

GILROY UNIFIED SCHOOL DISTRICT

**COUNTY OF SANTA CLARA
GILROY, CALIFORNIA**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2023

GILROY UNIFIED SCHOOL DISTRICT

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GILROY UNIFIED SCHOOL DISTRICT

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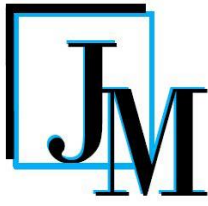
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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Gilroy Unified School District
Gilroy, 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 Gilroy Unified School District (the "District"), as of and for the year ended June 30, 2023, 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 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 District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual - General Fund, Schedule of Proportionate Share of Net Pension Liability and Schedule of Pension Contributions, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

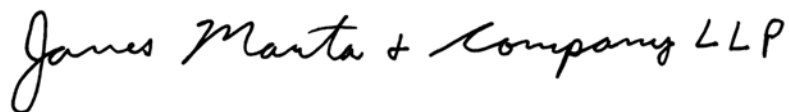
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The *supplementary information as listed in the table of contents* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *supplementary information* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2023 on our consideration of District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 14, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

GILROY UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2023

This section of Gilroy Unified School District's (the “District”) 2022-23 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

DISTRICT PROFILE

Gilroy Unified School District is located in Gilroy, California, nestled in the southern portion of Santa Clara County, midway between San Francisco and Monterey Bay. Gilroy is home to numerous award-winning wineries, parks, golf courses, a charming historic downtown district, the Gilroy Premium Outlets, and the Gilroy Gardens Family Theme Park. Gilroy is the “Garlic Capital of the World!”

According to the latest available estimates, Gilroy’s population as of July 1, 2022 is estimated at 58,005. The City of Gilroy has approved several single-family subdivisions, and multi-family developments, which are projected to add 200 to 400 residents over the next several years. Yet despite the steady rise in residential construction, the District is declining in elementary enrollment (a decline of over 1,228 since 2016-17). The key attributing factors for the decline are as follows;

- low birth rates both in Santa Clara County and in Gilroy
- high cost of living
- larger existing inventory of homes without school aged pupils

The District is comprised of seven elementary schools, three middle schools, two comprehensive high schools, one early college academy, one continuation school, and one charter school that serve approximately 10,428 students. The District currently employs approximately 1,100 staff members.

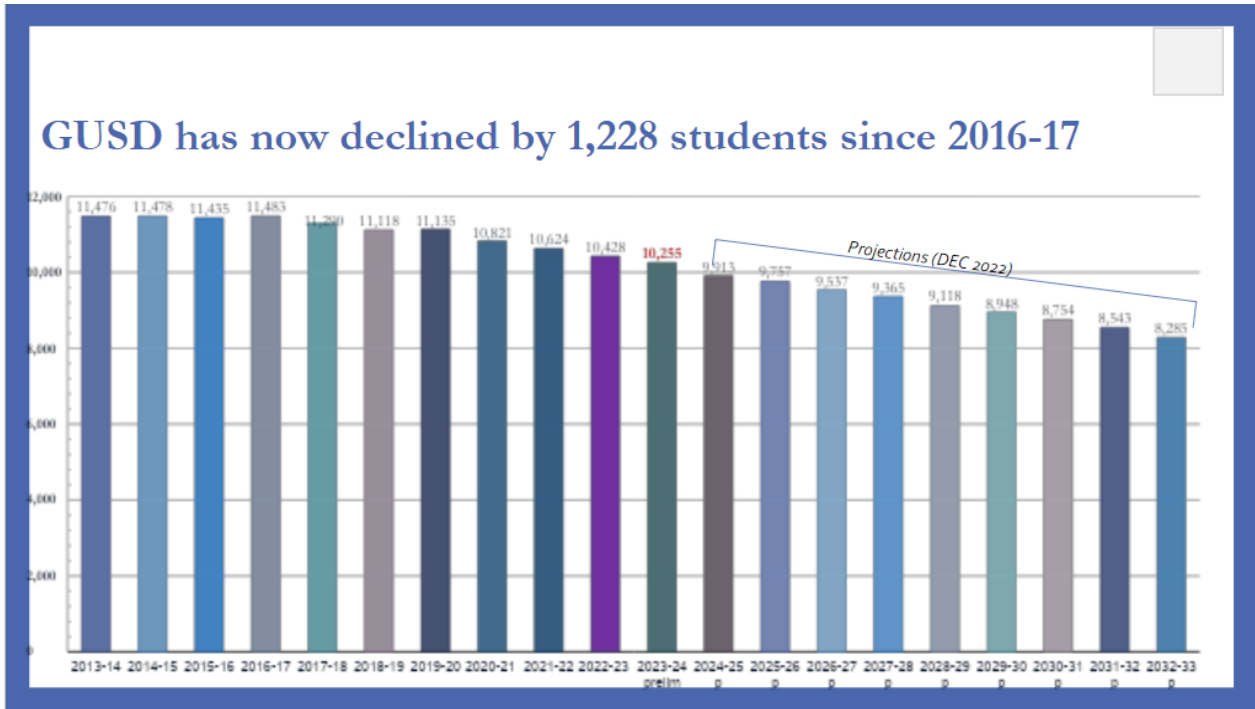
MISSION

Gilroy Unified School District will provide opportunities for all students to reach their highest academic and intellectual competencies and personal attributes to be life-long learners, responsible citizens, and productive members of society. This will be accomplished by having a clear focus on student needs; staff, parents and community members demonstrating high expectations for themselves and for every child served; and by continually improving the quality of teaching and learning.

ENROLLMENT

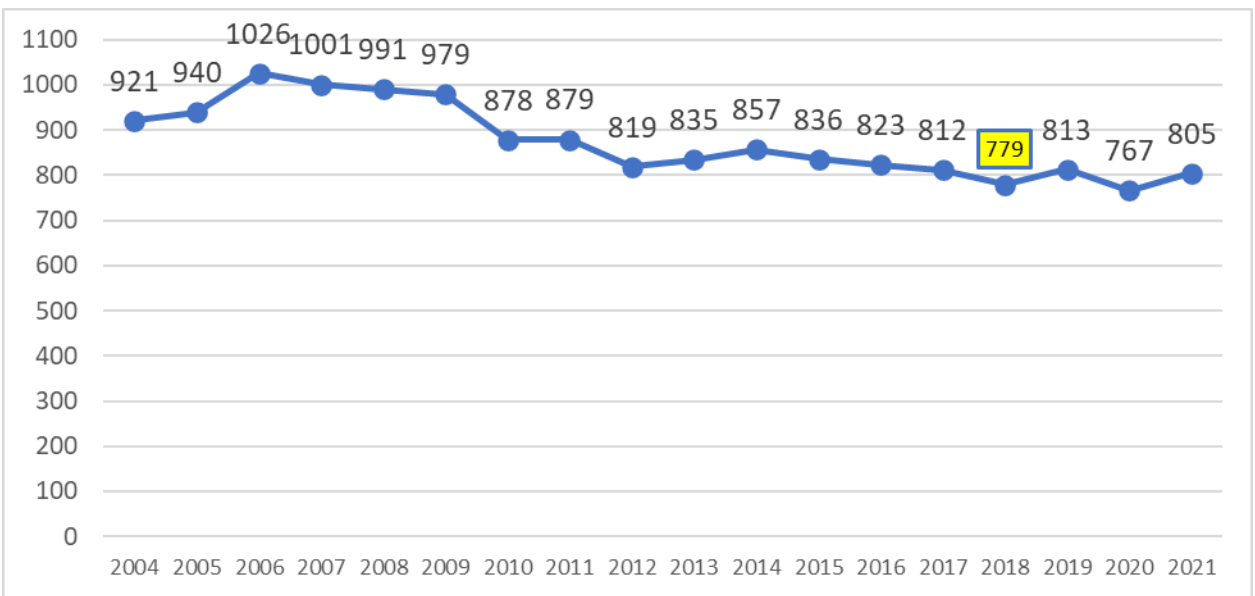
The official enrollment count takes place annually on the 1st Wednesday of every October. The snapshot of enrollment becomes what is commonly referred to as “CBEDS Enrollment.” As shown on the table below, the District continued to decline into 2023-24 (173 fewer students than in 2022-23). The decline in enrollment in GUSD mirror the decline throughout the State of California and Santa Clara County.

GILROY UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2023



Historically, economic expansions have a positive correlation with increases in births. Despite the record shattering economic expansion, California has hit a 100-year low in birth counts. The table below shows the annual births in the Gilroy zip code, also depicting a substantial decline since 2006. Approximately 75% of annual births translated to kinder students (585 kinder students/779 births) in 2023-24. This same percentage of kindergarten students to total births in our zip code used to exceed 82% in prior years.

GILROY’S HISTORICAL BIRTH DATA (by zip code)



FINANCIAL HIGHLIGHTS

GILROY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2023

The District is committed to fiscal stability. Thanks to the good fiscal stewardship of the Board of Trustees, and the Superintendent, despite the recent decline in enrollment, the District's financial status has remained strong. The Governing Board's minimum reserve policy of ten percent (10%) abides by the limitations set forth by Proposition 2, which limits the District's uncommitted balances to 10% of its total expenditures plus transfers out. The Governing Board holds an annual public meeting in which it discusses the possibility of school closure(s) as it navigates the challenges of declining enrollment.

Additionally, the Board routinely reviews the District's Multi-Year Projection (MYP), whenever there are any material changes to the revenue and expenditure assumptions.

- As of June 30, 2023, the General fund ending balance was \$38,512,235.08, which was \$8.9 million higher than estimated actuals. This variance is due to the amount of one-time funds attributed to savings in expenditures resulting in a savings of \$8.9 million. Carryover funds from one-time sources account for over \$4.9 million of the variance.
- The General Fund available reserves as a percentage of total outgo (expenditures, other uses, and transfers out) was 10%, after accounting for committed balances.
- GASB 68 was implemented several years ago, which required the net pension liability to be recognized. As of June 30, 2023, the District recognized pension expense of \$-38,193,468. The deferred outflow of resources was \$56,495,787. The deferred inflow of resources was \$44,289,380.
- The net pension liabilities for the District's proportional share of the net pension liability (CalSTRS and CalPERS) total \$117,023,881.
- On the Statement of Activities, total current year expenses exceeded total current year revenue by \$16,590,681 as the District completes capital bond projects, and spends down one-time funds.
- Net Position decreased 12.6% to \$117,657,383 as of June 30, 2023.
- The Governing Board is committed to maintaining its minimum reserve policy to maintain fiscal stability.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities and Change in Net Position

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 and liabilities 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 them. Net position is the difference between assets and liabilities, one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's enrollment, property tax base, and the condition of the District's facilities.

GILROY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2023

The relationship between revenues and expenses is the District's operating results. Since the 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 two important factors.

Fund Financial Statements

The fund financial statements are designed to report information about the District's most significant funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues. Fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

- Governmental funds statements tell how basic services such as instruction and pupil services were financed in the short term as well as what remains for future spending. Most of the District's basic services are included in governmental funds. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information in the reconciliation statements that explains the relationship (or differences) between them.
- Proprietary funds statements offer financial information about the activities the district operates on a cost reimbursement basis, such as the self-insurance fund. Proprietary funds are reported in the same way as the district-wide statements. The District currently has one internal service fund – the self-insurance fund for dental and vision benefits.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong such as associated student body accounts. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Basic Financial Statements

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in district-wide and fund financial statements. The notes to the financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general fund budget, both the adopted and final version, with year-end actuals.

