



# Solana Beach School District

County of San Diego  
Solana Beach, California

Audit Report

June 30, 2019



WILKINSON HADLEY  
KING & CO. LLP  
CPAs AND ADVISORS



# Solana Beach School District

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June 30, 2019

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P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA

Aubrey W. Mann, CPA  
Kevin A. Sproul, CPA

## Independent Auditor’s Report

To the Board of Education  
Solana Beach School District  
Solana Beach, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Solana Beach School District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

### Management’s Responsibility for the Financial Statements

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

### Auditor’s Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Solana Beach School District as of June 30, 2019, 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.

## **Other Matters**

### *Requires Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying combining statements as supplementary information and additional supplementary information identified in the table of contents, as required by the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810 is presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the 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 January 31, 2020, on our consideration of Solana Beach School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Wilkinson-Hadley King + Co LLP*

El Cajon, California  
January 31, 2020

**Solana Beach School District**  
Management's Discussion and Analysis  
June 30, 2019  
(Unaudited)

The discussion and analysis of Solana Beach School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report, the District's financial statements and notes to the basic financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD & A.

**FINANCIAL HIGHLIGHTS**

- The increase in Local Control Funding Formula (LCFF) sources from 2017-18 to 2018-19 was \$2.2 million. The increase is due to rising property tax values and the State of California funding the LCFF gap during the 2018-19 fiscal year.
- The general fund expenditures increased by \$4.15 million or 8.7% over the previous year amount.
- General fund expenses and other uses exceeded revenues and other sources by \$2.8 million.

**Overview of the Financial Statements**

This annual report consists of the following parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, other supplementary information, and findings and recommendations. These statements are organized so the reader can understand the Solana Beach School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**The Basic Financial Statements**

The first two statements are district-wide financial statements, the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the whole School District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's more significant funds with all other non-major funds presented in total in one column.

The financial statements also include notes that explain some of the supplementary information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. A comparison of the District's general fund budget is included.

## **Reporting the School District as a Whole**

### *Statement of Net Position and the Statement of Activities*

These two statements provide information about the District as a whole using methods similar to those used by private-sector companies. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. This basis of accounting takes in account all the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2018-2019?"

The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many non-financial factors, such as the quality of education provided to assess the overall health of the District.

- Increases or decreases in the net position of the District over time are indications of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

## **Reporting the School District's Most Significant Funds**

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

### *Governmental Funds*

Most of the School District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund, the Building Fund, and the Capital Projects Fund for Blended Component Units. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

### *Proprietary Funds*

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self supporting. The District has two proprietary funds, the Child Care Enterprise Fund and the Self-Insurance Fund. These funds are reported using a full accrual accounting method.

### *Fiduciary Funds*

The District is the trustee, or fiduciary, for the student activities funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS**

### *The School District as a Whole*

The District's governmental activities net position was \$91.5 million at June 30, 2019. Of this amount, unrestricted net position was (\$78.5) million, net investment in capital assets was \$72.6 million, and restricted net position was \$97.5 million. A comparative analysis of government-wide statement of net position is presented in Table 1.

The District's governmental activities net position decreased \$3.1 million this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 71% of governmental expenses. The administrative activities of the District accounted for just 6% of governmental costs. The remaining 23% was spent in the areas of plant services and other expenses. (See Figure 2)



**Table 1**  
**Comparative Statement of Net Position**

|  | <u>Governmental Activities</u> |                                    | <u>Business Type Activities</u> |                                    |
|--|--------------------------------|------------------------------------|---------------------------------|------------------------------------|
|  | <u>June 30, 2019</u>           | <u>6/30/2018<br/>(As Adjusted)</u> | <u>June 30, 2019</u>            | <u>6/30/2018<br/>(As Adjusted)</u> |
| <b>Assets</b>                                  |                                |                                    |                                 |                                    |
| Cash   | \$ 122,280,319                 | \$ 77,636,489                      | \$ 1,703,038                    | \$ 1,562,177                       |
| Accounts receivable                            | 1,529,210                      | 1,145,375                          | 64,573                          | 78,915                             |
| Internal Balances                              | 36,172                         | 21,816                             | (36,172)                        | (21,816)                           |
| Inventory                                      | 16,469                         | 18,080                             | -                               | -                                  |
| Prepaid expenses                               | 118,399                        | -                                  | -                               | -                                  |
| Capital assets, net                            | 164,638,735                    | 155,924,166                        | 112,888                         | 130,944                            |
| Total Assets                                   | <u>\$ 288,619,304</u>          | <u>\$ 234,745,926</u>              | <u>\$ 1,844,327</u>             | <u>\$ 1,750,220</u>                |
| <b>Deferred Outflows of Resources</b>          |                                |                                    |                                 |                                    |
| Deferred outflows of resources - pensions      | \$ 16,142,368                  | \$ 18,165,133                      | \$ 1,335,106                    | \$ 1,367,392                       |
| Deferred outflows of resources - OPEB          | 79,116                         | 111,622                            | 5,272                           | -                                  |
| Total Deferred Outflows of Resources           | <u>\$ 16,221,484</u>           | <u>\$ 18,276,755</u>               | <u>\$ 1,340,378</u>             | <u>\$ 1,367,392</u>                |
| <b>Liabilities</b>                             |                                |                                    |                                 |                                    |
| Accounts payable and other current liabilities | 3,335,964                      | 1,970,927                          | 74,116                          | 67,227                             |
| Unearned revenue                               | 61,168                         | 58,961                             | -                               | -                                  |
| Long-term liabilities                          | 200,851,496                    | 150,708,651                        | 4,041,167                       | 3,969,718                          |
| Total Liabilities                              | <u>204,248,628</u>             | <u>152,738,539</u>                 | <u>4,115,283</u>                | <u>4,036,945</u>                   |
| <b>Deferred Inflows of Resources</b>           |                                |                                    |                                 |                                    |
| Deferred inflows of resources - pensions       | \$ 9,198,678                   | 5,843,197                          | 537,315                         | 666,369                            |
| Deferred inflows of resources - OPEB           | 73,799                         | -                                  | 4,921                           | -                                  |
| Total Deferred Inflows of Resources            | <u>\$ 9,272,477</u>            | <u>\$ 5,843,197</u>                | <u>\$ 542,236</u>               | <u>\$ 666,369</u>                  |
| <b>Net Position</b>                            |                                |                                    |                                 |                                    |
| Net investment in capital assets               | 72,577,580                     | 73,823,726                         | 112,888                         | 130,944                            |
| Restricted                                     | 97,553,411                     | 41,518,418                         | -                               | -                                  |
| Unrestricted                                   | (78,811,308)                   | (20,901,199)                       | (1,585,702)                     | (1,716,646)                        |
| Total Net Position                             | <u>\$ 91,319,683</u>           | <u>\$ 94,440,945</u>               | <u>\$ (1,472,814)</u>           | <u>\$ (1,585,702)</u>              |

