formula pupil count, students were found to be misclassified as free/reduced priced meal status rather than paid which should not count towards the unduplicated pupil count total.

Cause

The students who were incorrectly reported as free/reduced had an income form on file documenting them as ineligible for the free/reduced classification. The status was not properly updated to CALPADS and therefore incorrectly reflected on the Districts 1.18 report of unduplicated count students.

Effect

Thirteen pupils classified as only Free/Reduced Priced Meal status from the Districts unduplicated pupil count listing were selected as a sample and 4 were determined to be misclassified as they did not have any income forms on file with the District. Through extrapolatory and an estimated error rate of 30%, the total reduction in free/reduced priced meal only qualifying unduplicated students amounted to 18 students.

Questioned Costs

The estimated questioned cost totaled \$11,765 in Supplemental Grant funding. The estimated questioned cost was calculated using the California Department of Education provided “Audit Finding Calculator for Fiscal year 2023-2024 and Each Year Thereafter.” The calculation is summarized in the following table:

Pacific Grove Unified School District
 State Compliance Findings and Questioned Costs
 Year Ended June 30, 2025

Total Adjusted Enrollment from the UPP exhibit as of P-2	5,248
Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	1,088
Audit Adjustment - Number of Enrollment	-
Audit Adjustment - Number of Unduplicated Pupil Count	(18)
Revised Adjusted Enrollment	5,248
Revised Adjusted Unduplicated Pupil Count	1,070
UPP calculated as of P-2	0.2073
Revised UPP for audit finding	0.2039
Charter Schools Only: Determinative School District Concentration Cap	
Revised UPP adjusted for Concentration Cap	0.2039
Supplemental and Concentration Grant TK/K-3 ADA	453.43
Supplemental and Concentration Grant 4-6 ADA	365.02
Supplemental and Concentration Grant 7-8 ADA	278.80
Supplemental and Concentration Grant 9-12 ADA	519.03
Adjusted Base Grant per TK/K-3 ADA	\$ 9,919
Adjusted Base Grant per 4-6 ADA	\$ 10,069
Adjusted Base Grant per 7-8 ADA	\$ 10,367
Adjusted Base Grant per 9-12 ADA	\$ 12,015
Supplemental Grant Funding calculated as of P-2	\$ 717,235
Revised Supplemental Grant Funding for audit finding	\$ 705,470
Supplemental Grant Funding audit adjustment	<u>\$ (11,765)</u>
Concentration Grant Funding calculated as of P-2	\$ -
Revised Concentration Grant Funding for audit finding	<u>\$ -</u>
Concentration Grant Funding audit adjustment	<u>\$ -</u>
Total Supplemental and Concentration audit adjustment	<u><u>\$ (11,765)</u></u>

Context

The condition was identified through inquiry with District personnel and review of available District records related to classification of pupils for the Unduplicated Local Control Funding Formula Pupil Count.

Repeat Finding

Yes

Recommendation

The District should implement controls to ensure the classifications reported to CALPADS is supported by proper documentation.

Pacific Grove Unified School District
State Compliance Findings and Questioned Costs
Year Ended June 30, 2025

Corrective Action Plan and Views of Responsible Officials

The District will take steps to ensure that students whose status changes from FRPM to paid are double checked on the CALPADS 1.18 report to reflect the proper unduplicated pupil count totals.

Pacific Grove Unified School District
 Summary Schedule of Prior Audit Findings
 Year Ended June 30, 2025

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

State Compliance Findings

2024-001 10000 - Attendance Accounting and Reporting

Criteria

According to the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the California Code of Regulations and published by the Education Audit Appeals Panel, attendance reports must be amended for any change in ADA. [Education Code Sections 41341 (a)(1) and 14503 (a)]

Condition

During our audit of the Second Period (P-2) and Annual reports, we determined the reports did not agree to supporting documentation.

Cause

The differences appear to be due to data input errors when preparing the P-2 and Annual reports.

Effect

The District will need to revise the P-2 and Annual reports submitted through the Principal Apportionment Data Collection (PADC) system by the ADA amounts noted in the table below. There is no fiscal impact due to the Basic Aid status of the District for LCFF purposes.

However, had the District not been basic aid, the estimated fiscal impact would have been a loss of \$174,058 in State apportionments. The estimate was calculated using the ADA adjustments below multiplied by the respective LCFF rate per ADA provided on the CDE 2023-2024 P-2 LCFF exhibit.