GILROY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2023

NET POSITION

The District's combined net position, as of June 30, 2023, was \$117,657,383 reflecting a decrease of 12.6% over the prior year.

Comparative Statement of Net Position

	Governmental Activities		Change	Percent Change
	June 30, 2022	June 30, 2023		
Assets				
Current	\$ 155,388,571	\$ 154,742,701	\$ (645,870)	-0.4%
Capital Assets, net	437,515,580	468,508,994	30,993,414	7.1%
Total Assets	592,904,151	623,251,695	30,347,544	5.1%
Deferred Outflows of Resources				
Deferred loss on refunding bonds	16,485,536	15,570,715	(914,821)	-5.5%
Pensions	60,863,364	56,495,787	(4,367,577)	-7.2%
Total Deferred Outflows	77,348,900	72,066,502	(5,282,398)	-6.8%
Liabilities				
Current	11,295,354	27,043,212	15,747,858	139.4%
Long-Term	453,808,140	491,155,968	37,347,828	8.2%
Total Liabilities	465,103,494	518,199,180	53,095,686	11.4%
Deferred Inflows of Resources				
Deferred bond premium revenue	14,256,414	13,648,152	(608,262)	-4.3%
Deferred premium on COP	1,632,322	1,524,102	(108,220)	-6.6%
Pensions	54,677,743	44,289,380	(10,388,363)	-19.0%
Total Deferred Inflows	70,566,479	59,461,634	(11,104,845)	-15.7%
Net Position				
Net investment in capital assets	131,231,531	130,212,841	(1,018,690)	-0.8%
Restricted	104,949,946	89,753,895	(15,196,051)	-14.5%
Unrestricted	(101,598,399)	(102,309,353)	(710,954)	0.7%
Total Net Position	\$ 134,583,078	\$ 117,657,383	\$ (16,925,695)	-12.6%

GILROY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2023

CHANGE IN NET POSITION

The District's total revenues increased by 18.9% to \$220,112,025 as of June 30, 2023, as it continues to spend down the Covid-19 one-time related revenues. The total expenditures increased by 63.3% from the prior year, when the District continues spending on extraordinary materials and services due to the implications of the pandemic. The District's expenses are predominantly related to educating and caring for students.

Comparative Statement of Changes in Net Position

	<u>Governmental Activities</u>		<u>Change</u>	<u>Percent Change</u>
	<u>June 30, 2022</u>	<u>June 30, 2023</u>		
<u>Program Revenues</u>				
Charges for Services	\$ 2,669,888	\$ 2,057,290	\$ (612,598)	-22.9%
Operating Grants & Contributions	41,682,465	63,806,450	22,123,985	53.1%
Capital Grants & Contributions	-	1,163,022	1,163,022	100.0%
<u>General Revenues</u>				
Taxes Levied	74,729,697	87,248,955	12,519,258	16.8%
Federal & State Aid	65,057,969	67,665,696	2,607,727	4.0%
Interest & Investment Earnings	584,109	(2,401,074)	(2,985,183)	-511.1%
Miscellaneous	429,354	571,686	142,332	33.2%
Total Revenues	<u>185,153,482</u>	<u>220,112,025</u>	<u>34,958,543</u>	<u>18.9%</u>
<u>Expenses</u>				
Instruction	63,030,373	117,596,388	54,566,015	86.6%
Instruction-Related Services	16,361,292	26,320,392	9,959,100	60.9%
Pupil Services	15,695,461	26,119,112	10,423,651	66.4%
General Administration	6,939,726	10,866,002	3,926,276	56.6%
Plant Services	14,580,767	23,853,840	9,273,073	63.6%
Ancillary Services	2,003,162	3,192,243	1,189,081	59.4%
Community Services	11,111	38,559	27,448	247.0%
Interest on Long-Term Debt	13,073,960	13,177,642	103,682	0.8%
Other Outgo	3,478,850	4,721,760	1,242,910	35.7%
Depreciation	9,961,965	11,151,782	1,189,817	11.9%
Total Expenses	<u>145,136,667</u>	<u>237,037,720</u>	<u>91,901,053</u>	<u>63.3%</u>
Change in Net Position	<u>\$ 40,016,815</u>	<u>\$ (16,925,695)</u>	<u>\$ (56,942,510)</u>	<u>-142.3%</u>

GILROY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2023

LONG TERM LIABILITIES

Total long-term liabilities increased by \$37.6 million 8.3%.

Comparative Schedule of Long Term Liabilities

	<u>Governmental Activities</u>		<u>Change</u>	<u>Percent Change</u>
	<u>June 30, 2022</u>	<u>June 30, 2023</u>		
Bonds	\$ 358,461,519	\$ 352,542,166	\$ (5,919,353)	-1.7%
Certificates of Participation	22,440,000	21,495,000	(945,000)	-4.2%
Accumulated Vacation - net	96,994	94,921	(2,073)	-2.1%
Net Pension Liability	72,809,627	117,023,881	44,214,254	60.7%
Subtotal	453,808,140	491,155,968	37,347,828	8.2%
Unamortized GO Bond Premium	14,256,414	13,648,152	(608,262)	-4.3%
Unamortized COP Premium	1,632,322	1,524,102	(108,220)	-6.6%
Unamortized Loss on Refunding	(16,485,536)	(15,570,715)	914,821	-5.5%
Total Long Term Obligations	\$ 453,211,340	\$ 490,757,507	\$ 37,546,167	8.3%

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

CAPITAL ASSETS

Capital assets, net of depreciation, increased from the prior year to \$468,508,994 representing a 6.8% increase.

GENERAL FUND

General Fund Budgetary Highlights

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May revised figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim and any other time there are significant changes.

Other than the aforementioned instance, the District did not incur unanticipated expenditures in excess of appropriations in expenditure classifications for which the budget was not revised.

GILROY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2023

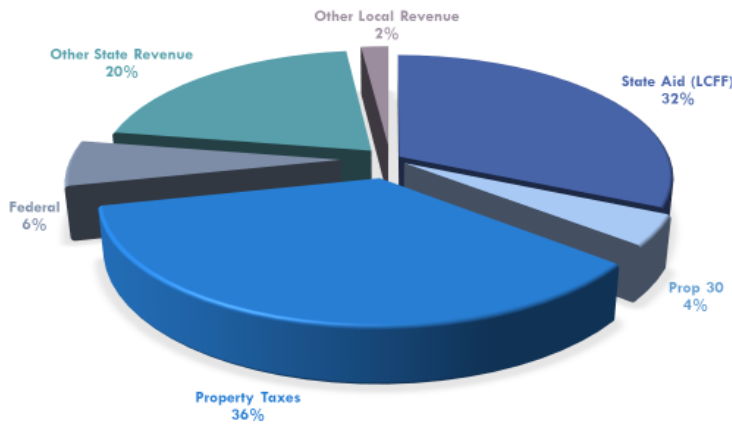
GOVERNMENTAL ACTIVITIES

The following chart provides a breakdown of the \$185,897,229 million of General Fund revenues by category:



2022-23 TOTAL GENERAL FUND REVENUES

\$185,897,229



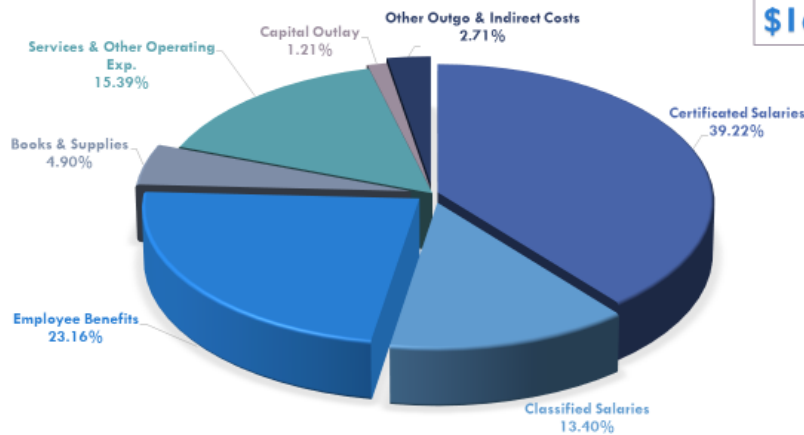
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The following chart provides a breakdown of the \$165,316,355 million of General Fund expenditures by object classification:



2022-23 TOTAL GENERAL FUND EXPENDITURES

\$165,316,355



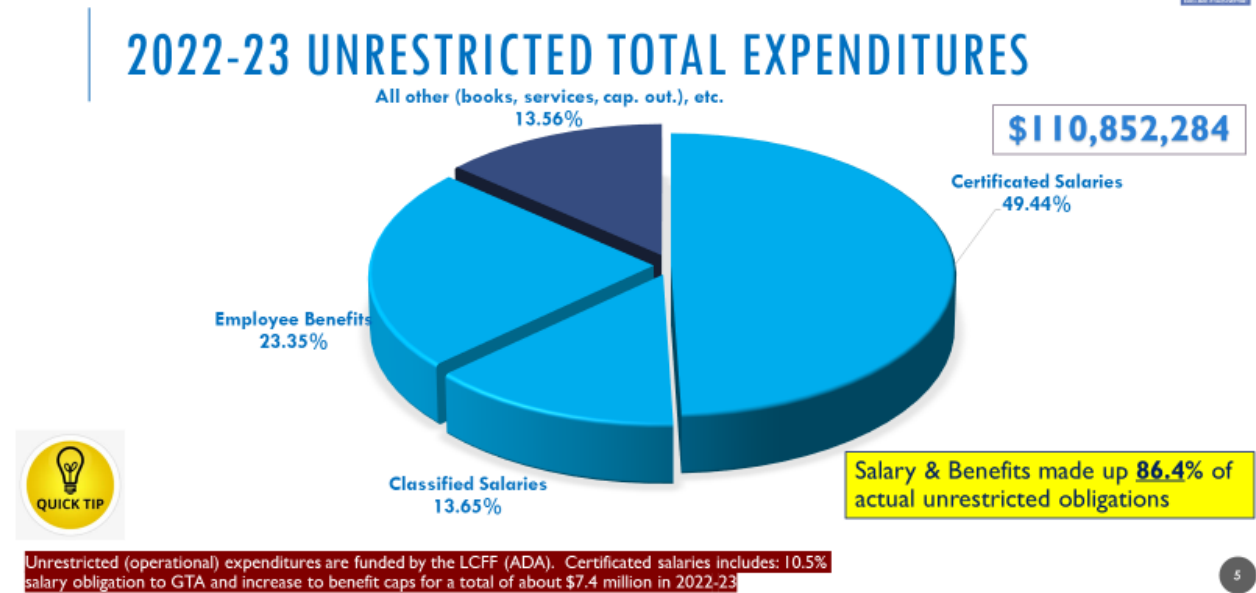
Total General Fund expenditures include grants, entitlements, donations, which have spending restrictions.

4

The following chart provides a breakdown of the \$110,852,284 million of General Fund Unrestricted Only

GILROY UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2023

expenditures by object classification:



ECONOMIC FACTORS AND THE FY 2023-24 BUDGET

The state’s 2023-24 Enacted Budget allowed for April taxes to be due in October, creating a material risk and exposure to the Budget. In October 2023, the October deadline was moved to November 16, 2023. Personal income tax is the state’s largest revenue source. The continued extensions on tax filings only deepens the uncertainty and delays the structural budget gaps adding to the risk of more mid-year cuts to education.

The 2023-24 Enacted Budget already included reductions to one-time allocations that were part of the 2022-23 allocation for the Arts, Music, Instructional Block Grant and reductions to the Learning Recovery Emergency Block Grant. Should the state not meet its forecast for the tax collections, the risk is that the delay in addressing the budget gap would impact schools mid-year or have higher cuts to implement in 2024-25.

The South Valley Middle School (\$90 million) will be complete this Winter! We are grateful for the passage of Measure E (2016) and to the Gilroy Community for supporting our schools. The state provides a nominal \$333k annually for deferred maintenance. The District must therefore continue to match the state’s deferred maintenance allocation with General Fund contributions and rely on the community support to help maintain its facilities.

Declining enrollment continues to be a key challenge for many districts in the State. The District annually reviews and updates its 10-year forecasts and has demonstrated the ability to have a balanced budget and effectively manage declining enrollment. The GUSD Governing Board remains committed to fiscal solvency and fiscal stability. The District recognizes the increased exposure declining enrollment brings to the District, and the fiscally prudent decisions that must be made, however painful, to remain fiscally solvent for the current and subsequent years.

GILROY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2023

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Gilroy Unified School District, 7810 Arroyo Circle, Gilroy, California 95020.

FINANCIAL SECTION

GILROY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash (note 2)	\$ 142,666,254
Receivables	11,978,819
Other assets	87,733
Prepaid expenses	9,895
Capital Assets - net of accumulated depreciation (Note 4)	468,508,994
Total Assets	<u>623,251,695</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding of bonds (Note 5)	15,570,715
Deferred outflows on pensions (Note 6)	56,495,787
Total Deferred Outflows	<u>72,066,502</u>
LIABILITIES	
Accounts payable and other current liabilities	21,944,025
Unearned revenue	5,099,187
Long-term liabilities (Note 5)	
Due within one year	7,960,000
Due after one year	483,195,968
Total Liabilities	<u>518,199,180</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred bond premium (Note 5)	13,648,152
Deferred premium on COPs (Note 5)	1,524,102
Deferred inflows on pensions (Note 6)	44,289,380
Total Deferred Inflows	<u>59,461,634</u>
NET POSITION	
Net investment in capital assets	130,212,841
Restricted	89,753,895
Unrestricted	(102,309,353)
Total Net Position	<u><u>\$ 117,657,383</u></u>

The accompanying notes are an integral part of these financial statements.

GILROY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$ 117,596,388	\$ 927,886	\$ 25,906,097	\$ 1,163,022	\$ (89,599,383)
Instruction - related services:					
Supervision of instruction	9,907,085	134,050	2,983,104	-	(6,789,931)
Instructional library and technology	367,946	-	47,212	-	(320,734)
School site administration	16,045,361	50,311	17,009,482	-	1,014,432
Pupil Services:					
Home-to-school transportation	3,674,337	-	12,229	-	(3,662,108)
Food services	7,830,860	478,705	8,987,456	-	1,635,301
All other pupil services	14,613,915	5,995	3,760,434	-	(10,847,486)
General administration:					
Data processing	2,877,086	216	402,510	-	(2,474,360)
All other general administration	7,988,916	21,232	1,115,088	-	(6,852,596)
Plant services	23,853,840	18,379	614,218	-	(23,221,243)
Ancillary services	3,192,243	-	1,629,940	-	(1,562,303)
Community services	38,559	-	-	-	(38,559)
Interest on long-term debt	13,177,642	-	-	-	(13,177,642)
Other outgo	4,721,760	420,516	1,338,680	-	(2,962,564)
Depreciation (unallocated)	11,151,782	-	-	-	(11,151,782)
Total governmental activities	\$ 237,037,720	\$ 2,057,290	\$ 63,806,450	\$ 1,163,022	(170,010,958)
General Revenues					
Taxes and subventions:					
Taxes levied for general purposes					
					68,561,807
Taxes levied for debt service					
					18,687,148
Federal and state aid not restricted to specific purposes					
					67,665,696
Interest and investment earnings					
					(2,401,074)
Miscellaneous					
					571,686
Total general revenues					
					<u>153,085,263</u>
Change in net position					
					(16,925,695)
Net position - beginning, July 1, 2022					
					134,583,078
Net position - ending, June 30, 2023					
					<u>\$ 117,657,383</u>

GILROY UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2023

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 81,732,587	\$ 35,741,013	\$ 22,262,595	\$ 139,736,195
Accounts receivable	9,491,378	342,758	2,123,392	11,957,528
Stores	-	-	87,733	87,733
Prepaid expenses	9,895	-	-	9,895
Due from other funds	200,000	-	6,853	206,853
Total assets	<u>\$ 91,433,860</u>	<u>\$ 36,083,771</u>	<u>\$ 24,480,573</u>	<u>\$ 151,998,204</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 16,488,990	\$ 276	\$ 154,735	\$ 16,644,001
Due to other funds	6,853	-	200,000	206,853
Unearned revenue	4,855,775	-	243,412	5,099,187
Total liabilities	<u>21,351,618</u>	<u>276</u>	<u>598,147</u>	<u>21,950,041</u>
Fund balances				
Nonspendable	59,895	-	87,733	147,628
Restricted	31,570,011	35,813,355	22,370,529	89,753,895
Committed	16,998,448	270,140	1,424,164	18,692,752
Assigned	4,922,256	-	-	4,922,256
Unassigned	16,531,632	-	-	16,531,632
Total fund balances	<u>70,082,242</u>	<u>36,083,495</u>	<u>23,882,426</u>	<u>130,048,163</u>
Total liabilities and fund balances	<u>\$ 91,433,860</u>	<u>\$ 36,083,771</u>	<u>\$ 24,480,573</u>	<u>\$ 151,998,204</u>

GILROY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Total fund balances - governmental funds	\$ 130,048,163
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Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

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

Capital assets at historical cost:	\$ 634,394,104	
Accumulated depreciation:	<u>(165,885,110)</u>	
Net:		468,508,994

Unamortized costs: In governmental funds, debt issuance premiums, gain or loss on refunding, and defeasance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, these amounts are amortized over the life of the debt. Unamortized premiums, losses, and defeasance costs at year end consist of:

Unamortized portion of COP premiums	(1,524,102)
Unamortized portion of bond premiums	(13,648,152)
Unamortized portion of loss on refunding	15,570,715

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

	(5,300,024)
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Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	\$ 352,542,166	
Net Pension Liability	117,023,881	
Certificates of participation payable	21,495,000	
Compensated absences payable	<u>94,921</u>	
		<u>(491,155,968)</u>

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

Deferred outflows of resources relating to pensions	56,495,787
Deferred inflows of resources relating to pensions	(44,289,380)

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

	<u>2,951,350</u>
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Total net position, governmental activities	<u>\$ 117,657,383</u>
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GILROY UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	General Fund	Building Fund	All Non-Major Funds	Total
REVENUES				
LCFF sources	\$ 133,010,784	\$ -	\$ -	\$ 133,010,784
Federal revenue	11,232,614	-	5,154,806	16,387,420
Other state revenues	38,128,619	-	7,071,172	45,199,791
Other local revenues	3,525,225	162,633	21,826,175	25,514,033
Total revenues	<u>185,897,242</u>	<u>162,633</u>	<u>34,052,153</u>	<u>220,112,028</u>
EXPENDITURES				
Certificated salaries	64,832,792	-	769,542	65,602,334
Classified salaries	22,157,406	349,420	2,499,055	25,005,881
Employee benefits	38,286,699	148,804	1,502,016	39,937,519
Books and supplies	8,106,456	381,633	1,247,237	9,735,326
Services and other operating expenditures	25,449,638	250,458	5,257,602	30,957,698
Capital outlay	2,008,191	37,745,464	80,371	39,834,026
Other outgo	4,452,862	-	266,899	4,719,761
Debt service expenditures	22,327	-	20,887,837	20,910,164
Total expenditures	<u>165,316,371</u>	<u>38,875,779</u>	<u>32,510,559</u>	<u>236,702,709</u>
Net change in fund balances	20,580,871	(38,713,146)	1,541,594	(16,590,681)
Fund balances, July 1, 2022	49,501,371	74,796,641	22,340,832	146,638,844
Fund balances, June 30, 2023	<u>\$ 70,082,242</u>	<u>\$ 36,083,495</u>	<u>\$ 23,882,426</u>	<u>\$ 130,048,163</u>

GILROY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Total net change in fund balances - governmental funds \$ (16,590,681)

Amounts reported for revenues and expenses for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

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

Expenditures for capital outlay:	\$ 42,145,196	
Depreciation expense:	<u>(11,151,782)</u>	30,993,414

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 7,715,000

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: 100,500

Accreted interest on capital appreciation bonds is not recognized as an expenditure in the governmental fund financial statements until paid. In the statement of activities, however, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current year was: (850,647)

Pensions: In government funds, pension costs are recognized when employer contributions are made in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (38,193,468)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is: (198,339)

Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 96,453

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measure by the amounts earned. The difference between compensated absences paid and compensated absences earned was: 2,073

Total change in net position - governmental activities \$ (16,925,695)

GILROY UNIFIED SCHOOL DISTRICT
PROPRIETARY FUND – STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Internal Service Fund</u>
ASSETS	
Current Assets	
Deposits and investments	\$ 2,930,059
Receivables	<u>21,291</u>
Total Current Assets	<u><u>2,951,350</u></u>
 LIABILITIES	
Current Liabilities	
Claim liability	<u>-</u>
Total Current Liabilities	<u>-</u>
 NET POSITION	
Restricted	<u>2,951,350</u>
Net Position	<u><u>\$ 2,951,350</u></u>

GILROY UNIFIED SCHOOL DISTRICT
PROPRIETARY FUND – STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Internal Service Fund</u>
OPERATING REVENUES	
Interdistrict premiums	\$ 1,428,483
OPERATING EXPENDITURES	
Claims paid	<u>1,307,163</u>
Operating Income	121,320
NONOPERATING REVENUES	
Net Increase (Decrease) in the Fair Value of Investments	(85,290)
Interest income	<u>60,424</u>
Total Nonoperating Revenues	<u>(24,866)</u>
Change in Net Position	96,454
Net Position - Beginning, July 1, 2022	<u>2,854,896</u>
Net Position - Ending, June 30, 2023	<u><u>\$ 2,951,350</u></u>

GILROY UNIFIED SCHOOL DISTRICT
PROPRIETARY FUND – STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from premiums	\$ 1,414,602
Cash payments for insurance claims	<u>(1,307,163)</u>
Net Cash Provided by Operating Activities	107,439
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>(24,866)</u>
Net Increase in Cash and Cash Equivalents	82,573
Cash and Cash Equivalents - Beginning	<u>2,847,486</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 2,930,059</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 121,320
Adjustments to reconcile net income to net cash provided by operations:	
(Increase)/Decrease in:	
Receivables	<u>(13,881)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 107,439</u></u>

GILROY UNIFIED SCHOOL DISTRICT
FIDUCIARY FUND – STATEMENT OF NET POSITION
JUNE 30, 2023

	Private-Purpose Trust Scholarship Funds
ASSETS	
Cash and cash equivalents	\$ 829,067
Accounts receivable	2,089
Total assets	<u>831,156</u>
NET POSITION	
Reserved for scholarships	<u>831,156</u>
Total net position	<u><u>\$ 831,156</u></u>

GILROY UNIFIED SCHOOL DISTRICT
FIDUCIARY FUND – CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Private-Purpose Trust <hr/> Scholarship Funds <hr/>
ADDITIONS	
Investment Income	\$ 25,536
DEDUCTIONS	
Operating Expense	7,150
Change in Net Position	18,386
Net Position - July 1, 2022	812,770
Net Position - June 30, 2023	\$ 831,156

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. HISTORY OF DISTRICT

Gilroy Unified School District is located in the southernmost region of Santa Clara County. It is one of a few districts in the county that continues to grow. Over the last 19 years, the student population has grown from 8,448 in 1993-1994 to more than 11,000 K-12 students today.