	District's Final Report		As Adjusted Per Audit		Second Period Report Difference	Annual Report Difference
	Second Period Report	Annual Report	Second Period Report	Annual Report		
Regular ADA						
Transitional kindergarten						
through third	439.15	442.37	439.15	440.55	-	(1.82)
Fourth through sixth	387.27	387.67	386.98	392.33	(0.29)	4.66
Seventh and eighth	278.52	278.44	277.96	282.06	(0.56)	3.62
Ninth through twelfth	488.67	486.95	488.18	486.95	(0.49)	-
Total regular ADA	1,593.61	1,595.43	1,592.27	1,601.89	(1.34)	6.46
Community Day School ADA						
Ninth through twelfth	14.16	11.90	1.79	2.34	(12.37)	(9.56)
Total ADA	1,607.77	1,607.33	1,594.06	1,604.23	(13.71)	(3.10)

Pacific Grove Unified School District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

Questioned Costs

There is no fiscal impact due to the Basic Aid status of the District for LCFF purposes.

Repeat Finding

No

Recommendation

We recommend management evaluate the internal control structure over State compliance and consider changes as necessary that will ensure the correct preparation of the P-2 and Annual reports.

Current Status

Implemented.

2024-002 40000 – State Compliance

Criteria or Specific Requirements

Education Code Section 46207 requires the annual number of minutes of instruction to pupils in grades 9 to 12, inclusive, to be 64,800.

Condition

During the audit of Instructional Time, it was determined the high school exam bell schedule included office hours as part of instructional time. This time was not required for all pupils and did not qualify to count towards the annual minutes requirement. There were a total of eight exam days that used these office hours.

Cause

The high school bell schedule included office hours as part of instructional time.

Effect

After recalculating the annual minutes offered, it was determined the high school did not offer the minimum amount of instructional minutes. The high school was short by 1,450 minutes.

Due to the condition noted above, the District is subject to a fiscal penalty in accordance with *Education Code* Section 46207(b). The penalty was calculated using the penalty calculator provided by the California Department of Education and totaled \$140,799.

Pacific Grove Unified School District
 Summary Schedule of Prior Audit Findings
 Year Ended June 30, 2025

Questioned Costs

Below is the required schedule of affected grade levels and penalty calculation:

<u>School Site</u>	<u>Required Minutes Pursuant to Education Code Section 46207(a)(4)</u>	<u>Annual Instructional Minutes Offered</u>	<u>Additional Minutes Required to Meet Instructional Minute Requirements</u>
Pacific Grove High Grades 9-12	64,800	63,350	1,450
Penalty Calculation			
Pacific Grove Unified School District			
Affected grade level(s)	9, 10, 11, 12		
Affected grade level ADA	489.97		
Derived Value of ADA by Grade Span	12,828.71		
Number of required minutes subject to <i>Education Code</i> Section 46207(a)(4)	64,800		
Number of minutes short	1,450		
Percentage of Minutes Not Offered	2.24%		
Affected LCFF Apportionment by Grade Span	<u>6,285,683</u>		
Total Instructional Time Penalty	<u>\$ 140,799</u>		

Repeat Finding

No

Recommendation

We recommend management evaluate the internal control structure over State compliance and consider changes as necessary that will ensure the District is in compliance with applicable *Education Code* sections.

Current Status

Implemented.

Pacific Grove Unified School District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

2024-003 40000 – Unduplicated Local Control Funding Formula Pupil Count

Criteria or Specific Requirements

With the Local Control Funding Formula, school districts receive supplemental funding known as the Supplement Grant and Concentration Grant. The amount of funding received is generated by the number of pupils who are either English Learners (EL) or participants in the Free/Reduced meal program in accordance with *Education Code Sections 2574(b)(3)(C), 42238.02(b)(3)(b), and 41020*.

Condition

During the audit of the unduplicated local control funding formula pupil count, students were found to be misclassified as Free/Reduced.

Cause

The students who were incorrectly reported as free/reduced had an income form on file documenting them as ineligible for the free/reduced classification.

Effect

Twenty-one pupils were selected as a sample and three were determined to be misclassified. Through extrapolation, a total of four pupils were determined to be misclassified.

Questioned Costs

The estimated questioned cost totaled \$(2,986) in Supplemental Grant funding. The estimated questioned cost was calculated using the California Department of Education provided “Audit Finding Calculator for Fiscal year 2023-2024 and Each Year Thereafter.”

Certified and audited District Enrollment	<u>5,312</u>
Certified Unduplicated Pupil Count, District	1,081
Audit Adjustment to Pupil Count due to FRPM status	<u>(4)</u>
Adjusted Total Unduplicated Pupil Count	<u>1,077</u>
Total adjustment to Supplemental Grant Funding	\$ (2,986)
Total adjustment to Concentration Grant Funding	\$ -

Context

The condition was identified through inquiry with District personnel and review of available District records related to classification of pupils for the Unduplicated Local Control Funding Formula Pupil Count.

Pacific Grove Unified School District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

Repeat Finding

No

Recommendation

The District should implement controls to ensure the classifications reported to CALPADS is supported by proper documentation.

Current Status

Not implemented, see current year findings and recommendations.