The surrounding Gilroy community has experienced growth in housing and industry. Known for its garlic fields, the agricultural areas that surround Gilroy provide a diverse array of agribusiness opportunities for its occupants. The town has also become home to commuters in Silicon Valley and San Jose. Even with the current economic downturn, many of the agribusinesses and other operations are thriving.

The District was established in July 1, 1966, under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State and Federal agencies. The District operates eight elementary schools, three middle schools, three high schools, one community day school, one independent study school, one continuation school, and an adult school.

B. REPORTING ENTITY

The reporting entity is comprised of the primary government, component units, 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 Gilroy Unified School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Building Corporation's financial activity is presented in the financial statements as a sub fund of the Building fund, Capital Facilities fund and Tax Override fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Building Corporation.

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

C. ACCOUNTING POLICIES

The Gilroy Unified School District (the District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. For state entitlement programs, the District has elected to match the revenues in the period that program expenditures are made to be consistent with the accounting for grants and other revenues.

D. BASIS OF PRESENTATION

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

The government-wide statement of net position presents information on all of the District's assets and liabilities, with the difference between the two presented as net position. Net position is reported as one of three categories: invested in capital assets, net of related debt; restricted; or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net assets that are otherwise restricted.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense function. Interest on long-term liabilities is considered an indirect expense and is reported separately in the Statement of Activities.

Fund Financial Statements

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

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after year-end.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

F. FUND ACCOUNTING

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

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

F. FUND ACCOUNTING (CONTINUED)

The District funds are as follows:

Major Governmental Funds:

The **General Fund** is the general operating fund of the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

The **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.

Non-Major Governmental Funds:

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

The **Student Activity Fund** accounts for student body activities (ASB) to account for the raising and expending of money to promote the general welfare, morale and educational experience of the student body.

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

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.

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).

The **Deferred Maintenance Fund** is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (Education Code Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

The **Debt Service Funds** are used to account for the accumulation of restricted, committed, or assigned resources for the payment of principal and interest on general long-term obligations.

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

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

F. FUND ACCOUNTING (CONTINUED)

The **Tax Override Fund** is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies.

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

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

The **County School Facilities Fund** is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070 et seq.).

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

Internal Service Funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a Self-Insurance fund that is accounted for in an internal service fund.

Fiduciary Funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the district's own programs. The fiduciary fund category includes Trust and Custodial Funds.

The **Private – Purpose Trust Fund** is used to account for assets held by the District as a trustee. The District maintains a private-purpose trust fund, the Scholarship fund, to provide scholarships to students of the District.

Custodial Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's custodial funds include Foundation Fund. These funds' activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are custodial in nature and do not involve measurement of results of operations. Accordingly, the District presents only a statement of fiduciary net assets and does not present a statement of changes in fiduciary net assets. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

G. BUDGETS AND BUDGETARY ACCOUNTING

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

During the year, budget revisions by the District's governing board and district superintendent give consideration to unanticipated revenue and expenditures. The final revised budgets are presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by major object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. The budgets are revised during the year by the District's Board of Education and District Superintendent to provide for unanticipated revenues and expenditures.

H. ENCUMBRANCES

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

I. 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. For the District, available means expected to be received within 90 days of fiscal year-end.

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

Under the modified accrual basis, 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.

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

J. UNEARNED REVENUE

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

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

K. 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, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

L. CASH AND CASH EQUIVALENTS

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

M. INVESTMENTS

Investments held at June 30, 2023, 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.

N. STORES INVENTORIES

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

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

O. FINANCING LEASES

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. The long-term liability and corresponding asset for financial leases are recorded in the financial statements to the extent that the District's lease capitalization threshold is met, \$1,500,000. Amortization of related assets using the straight-line method over the life of the contract. As of June 30, 2023, the District did not have any financing leases that met the threshold.

P. CAPITAL ASSETS AND DEPRECIATION

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

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net assets. 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 estimated fair market value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Buildings and improvements	7-50 (case by case)
Furniture and equipment	3-10 (case by case)

Q. INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position.

R. COMPENSATED ABSENCES

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

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

R. COMPENSATED ABSENCES (CONTINUED)

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 except paraprofessional employees who are members of the California School Employees' Association (CSEA) and Gilroy Federation of Teachers and Paraprofessionals (GFT). The CSEA and GFT paraprofessional employees are paid for 25 percent of accumulated unused sick leave balance at termination of employment. Therefore, the value of accumulated sick leave is recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

S. LONG-TERM OBLIGATIONS

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

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

T. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time.

U. LOCAL CONTROL FUNDING FORMULA/PROPERTY TAX

The District's local control funding formula is received from a combination of local property taxes, state apportionments, and other local sources.

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

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

U. LOCAL CONTROL FUNDING FORMULA/PROPERTY TAX (CONTINUED)

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula (LCFF) sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the state apportionment.

V. FUND BALANCE

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that are not expected to be converted to cash, such as resources that are not in a spendable form (e.g. inventories and prepaids) or that are legally or contractually required to be maintained intact. The District has classified its revolving cash account as being Nonspendable as it is required to be maintained intact.
- Restricted: This classification includes amounts constrained to specific purposes by their providers or by law. The District has classified federal and state categorical programs as being restricted because their use is restricted by Statute. Debt service resources are to be used for future servicing of the general obligation bonds and are restricted through debt covenants.
- Committed: This classification includes amounts constrained to specific sources by the Board. For this purpose, all commitments of funds shall be approved by a majority vote of the Board. The constraints shall be imposed no later than the end of the reporting period of June 30, although the actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements.
- Assigned: This classification includes amounts which the Board or its designee intends to use for a specific purpose but are neither restricted nor committed. The Board delegates authority to assign funds to the assigned fund balance to the Superintendent or designee and authorizes the assignment of such funds to be made any time prior to the issuance of the financial statements. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Agency has assigned funds for Other Capital Projects that are to be used for the repair and replacement of equipment.

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

V. FUND BALANCE (CONTINUED)

- Unassigned: This classification includes the residual fund balance for the General Fund and includes the amount designated for economic uncertainties. To protect the District against unforeseen circumstances such as revenue shortfalls and unanticipated expenditures, the Board maintains a minimum unassigned fund balance which includes a reserve for economic uncertainties equal to at least one month of average general fund expenditures or 7% of general fund expenditures and other financing uses. If the unassigned fund balance falls below this level due to an emergency situation, unexpected expenditures, or revenue shortfalls, the Board shall develop a plan to recover the fund balance which may include dedicating new unrestricted revenues, reducing expenditures, and/or increasing revenues or pursuing other funding sources.

When multiple types of funds are available for an expenditure, the District shall first utilize funds from the restricted fund balance as appropriate, then from committed fund balance, then from the assigned fund balance, and lastly from the unassigned fund balance.

W. NET POSITION

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

X. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are primarily interfund insurance premiums. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

Y. INTERFUND ACTIVITY

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

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

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

Z. 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.

AA. PENSIONS

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Gilroy Unified School District's California Public Employees' Retirement System (CalPERS) and California State Teachers Retirement System (CalSTRS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and CalSTRS, respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

BB. SUBSCRIPTION BASED INFORMATION TECHNOLOGY AGREEMENTS (SBITA)

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets) as specified in the contract for a period of time in an exchange or exchange-like transaction. The long-term liability and corresponding asset for SBITAs are recorded in the financial statements to the extent that the District's capitalization threshold is met, \$3,000,000. Amortization of related assets using the straight-line method over the life of the contract. As of June 30, 2023, the District did not have any subscription based information technology agreements that met the threshold.

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

2. CASH AND CASH EQUIVALENTS

Cash at June 30, 2023 consisted of the following:

	Governmental Activities	Proprietary Activities	Fiduciary Activities	Total
Cash on hand and in banks	\$ 944,356	\$ -	\$ -	\$ 944,356
Cash in revolving fund	50,000	-	-	50,000
Cash with fiscal agent	-	212,733	563,901	776,634
Cash in county treasury	138,741,839	2,717,326	265,166	141,724,331
Totals	<u>\$ 139,736,195</u>	<u>\$ 2,930,059</u>	<u>\$ 829,067</u>	<u>\$ 143,495,321</u>

A. 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.

B. CASH IN BANKS AND REVOLVING FUNDS

Cash balances held in banks and revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

C. CASH WITH FISCAL AGENT

Cash with Fiscal Agent represents funds held by third parties restricted for the repayment of General Obligation Bonds and Certificates of Participation.

D. CASH IN COUNTY TREASURY

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The weighted average maturity of the pool is 648 days. The pool is rated AAA by Standard and Poor's. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The market value is 96.95676% of the book value or \$4,448,387 less. A market value adjustment has been made.

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

E. 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 manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing 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.

F. 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 measure 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 Districts' investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

G. 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 percent 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 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. The District believes it has no significant custodial credit risk.

H. 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 total investment held at the banks, the District has a custodial credit risk exposure of \$882,878 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

3. INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Interfund Receivables/Payables

As of June 30, 2023, the interfund receivable and payable balances were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds		
General Fund	\$ 200,000	\$ 6,853
Nonmajor Funds		
Adult Education Fund	-	200,000
Cafeteria Fund	6,853	-
Total	<u>\$ 206,853</u>	<u>\$ 206,853</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

For the June 30, 2023 fiscal year, there were no Interfund transfers.

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 is shown below:

	Balance July 1, 2022	Additions and Transfers In	Deletions and Transfers Out	Balance June 30, 2023
Non-depreciable assets:				
Land	\$ 58,067,162	\$ -	\$ -	\$ 58,067,162
Construction in progress	124,755,270	41,275,943	67,508,290	98,522,923
	<u>182,822,432</u>	<u>41,275,943</u>	<u>67,508,290</u>	<u>156,590,085</u>
Depreciable assets:				
Buildings and Improvements	395,842,053	67,662,051	-	463,504,104
Furniture and equipment	13,584,423	715,492	-	14,299,915
	<u>409,426,476</u>	<u>68,377,543</u>	<u>-</u>	<u>477,804,019</u>
Totals, at cost	<u>592,248,908</u>	<u>109,653,486</u>	<u>67,508,290</u>	<u>634,394,104</u>
Accumulated depreciation:				
Buildings and Improvements	142,611,370	10,795,555	-	153,406,925
Furniture and equipment	12,121,958	356,227	-	12,478,185
	<u>154,733,328</u>	<u>11,151,782</u>	<u>-</u>	<u>165,885,110</u>
Depreciable assets, net	<u>254,693,148</u>	<u>57,225,761</u>	<u>-</u>	<u>311,918,909</u>
Capital assets, net	<u>\$ 437,515,580</u>	<u>\$ 98,501,704</u>	<u>\$ 67,508,290</u>	<u>\$ 468,508,994</u>

The entire amount of depreciation expense was unallocated in the Statement of Activities.

5. LONG-TERM LIABILITIES

Schedule of Changes in Long-Term Liabilities

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Amounts Due Within One Year
General Obligation Bond	\$ 358,461,519	\$ 850,647	\$ 6,770,000	\$ 352,542,166	\$ 6,970,000
Certificates of Participation	22,440,000	-	945,000	21,495,000	990,000
Accumulated vacation	96,994	-	2,073	94,921	-
Net Pension Liability	72,809,627	44,214,254	-	117,023,881	-
Subtotal	<u>453,808,140</u>	<u>45,064,901</u>	<u>7,717,073</u>	<u>491,155,968</u>	<u>7,960,000</u>
Unamortized general obligation bond premium	14,256,414	-	608,262	13,648,152	-
Unamortized certificates of participation premium	1,632,322	-	108,220	1,524,102	-
Unamortized Loss on Refunding	(16,485,536)	-	(914,821)	(15,570,715)	-
Total long term obligation	<u>\$ 453,211,340</u>	<u>\$ 45,064,901</u>	<u>\$ 7,518,734</u>	<u>\$ 490,757,507</u>	<u>\$ 7,960,000</u>

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

5. LONG-TERM LIABILITIES (CONTINUED)

Payment of the general obligation bonds are made out of the Bond Interest and Redemption Fund. The Bond Interest and Redemption Fund receives property tax revenues which are used solely to repay the principal and interest due on these obligations. The payments on the 2016 Certificates of Participation are made by the Capital Facilities Fund. The accrued vacation will be paid by the fund for which the employee worked.

General Obligation Bonds

In February 2015, the District issued General Obligation Bonds, Election of 2008, Series 2015 (the “Series 2015 New Money Bonds”) and General Obligation Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”), totaling \$30,385,000 and \$35,300,000, respectively. The Series 2015 New Money Bonds were issued to provide the funds necessary to pay the outstanding 2011 General Obligation Bond Anticipation Notes and finance specific construction, repair and improvement projects approved by the voters of the District. The Series 2015 Refunding Bonds were issued to refund a portion of the outstanding 2009 General Obligation Bonds (Election of 2008, Series A). The Series 2015 New Money and Refunding Bonds bear interest rates from 3% to 5% and are scheduled to mature through 2045. In January 2017, the District issued General Obligation Bonds, Election of 2016, Series 2017 (the “Series 2017 Bonds”) totaling \$60,000,000 to finance specific construction, repair and improvement projects approved by the voters of the District. In May 2019, the District issued General Obligation Bonds, Elections of 2008 and 2016, Series 2019 (the “Series 2019 Bonds”) totaling \$44,275,000 to finance specific construction, repair and improvement projects approved by the voters of the District, and to pay costs of delivery with respect to the Series 2019 Bonds. In October 2019, the District issued General Obligation Refunding Bonds, Series 2019 in the amount of \$124,165,000 to refund all of the outstanding General Obligation Bonds, Election of 2008, Series 2013, the General Obligation Refunding Bonds, Series 2013 and the corresponding Gilroy School Facilities Financing Authority General Obligation Revenue Bonds, Series A, and to pay costs of issuance of the Refunding Bonds. Repayment of the Bonds are made from ad valorem property taxes levied and collected by Santa Clara County. In March 2021, the District issued General Obligation Bonds, Election of 2016, Series 2021 in the amount of \$94,680,000 to finance specific projects approved by the voters of the District, and to pay costs of delivery with respect to the Series 2021 Bonds. Also, in March, 2021, the District issued 2021 General Obligation Refunding Bonds to refund a portion of the outstanding Gilroy Unified School District (County of Santa Clara, California) General Obligation Bonds, Election of 2008, Series 2015, to refund a portion of the outstanding General Obligation Refunding Bonds, Series 2015, and to pay costs of issuance of the 2021 Refunding Bonds. Repayment of the Bonds are made from ad valorem property taxes levied and collected by Santa Clara County.

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

5. LONG-TERM LIABILITIES (CONTINUED)

The outstanding general obligation bonded debt is as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2022</u>	<u>Issued/ Accretion</u>	<u>Redeemed</u>	<u>Balance June 30, 2023</u>
3/12/2009	08/01/32	3% - 6.81%	\$ 49,986,615	\$ 6,896,519	\$ 850,647	\$ -	\$ 7,747,166
2/3/2015	08/01/44	3% - 5%	30,385,000	24,035,000	-	-	24,035,000
2/3/2015	08/01/44	3% - 5%	35,300,000	20,810,000	-	3,440,000	17,370,000
1/5/2017	08/01/37	2% - 5%	60,000,000	51,170,000	-	-	51,170,000
5/14/2019	08/01/48	2.48% - 5.0%	28,955,000	27,740,000	-	85,000	27,655,000
5/14/2019	08/01/39	2.48% - 5.0%	15,320,000	6,640,000	-	60,000	6,580,000
10/31/2019	08/01/47	1.70% - 3.36%	124,165,000	119,540,000	-	1,750,000	117,790,000
3/11/2021	08/01/40	0.223% - 1.626%	16,475,000	16,265,000	-	335,000	15,930,000
3/11/2021	08/01/46	0.180% - 4.0%	94,680,000	85,365,000	-	1,100,000	84,265,000
			<u>\$ 565,936,615</u>	<u>\$ 358,461,519</u>	<u>\$ 850,647</u>	<u>\$ 6,770,000</u>	<u>\$ 352,542,166</u>
						Premium on GO Bonds	<u>\$ 13,648,152</u>
							<u>\$ 366,190,318</u>

Debt Service Requirements to Maturity

The bonds mature through 2049 as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2024	\$ 6,970,000	\$ 12,145,178	\$ 19,115,178
2025	7,705,000	11,897,535	19,602,535
2026	7,880,000	11,625,649	19,505,649
2027	8,480,000	11,327,883	19,807,883
2028	9,610,000	11,065,302	20,675,302
2029-2033	24,150,000	52,688,209	76,838,209
2034-2038	57,750,000	45,676,064	103,426,064
2039-2043	90,910,000	32,479,723	123,389,723
2044-2048	118,700,000	12,510,211	131,210,211
2049	12,640,000	252,800	12,892,800
Total	<u>\$ 344,795,000</u>	<u>\$ 201,668,553</u>	<u>\$ 546,463,553</u>
Total Accretion	<u>7,747,166</u>		
Total GO Bonds	<u>\$ 352,542,166</u>		

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

5. LONG-TERM LIABILITIES (CONTINUED)

Certificates of Participation

The outstanding certificates of participation debt is as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2022</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2023</u>
7/26/2016	04/01/39	2.0% - 4.0%	\$ 27,870,000	\$ 22,440,000	\$ -	\$ 945,000	\$ 21,495,000
			\$ 27,870,000	\$ 22,440,000	\$ -	\$ 945,000	\$ 21,495,000
						Premium on COP	\$ 1,524,102
							\$ 23,019,102

The aggregate principal outstanding for all issues is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 990,000	\$ 763,650	\$ 1,753,650
2025	1,035,000	724,050	1,759,050
2026	1,080,000	682,650	1,762,650
2027	1,120,000	639,450	1,759,450
2028	1,160,000	594,650	1,754,650
2029-2033	6,495,000	2,241,850	8,736,850
2034-2038	7,890,000	982,500	8,872,500
2039	1,725,000	51,750	1,776,750
Total	\$ 21,495,000	\$ 6,680,550	\$ 28,175,550

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

6. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description

California Public Employees' Retirement System (CalPERS)

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Headquarters, 400 Q Street, Sacramento, California 95811.

State Teachers' Retirement System (STRS)

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Headquarters, 100 Waterfront Place, West Sacramento, California 95605.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	CalPERS		CalSTRS	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 62	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	60	62
Monthly benefits, as a % of eligible compensation	2.0%	2.0%	2.0%	2.0%
Required employee contribution rates	7%	8%	10.25%	10.205%
Required employer contribution rates	25.370%	25.370%	19.10%	19.10%

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Contributions

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

STRS

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2023, the contributions reported as deferred outflows of resources related to pensions recognized as part of pension expense for each Plan were as follows:

	CalPERS	STRS	Total
Contributions - employer	\$ 6,216,233	\$ 10,934,128	\$ 17,150,361
On behalf contributions - state	-	5,753,037	5,753,037
Total	\$ 6,216,233	\$ 16,687,165	\$ 22,903,398

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

As of June 30, 2023, the District's reported net pension liabilities for its proportionate share of the net pension liability of the Plans' of:

	Proportionate Share of Net Pension Liability
CalPERS	\$ 48,592,261
STRS	68,431,620
Total Net Pension Liability	\$ 117,023,881

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

Measurement Dates	Fiscal Year	CalPERS	STRS
June 30, 2021	2021-22	0.13648%	0.09901%
June 30, 2022	2022-23	0.14122%	0.09848%
Change - Increase (Decrease)		<u>0.00474%</u>	<u>-0.00053%</u>

For the year ended June 30, 2023, the District recognized pension expense of \$38,193,468. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS		STRS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,216,233	\$ -	\$ 16,687,165	\$ -	\$ 22,903,398	\$ -
Difference between proportionate share of aggregate employer contributions and actual contributions for 2021-22	289,529	1,397,497	575,809	681,888	865,338	2,079,385
Changes of Assumptions	2,762,577	-	23,715,420	-	26,477,997	-
Differences between Expected and Actual Experience	1,213,712	946,863	443,522	10,975,623	1,657,234	11,922,486
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	738,309	4,591,820	3,976,725	4,591,820	4,715,034
Net differences between projected and actual investment earnings on pension plan investments	-	1,681,409	-	23,891,066	-	25,572,475
Total	<u>\$ 10,482,051</u>	<u>\$ 4,764,078</u>	<u>\$ 46,013,736</u>	<u>\$ 39,525,302</u>	<u>\$ 56,495,787</u>	<u>\$ 44,289,380</u>

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	CalPERS	STRS	Total Deferred Outflows/ (Inflows) of Resources
2024	\$ (199,189)	\$ (2,321,642)	\$ (2,520,831)
2025	(596,210)	(2,950,422)	(3,546,632)
2026	(811,865)	(5,261,481)	(6,073,346)
2027	1,109,004	116,191	1,225,195
2028	-	518,329	518,329
Thereafter	-	(299,706)	(299,706)
Total	\$ (498,260)	\$ (10,198,731)	\$ (10,696,991)

Actuarial Assumptions

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

	CalPERS	STRS
Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	6.90%	7.10%
Inflation	2.30%	2.75%
Payroll Growth Rate	2.80%	3.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return ⁽¹⁾	6.90%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

⁽¹⁾ Net of pension plan investment expenses, including inflation.

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

STRS changed the mortality assumptions based on the July 1, 2015 through June 30, 2018, experience study adopted by the board in January 2020. STRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.

Discount Rate

CalPERS

The discount rate used to measure the total pension liability for the Plan was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members 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 those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. These discount rates are equal to the long-term expected rate of return of the respective plan assets and are net of investment expense but not reduced for administrative expenses.

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

In determining the long-term expected rate of return, CalPERS took into account 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 expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are on the following table:

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Asset Class	CalPERS	
	Assumed Asset Allocation	Real Return ^{(a)(b)}
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
	100.0%	

^(a) An expected inflation of 2.30% used for this period.

^(b) Figures are based on the 2021-22 Asset Liability Management study.

Discount Rate

STRS

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

The long-term investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from STRS investment staff and investment consultants as inputs to the process.

The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, STRS’ independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of the June 30, 2022 measurement date, are summarized in the following table:

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Asset Class	STRS	
	Assumed Asset Allocation	Long-Term Expected Real Rate of Return ^(a)
Public Equity	42.0%	4.80%
Real Estate	15.0%	3.60%
Private Equity	13.0%	6.30%
Fixed Income	12.0%	1.30%
Risk Mitigating Strategies	10.0%	1.80%
Inflation Sensitive	6.0%	3.30%
Cash/Liquidity	2.0%	-0.40%
Total	100%	

^(a) 20-year average.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalPERS		
	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Plan's Net Pension Liability/(Asset)	\$ 70,193,982	\$ 48,592,261	\$ 30,739,233

	STRS		
	Discount Rate - 1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate + 1% (8.10%)
Plan's Net Pension Liability/(Asset)	\$ 116,222,272	\$ 68,431,620	\$ 28,751,010

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS and STRS comprehensive annual financial reports available on the CalPERS’ and STRS’ websites.

Payable to the Pension Plan

As of June 30, 2023, the District had no outstanding required contributions to the pension plans.

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

7. FUND BALANCE

The District reports fund balances in accordance with Governmental Accounting Standards Board Statement No. 54. All fund balance categories are reported in the aggregate on the face of the balance sheet. All components of those fund balances and specific purposes are identified as follows:

	General Fund	Building Fund	All Non-Major Funds	Total
Nonspendable:				
Revolving cash	\$ 50,000	\$ -	\$ -	\$ 50,000
Prepaid items	9,895	-	-	9,895
Stores	-	-	87,733	87,733
Total Nonspendable	59,895	-	87,733	147,628
Restricted for:				
Expanded Learning Opportunities Program	5,027,311	-	-	5,027,311
Educator Effectiveness	1,632,537	-	-	1,632,537
Lottery: Instructional Materials	1,293,220	-	-	1,293,220
Learning Recovery Emergency Block Grant	11,520,834	-	-	11,520,834
Special Education	1,018,180	-	-	1,018,180
Mental Health-Related Services	148,108	-	-	148,108
Special Education Early Intervention Preschool Grant	899,517	-	-	899,517
Arts, Music, and Instructional Materials Discretionary Block Grant	6,017,376	-	-	6,017,376
Child Nutrition: Kitchen Infrastructure and Training Funds - 2022 KIT Funds	1,715,794	-	-	1,715,794
Child Nutrition: Kitchen Infrastructure Upgrade Funds	187,226	-	-	187,226
Child Nutrition: Food Service Staff Training Funds	32,250	-	-	32,250
Classified School Employee Professional Development Block Grant	27,557	-	-	27,557
A-G Access/Success Grant	461,957	-	-	461,957
A-G Learning Loss Mitigation Grant	206,793	-	-	206,793
Expanded Learning Opportunities (ELO) Grant: Paraprofessional Staff	557,874	-	-	557,874
Ongoing & Major Maintenance Account (RMA)	324,380	-	-	324,380
Student Activity Funds	-	-	942,602	942,602
Adult Education Program	-	-	2,262	2,262
Preschool Program One-time Stipend	-	-	48,600	48,600
Child Development: Center-Based Reserve Account	-	-	223,399	223,399
Child Nutrition: Supply Chain Assistance (SCA) Funds	-	-	94,760	94,760
Child Nutrition: School Programs	-	-	4,209,168	4,209,168
Child Nutrition: SNP COVID-19 Emergency Operational Costs Reimbursement	-	-	78,770	78,770
State School Facilities Project	-	-	1,228,006	1,228,006
Other Restricted State	58,994	-	-	58,994
Other Restricted Local	440,103	35,813,355	15,542,962	51,796,420
Total Restricted	31,570,011	35,813,355	22,370,529	89,753,895

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

7. FUND BALANCE (CONTINUED)

	General Fund	Building Fund	All Non-Major Funds	Total
Committed:				
IT Technology Replacement	2,996,000	-	-	2,996,000
Deferred Maintenance	14,002,448	-	-	14,002,448
Other Commitments	-	270,140	1,424,164	1,694,304
Total Committed	<u>16,998,448</u>	<u>270,140</u>	<u>1,424,164</u>	<u>18,692,752</u>
Assigned to:				
Home-to-School Transportation	417,479	-	-	417,479
Special Education Transportation	330,764	-	-	330,764
Deferred Maintenance	1,068,720	-	-	1,068,720
ADD\27L Concentration Funds	492,643	-	-	492,643
LCAP C/O - Centralized	1,955,947	-	-	1,955,947
LCAP C/O - Sites	506,703	-	-	506,703
CTI New Teacher Induction Program	150,000	-	-	150,000
Total Assigned	<u>4,922,256</u>	<u>-</u>	<u>-</u>	<u>4,922,256</u>
Unassigned:				
Reserve for Economic Uncertainties	16,531,632	-	-	16,531,632
Total Unassigned	<u>16,531,632</u>	<u>-</u>	<u>-</u>	<u>16,531,632</u>
Total Fund Balances	<u>\$ 70,082,242</u>	<u>\$ 36,083,495</u>	<u>\$ 23,882,426</u>	<u>\$ 130,048,163</u>

8. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District incurred unanticipated expenditures in excess of appropriations in expenditure classifications for which the budget was not revised.

Excess of expenditures over appropriations for the year ended June 30, 2023 were as follows:

	Excess Expenditures
General Fund:	
Certificated salaries	\$ 2,783,760
Classified salaries	109,956
Other outgo	527,423

The excess is not in accordance with Education Code 42600. The excess general fund certificated salaries expenditures are due to retroactive salary increases and additional hours and substitute teacher costs. The excess classified salaries is due to additional program costs. The excess other outgo is from special education costs increasing from the county office of education.

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

8. COMMITMENTS AND CONTINGENCIES

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is management’s opinion that any required reimbursement subsequently determined will not have a material effect on the District’s financial position.

9. JOINT VENTURES

The District is a member of one joint powers authority (JPA): Santa Clara County Schools Insurance Group (SCCSIG) for property and liability insurance. The relationship between the District, the pools, and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

SCCSIG has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in SCCSIG’s financial statements; however, fund transactions between SCCSIG and the District are included in their statements. We obtained June 30, 2022 audited financial statements for SCCSIG. Condensed audited financial statements are as follows:

	SCCSIG*
	2022
Total Assets	\$ 30,411,088
Total Deferred Outflow of Resources	199,914
Total Liabilities	8,349,209
Total Deferred Inflow of Resources	341,228
Net Position	\$ 21,920,565
Total Revenues	\$ 42,135,855
Total Expenditures	40,618,277
Increase (Decrease) in Net Position	\$ 1,517,578

** June 30, 2022 was the most recent report available*

During the year ended June 30, 2023, the District made payments of \$1,292,6110 to SCCSIG.

10. SUBSEQUENT EVENTS

The District’s management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2023 through December 14, 2023, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

GILROY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
LCFF revenue	\$ 118,938,554	\$ 132,613,257	\$ 133,010,784	\$ 397,527
Federal revenue	6,121,872	23,327,415	11,232,614	(12,094,801)
Other state revenues	13,713,011	41,596,573	38,128,619	(3,467,954)
Other local revenues	4,613,616	7,364,157	3,525,225	(3,838,932)
Total revenues	<u>143,387,053</u>	<u>204,901,402</u>	<u>185,897,242</u>	<u>(19,004,160)</u>
EXPENDITURES				
Certificated salaries	62,064,959	62,049,032	64,832,792	(2,783,760)
Classified salaries	21,852,472	22,047,450	22,157,406	(109,956)
Employee benefits	39,918,201	39,322,203	38,286,699	1,035,504
Books and supplies	5,988,367	37,102,978	8,106,456	28,996,522
Services and other operating expenditures	16,244,963	45,113,698	25,449,638	19,664,060
Capital outlay	995,000	3,364,814	2,008,191	1,356,623
Other outgo	3,588,154	3,947,766	4,475,189	(527,423)
Total expenditures	<u>150,652,116</u>	<u>212,947,941</u>	<u>165,316,371</u>	<u>47,631,570</u>
Net change in fund balances	(7,265,063)	(8,046,539)	20,580,871	28,627,410
Fund balances, July 1, 2022	49,501,371	49,501,371	49,501,371	-
Fund balances, June 30, 2023	<u>\$ 42,236,308</u>	<u>\$ 41,454,832</u>	<u>\$ 70,082,242</u>	<u>\$ 28,627,410</u>

GILROY UNIFIED SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	June 30, 2014⁽¹⁾	June 30, 2015⁽¹⁾	June 30, 2016⁽¹⁾	June 30, 2017⁽¹⁾	June 30, 2018⁽¹⁾	June 30, 2019⁽¹⁾	June 30, 2020⁽¹⁾	June 30, 2021⁽¹⁾	June 30, 2022⁽¹⁾
CalPERS									
Proportion of the net pension liability (asset)	0.13474%	0.14030%	0.14407%	0.14483%	0.14523%	0.14274%	0.13709%	0.13648%	0.14122%
Proportionate share of the net pension liability (asset)	\$ 15,296,437	\$ 20,679,872	\$ 28,454,449	\$ 34,574,468	\$ 38,724,205	\$ 41,601,917	\$ 42,062,837	\$ 27,753,143	\$ 48,592,261
Covered payroll ⁽²⁾	\$ 13,749,155	\$ 15,432,540	\$ 14,744,304	\$ 16,514,777	\$ 16,472,057	\$ 18,108,352	\$ 24,799,874	\$ 17,692,213	\$ 19,545,471
Proportionate Share of the net pension liability (asset) as a percentage of covered payroll	111.25%	134.00%	192.99%	209.35%	235.09%	229.74%	169.61%	156.87%	248.61%
Plan fiduciary net position as a percentage of the total pension liability (asset)	83.38%	79.43%	73.90%	71.87%	70.85%	70.05%	70.00%	80.97%	69.76%
Proportionate share of aggregate employer contributions ⁽³⁾	\$ 1,618,413	\$ 1,828,293	\$ 2,047,689	\$ 2,564,910	\$ 2,975,183	\$ 3,571,148	\$ 5,133,574	\$ 4,053,286	\$ 4,958,686
STRS									
Proportion of the net pension liability (asset)	0.09888%	0.10380%	0.09988%	0.09424%	0.09642%	0.10034%	0.09435%	0.09901%	0.09848%
Proportionate share of the net pension liability (asset)	\$ 57,784,450	\$ 69,884,251	\$ 80,785,753	\$ 87,151,488	\$ 88,613,422	\$ 90,620,369	\$ 91,429,192	\$ 45,056,484	\$ 68,431,620
Covered payroll ⁽²⁾	\$ 40,918,243	\$ 39,872,917	\$ 42,458,124	\$ 43,542,349	\$ 45,491,560	\$ 51,345,591	\$ 57,187,121	\$ 60,028,227	\$ 57,115,482
Proportionate Share of the net pension liability (asset) as a percentage of covered payroll	141.22%	175.27%	190.27%	200.15%	194.79%	176.49%	159.88%	75.06%	119.81%
Plan fiduciary net position as a percentage of the total pension liability (asset)	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%	87.21%	81.20%
Proportionate share of aggregate employer contributions ⁽³⁾	\$ 3,633,540	\$ 4,278,364	\$ 5,341,232	\$ 6,283,161	\$ 7,406,026	\$ 8,780,096	\$ 9,235,720	\$ 10,156,776	\$ 10,909,057

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable. This is the measurement date of the actuary report.

⁽²⁾ Covered payroll is the payroll on which contributions to a pension plan are based.

⁽³⁾ The Plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Plan's proportionate share of aggregate contributions is based on the Plan's proportion of fiduciary net position as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

GILROY UNIFIED SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

CalPERS	Fiscal Year 2014-15 ⁽¹⁾	Fiscal Year 2015-16 ⁽¹⁾	Fiscal Year 2016-17 ⁽¹⁾	Fiscal Year 2017-18 ⁽¹⁾	Fiscal Year 2018-19 ⁽¹⁾	Fiscal Year 2019-20 ⁽¹⁾	Fiscal Year 2020-21 ⁽¹⁾	Fiscal Year 2021-22 ⁽¹⁾	Fiscal Year 2022-23 ⁽¹⁾
Contractually required contribution ⁽²⁾	\$ 1,618,413	\$ 1,828,293	\$ 2,047,689	\$ 2,564,910	\$ 2,975,183	\$ 3,571,148	\$ 5,133,574	\$ 4,053,286	\$ 4,958,686
Contributions in relation to the contractually required contribution ⁽²⁾	(1,776,920)	(2,047,315)	(2,565,408)	(2,979,973)	(3,612,801)	(3,898,809)	(4,054,421)	(4,962,099)	(6,216,233)
Contribution deficiency (excess)	<u>\$ (158,507)</u>	<u>\$ (219,022)</u>	<u>\$ (517,719)</u>	<u>\$ (415,063)</u>	<u>\$ (637,618)</u>	<u>\$ (327,661)</u>	<u>\$ 1,079,153</u>	<u>\$ (908,813)</u>	<u>\$ (1,257,547)</u>
Covered payroll ⁽³⁾	\$ 13,749,155	\$ 15,432,540	\$ 14,744,304	\$ 16,514,777	\$ 16,472,057	\$ 18,108,352	\$ 24,799,874	\$ 17,692,213	\$ 19,545,471
Contributions as a percentage of covered payroll ⁽³⁾	11.771%	11.847%	13.888%	15.531%	18.062%	19.721%	20.700%	22.910%	25.370%
STRS	Fiscal Year 2014-15 ⁽¹⁾	Fiscal Year 2015-16 ⁽¹⁾	Fiscal Year 2016-17 ⁽¹⁾	Fiscal Year 2017-18 ⁽¹⁾	Fiscal Year 2018-19 ⁽¹⁾	Fiscal Year 2019-20 ⁽¹⁾	Fiscal Year 2020-21 ⁽¹⁾	Fiscal Year 2021-22 ⁽¹⁾	Fiscal Year 2022-23 ⁽¹⁾
Contractually required contribution ⁽²⁾	\$ 3,633,540	\$ 4,278,364	\$ 5,341,232	\$ 6,283,161	\$ 7,406,026	\$ 8,780,096	\$ 9,235,720	\$ 10,156,776	\$ 10,909,057
Contributions in relation to the contractually required contribution ⁽²⁾	(4,227,720)	(5,383,474)	(6,504,361)	(7,479,391)	(8,814,006)	(8,983,628)	(8,608,420)	(9,852,483)	(10,934,128)
Contribution deficiency (excess)	<u>\$ (594,180)</u>	<u>\$ (1,105,110)</u>	<u>\$ (1,163,129)</u>	<u>\$ (1,196,230)</u>	<u>\$ (1,407,980)</u>	<u>\$ (203,532)</u>	<u>\$ 627,300</u>	<u>\$ 304,293</u>	<u>\$ (25,071)</u>
Covered payroll ⁽³⁾	\$ 40,918,243	\$ 39,872,917	\$ 42,458,124	\$ 43,542,349	\$ 45,491,560	\$ 51,345,591	\$ 57,187,121	\$ 60,028,227	\$ 57,115,482
Contributions as a percentage of covered payroll ⁽³⁾	8.880%	10.730%	12.580%	14.430%	16.280%	17.100%	16.150%	16.920%	19.100%

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.

⁽²⁾ Employers are assumed to make contributions equal to the contractually required contributions. However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the contractually required contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

⁽³⁾ Covered payroll is the payroll on which contributions to a pension plan are based.

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

1. PURPOSE OF SCHEDULES

A. Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund

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

B. Schedule of Proportionate Share of Net Pension Liability

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

Changes in Assumptions

The discount rate changed for CalPERS from 7.15% to 6.90%. The inflation rate for CalPERS changed from 2.50% to 2.30%. The payroll growth rate for CalPERS changed from 2.75% to 2.80%. There were no changes in assumptions for CalSTRS.

Changes in Benefit Terms

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

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

GILROY UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

1. PURPOSE OF SCHEDULES (CONTINUED)

C. Schedule of Pension Contributions

If an employer's contributions to the plans are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plans (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll. In the future, as data becomes available, ten years of information will be presented.

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

	<u>CalPERS</u>	<u>STRS</u>
Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	6.90%	7.10%
Inflation	2.30%	2.75%
Payroll Growth Rate	2.80%	3.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return ⁽¹⁾	6.90%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

⁽¹⁾ Net of pension plan investment expenses, including inflation.

SUPPLEMENTARY INFORMATION

GILROY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

JUNE 30, 2023

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total
ASSETS								
Cash and cash equivalents	\$ 942,602	\$ 200,602	\$ 312,741	\$ 2,700,305	\$ 1,677,386	\$ 2,707,181	\$ 13,721,778	\$ 22,262,595
Accounts receivable	-	1,705	202,715	1,830,185	11,511	23,215	54,061	2,123,392
Stores	-	-	-	87,733	-	-	-	87,733
Due from other funds	-	-	-	6,853	-	-	-	6,853
Total assets	\$ 942,602	\$ 202,307	\$ 515,456	\$ 4,625,076	\$ 1,688,897	\$ 2,730,396	\$ 13,775,839	\$ 24,480,573
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ 45	\$ 45	\$ 154,645	\$ -	\$ -	\$ -	\$ 154,735
Due to other funds	-	200,000	-	-	-	-	-	200,000
Unearned revenue	-	-	243,412	-	-	-	-	243,412
Total liabilities	-	200,045	243,457	154,645	-	-	-	598,147
Fund balances								
Nonspendable	-	-	-	87,733	-	-	-	87,733
Restricted	942,602	2,262	271,999	4,382,698	264,733	2,730,396	13,775,839	22,370,529
Committed	-	-	-	-	1,424,164	-	-	1,424,164
Total fund balances	942,602	2,262	271,999	4,470,431	1,688,897	2,730,396	13,775,839	23,882,426
Total liabilities and fund balances	\$ 942,602	\$ 202,307	\$ 515,456	\$ 4,625,076	\$ 1,688,897	\$ 2,730,396	\$ 13,775,839	\$ 24,480,573

GILROY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

ALL NON-MAJOR FUNDS

JUNE 30, 2023

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total
REVENUES								
Federal revenue	\$ -	\$ -	\$ -	\$ 5,154,806	\$ -	\$ -	\$ -	\$ 5,154,806
Other state revenues	-	16,728	1,410,970	4,410,577	-	1,163,022	69,875	7,071,172
Other local revenues	1,509,152	310,322	2,569	478,325	1,221,980	(10,640)	18,314,467	21,826,175
Total revenues	<u>1,509,152</u>	<u>327,050</u>	<u>1,413,539</u>	<u>10,043,708</u>	<u>1,221,980</u>	<u>1,152,382</u>	<u>18,384,342</u>	<u>34,052,153</u>
EXPENDITURES								
Certificated salaries	-	227,328	542,214	-	-	-	-	769,542
Classified salaries	-	27,493	373,119	2,098,443	-	-	-	2,499,055
Employee benefits	-	79,623	401,173	1,021,220	-	-	-	1,502,016
Books and supplies	663,211	6,696	54,469	20,838	-	502,023	-	1,247,237
Services and other operating expenditures	914,517	4,242	6,523	3,912,220	18,591	401,509	-	5,257,602
Capital outlay	-	-	-	80,371	-	-	-	80,371
Other outgo	-	3,720	31,489	231,690	-	-	-	266,899
Debt service expenditures	-	260	-	-	1,746,450	-	19,141,127	20,887,837
Total expenditures	<u>1,577,728</u>	<u>349,362</u>	<u>1,408,987</u>	<u>7,364,782</u>	<u>1,765,041</u>	<u>903,532</u>	<u>19,141,127</u>	<u>32,510,559</u>
Net change in fund balances	(68,576)	(22,312)	4,552	2,678,926	(543,061)	248,850	(756,785)	1,541,594
Fund balances, July 1, 2022	1,011,178	24,574	267,447	1,791,505	2,231,958	2,481,546	14,532,624	22,340,832
Fund balances, June 30, 2023	<u>\$ 942,602</u>	<u>\$ 2,262</u>	<u>\$ 271,999</u>	<u>\$ 4,470,431</u>	<u>\$ 1,688,897</u>	<u>\$ 2,730,396</u>	<u>\$ 13,775,839</u>	<u>\$ 23,882,426</u>

GILROY UNIFIED SCHOOL DISTRICT

ORGANIZATION

JUNE 30, 2023

The Gilroy Unified School District was established in July 1, 1966, under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by the State and Federal agencies. There were no changes in the boundaries of the District during the current year. The District operates eight elementary schools, three middle schools, two high schools, one early college high school, two independent study school, and one continuation school.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires December</u>
Linda Piceno	President	2026
James Pace	Vice President	2024
Melissa Aguirre	Member	2024
Tuyen Fiack	Member	2026
Mark W. Good	Member	2024
Gabriela Kim	Member	2026
Michelle Nelson	Member	2026

ADMINISTRATION

Anisha Munshi, Ed.D.
Superintendent

Alvaro Meza
Assistant Superintendent, Business Services

Kimberly Smith
Director of Fiscal Services

Paul Winslow
Assistant Superintendent, Human Resources

Anna Pulido
Director of Student Services

Jean Wells-Southland
Director of Educational Services (Elementary)

Sonia Flores
Director of Educational Services (Secondary)

GILROY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Second Period Report	Revised Second Period Report*	Annual Report
Elementary			
TK through Third	2,571.41	2,571.41	2,586.74
Fourth through Sixth	2,010.69	2,011.35	2,011.54
Seventh through Eighth	1,376.71	1,377.79	1,379.59
Special Education	2.70	3.01	2.62
Extended Year	13.71	13.71	13.71
Subtotal	<u>5,975.22</u>	<u>5,977.27</u>	<u>5,994.20</u>
Secondary			
Regular Classes	3,356.62	3,349.88	3,341.92
Special Education	4.86	5.51	4.79
Extended Year	5.06	5.06	5.06
Continuation Education	155.86	155.86	148.61
Subtotal	<u>3,522.40</u>	<u>3,516.31</u>	<u>3,500.38</u>
Totals	<u><u>9,497.62</u></u>	<u><u>9,493.58</u></u>	<u><u>9,494.58</u></u>

* The revisions to the Second Period Report of Attendance were not the result of the audit.

GILROY UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Grade Level	Standard Minutes Requirement	2022-23 Actual Minutes	Instructional Days	Status
Kindergarten	36,000	50,635	180	In compliance
Grade 1	50,400	50,645	180	In compliance
Grade 2	50,400	50,645	180	In compliance
Grade 3	50,400	50,645	180	In compliance
Grade 4	54,000	54,450	180	In compliance
Grade 5	54,000	54,450	180	In compliance
Grade 6	54,000	58,116	180	In compliance
Grade 7	54,000	58,116	180	In compliance
Grade 8	54,000	58,116	180	In compliance
Grade 9	64,800	65,510	180*	In compliance
Grade 10	64,800	65,510	180*	In compliance
Grade 11	64,800	65,510	180*	In compliance
Grade 12	64,800	65,510	180*	In compliance

* The California Department of Education has approved the request for two emergency days on January 10, 2023 and March 14, 2023, at Dr. TJ Owens Gilroy Early College Academy.

GILROY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR FISCAL YEAR ENDED JUNE 30, 2023

<u>Charter School ID Number</u>	<u>Charter Schools Chartered by the District</u>	<u>Included in the District Financial Statements, or Separate Report</u>
1278	Gilroy Prep Academy/Navigator School	Separately Reported

GILROY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Self Insurance Fund
FUND BALANCE	
Balance, June 30, 2023, Unaudited Actuals	\$ 2,951,350
Increase in:	
Cash with Fiscal Agent/Trustee	151,828
Balance, June 30, 2023, Audited Financial Statements	<u>\$ 3,103,178</u>

There were no adjustments made to any other funds of the District.

GILROY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Assistance Listing Number	Grantor and Program Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
<i>Passed through California Department of Education</i>			
Special Education Cluster (IDEA):			
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611	13379	* \$ 1,738,196
84.027	Special Education: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	10115	* 19,948
84.027A	Special Ed: IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	15197	* 140,213
84.027	Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	15638	* 416,123
84.027	Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Private School ISPs	10169	* 3,723
84.173	Special Ed: ARP IDEA Part B, Sec. 619, Preschool Grants	15639	* 37,540
84.173	Special Ed: IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	13430	* 30,853
84.173A	Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	13431	* 223
84.173A	Special Ed: Alternate Dispute Resolution, Part B, Sec 611	13007	* 2,735
	Subtotal Special Education Cluster (IDEA)		<u>2,389,554</u>
Education Stabilization Fund Cluster:			
84.425D	Elementary and Secondary School Emergency Relief II (ESSER II) Fund	15547	* 1,466,852
84.425D	Elementary and Secondary School Emergency Relief III (ESSER III) Fund	15559	* 1,800,538
84.425D	Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	10155	* 692,354
84.425C	Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	15517	* 47,517
84.425D	Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	15618	* 328,206
84.425D	Expanded Learning Opportunities (ELO) Grant GEER II	15619	* 45,009
84.425D	Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	15621	* 455,839
84.425	American Rescue Plan - Homeless Children and Youth II (ARP HYC II)	15566	* 9,542
84.425D	21st Century Community Learning Centers (CCLC) Rate Increase: ESSER III State Reserve Afterschool Programs	15651	* 406,423
	Subtotal Education Stabilization Fund Cluster		<u>5,252,280</u>
84.010	ESEA (ESSA): Title I, Part A, Basic Grants Low-Income and Neglected	14329	* 1,481,432
84.010	ESEA: ESSA School Improvement (CSI) Funding for LEAs	15438	372,890
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	76,561
84.011	ESEA (ESSA): Title I, Part C, Migrant Ed (Regular and Summer Program)	14326	101,902
84.011	ESSA (ESEA): Title I, Migrant Ed Summer Program	10005	13,867
84.367	ESEA (ESSA): Title II, Part A, Supporting Effective Instruction Local Grants	14341	251,511
84.287	ESEA (ESSA): Title IV, Part B, 21st Century Community Learning Centers Program	14349	582,501
84.424	ESEA (ESSA) Title IV, Part A, Student Support and Academic Enrichment Grants	15396	265,140
84.410	Education Jobs Fund (SB847) ARRA	25152	401,992
84.126	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	42,984
	Total U.S. Department of Education		<u>11,232,614</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed through California Department of Education</i>			
10.649	Pandemic EBT Local Administrative Grant	15644	5,814
10.555	Child Nutrition: School Programs (NSL Sec 4)	13391	4,569,141
10.555	Supply Chain Assistance (SCA) Funds	15655	579,851
10.555	School Lunch Program - Nonmonetary Assistance	13391	485,372
	Total U.S. Department of Agriculture		<u>5,640,178</u>
Total Federal Programs			<u>\$ 16,872,792</u>

* Tested as a major program.

GILROY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Adopted Budget 2023/2024	Actuals 2022/2023	Actuals 2021/2022	Actuals 2020/2021
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 186,811,718	\$ 185,897,243	\$ 151,898,943	\$ 148,923,545
Expenditures	219,114,137	165,316,371	150,409,729	135,847,890
Other Uses and Transfers Out	-	-	4,849	400,000
Total Outgo	219,114,137	165,316,371	150,414,578	136,247,890
Change in Fund Balance	(32,302,419)	20,580,872	1,484,365	12,675,655
Ending Fund Balance	\$ 37,779,824	\$ 70,082,243	\$ 49,501,371	\$ 48,017,006
Available Reserves *	\$ 21,911,414	\$ 16,531,632	\$ 15,028,303	\$ 32,226,322
Reserve for Economic Uncertainties	\$ 21,911,414	\$ 16,531,632	\$ 10,529,020	\$ 9,537,352
Undesignated Fund Balance	\$ -	\$ -	\$ 4,499,283	\$ 22,688,970
Available Reserves as a Percentage of Total Outgo	10.0%	10.0%	10.0%	23.7%

All Funds

Total Long-Term Debt	\$ 483,195,968	\$ 491,155,968	\$ 453,808,140	\$ 524,215,797
Actual Daily Attendance at P-2 (Exclusive of Adult ADA)	9,605	9,494	9,627	10,652

* Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund

The General Fund fund balance has increased by \$34,740,892 over the past three years. The District projects a decrease of \$32,302,419 for the fiscal year ending June 30, 2024. For a district this size, the State of California recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo). For the year ended June 30, 2023, the District has met this requirement.

The District has incurred operating surpluses in all of the past three years, but anticipates an operating deficit during the 2023-2024 fiscal year.

Total long-term liabilities have decreased by \$33,059,829 over the past two years due to decreases in the net pension liability and payments on the general obligation bonds.

Average Daily Attendance (ADA) has decreased by 1,158 over the past two years and attendance is budgeted to increase for the fiscal year 2023-2024.

GILROY UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

1. SCHEDULE OF AVERAGE DAILY ATTENDANCE

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

2. SCHEDULE OF INSTRUCTIONAL TIME

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206. Districts must maintain their instructional minutes at the State's standard requirements as required by Education Code Section 46201(b).

3. SCHEDULE OF CHARTER SCHOOLS

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

4. RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS

This schedule provides information necessary to reconcile the Annual Financial and Budget Report to the audited financial statements.

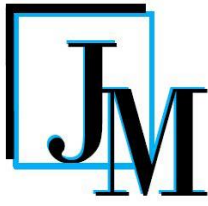
5. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes federal grant activity of the District and is presented under the modified accrual basis of accounting. The May 2023 Edition of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with the Uniform Guidance and state requirements. Therefore, some amounts presented in this schedule may differ from amounts used in the preparation of the general purpose financial statements. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

6. 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.

OTHER INDEPENDENT AUDITOR'S REPORTS



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Gilroy Unified School District
Gilroy, California

Report on Compliance

Opinion

We have audited the Gilroy Unified School District (the "District") compliance with the requirements specified in the 2022-23 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, 2023.

In our opinion, Gilroy Unified School District complied, in all material respects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the 2022-23 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 2022-23 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 *2022-23 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 *2022-23 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:

Local Education Agencies Other Than Charter Schools	
Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes
Instructional Time	
Instructional Materials	Yes
General Requirements	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive Program	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes

School Districts, County Offices of Education and Charter Schools

Description	Procedures Performed
California Clean Energy Jobs Act	No, see below
After/Before Schools Education and Safety Program	
General requirements	Yes
After School	Yes
Before School	No, see below
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	Yes
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	Yes

Charter Schools

Description	Procedures Performed
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes - Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform any procedures related to Early Retirement Incentive Program, Juvenile Court Schools, Apprenticeship: Related and Supplemental Instruction, District of Choice, and the Before School portion of the After/Before School Education and Safety Program because the District did not offer these programs.

We did not perform any procedures related to Independent Study as the District's ADA did not meet the materiality threshold for testing in the current year.

We did not perform any procedures related to California Clean Energy Jobs Act as the District completed their projects in prior years.

We did not perform any procedures related to Attendance Reporting for Charter Schools, Mode of Instruction for Charter Schools, Nonclassroom-Based Instruction/Independent Study for Charter Schools, Determination of Funding for Nonclassroom-Based Instruction for Charter Schools, Annual Instructional Minutes-Classroom Based for Charter Schools, and Charter School Facility Grant Program because the District did not have any charter schools reported within the District's financial statements.

We did not perform any procedures related to Immunization as none of the District's schools appeared on the lists of schools that did not submit immunization assessment reports to the California Department of Public Health or those that reported combined conditional admission and overdue rates greater than 10 percent in kindergarten and in 7th grade.

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

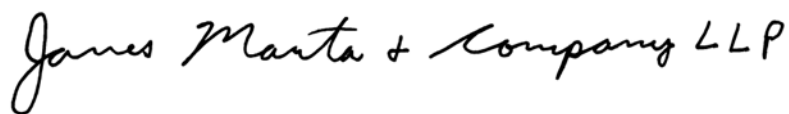
Report on Internal Control over Compliance

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

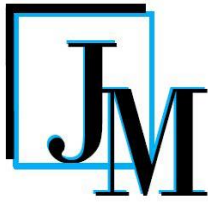
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the 2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 14, 2023



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

**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**

INDEPENDENT AUDITOR'S REPORT

Board of Education
Gilroy Unified School District
Gilroy, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gilroy Unified School District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

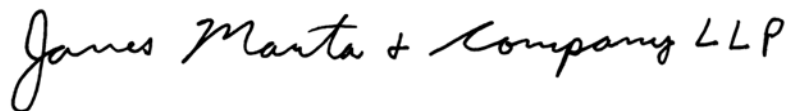
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

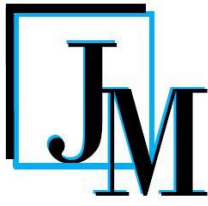
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

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

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 14, 2023



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Board of Education
Gilroy Unified School District
Gilroy, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Gilroy Unified School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the May 2023 Edition of the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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 the May 2023 Edition of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

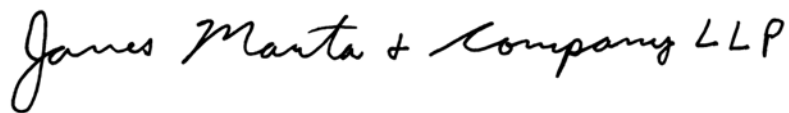
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Gilroy Unified School District as of and for the year ended June 30, 2023, and have issued our report thereon dated December 14, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "James Marta & Company LLP".

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 14, 2023

FINDINGS AND RECOMMENDATIONS

GILROY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:
Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not
 considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Type of auditor’s report issued on compliance
 for major programs: Unmodified

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not
 considered to be material weaknesses? _____ Yes X None reported

Any audit findings disclosed that are required to
 be reported in accordance with the Uniform
 Guidance, Section 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425, 84.825C, 84.825D 84.010	Education Stabilization Fund (ESF) Cluster Title I, Part A, Basic Grants Low-Income and Neglected Special Education Cluster
84.027, 84.027A, 84.173, 84.173A	

GILROY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Dollar threshold used to distinguish between
Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

State Awards

Type of auditor's report issued on compliance
for state programs:

Unmodified

Internal control over state programs:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified not
considered to be material weaknesses?

Yes None reported

GILROY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Section II – Financial Statement Findings

No matters were reported.

GILROY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Section III – Federal Award Findings and Questioned Costs

No matters were noted.

GILROY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Section IV – State Award Findings and Questioned Costs

No matters were reported.

GILROY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

No matters were reported.