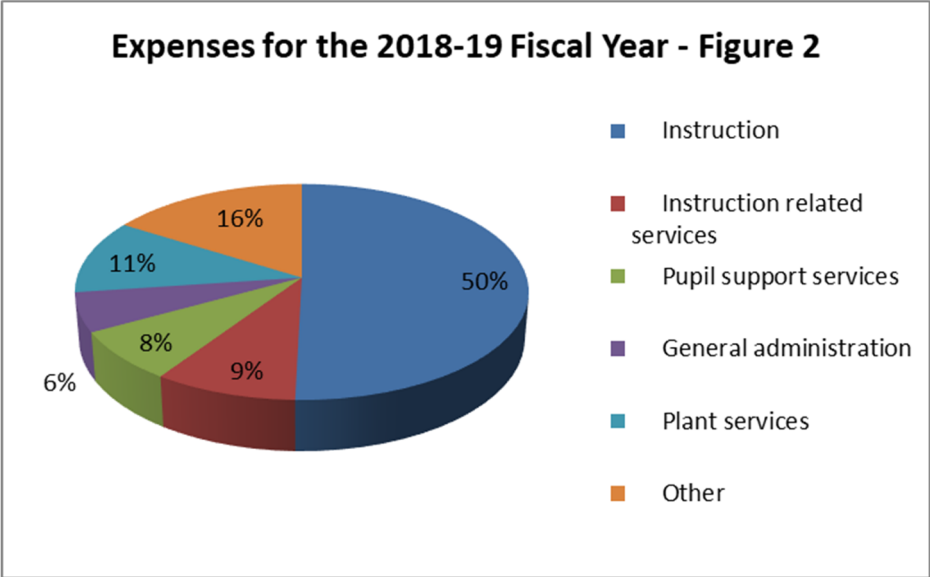
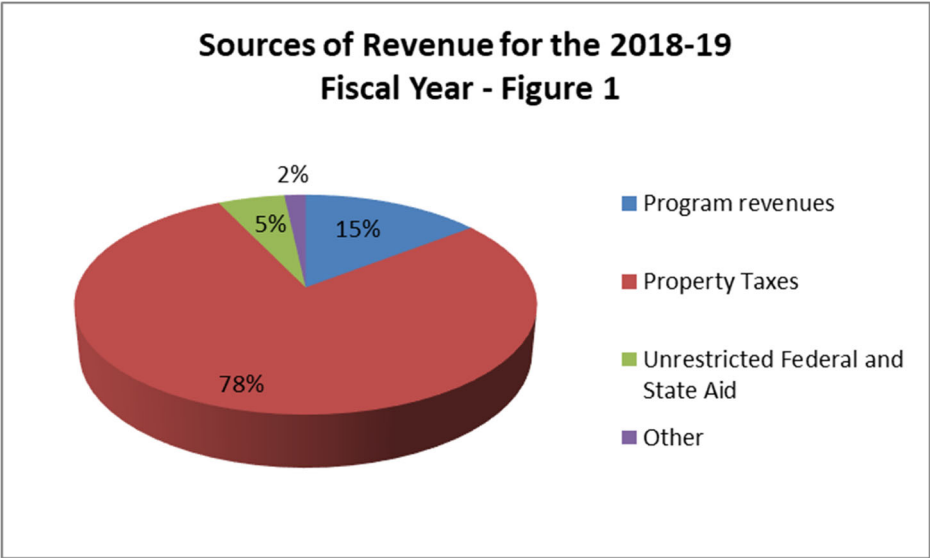
**Table 2**  
**Comparative Statement of Activities**  
**Year Ended,**

|   | <u>Governmental Activities</u> |                       | <u>Business Type Activities</u> |                      |
|---|--------------------------------|-----------------------|---------------------------------|----------------------|
|   | <u>June 30, 2019</u>           | <u>June 30, 2018</u>  | <u>June 30, 2019</u>            | <u>June 30, 2018</u> |
| <b>Revenues</b>   |                                |                       |                                 |                      |
| Program revenues  |                                |                       |                                 |                      |
| Charges for services                                      | \$ 681,347                     | \$ 669,656            | \$ 3,748,459                    | \$ 2,841,139         |
| Operating grants and contributions                        | 4,255,545                      | 10,279,586            | -                               | -                    |
| Capital grants and contributions                          | 210,578                        | 11,663,155            | -                               | -                    |
| General revenues  |                                |                       |                                 |                      |
| Taxes levied for general purposes                         | 39,037,830                     | 36,809,281            | -                               | -                    |
| Taxes levied for debt service                             | 4,679,858                      | 4,705,399             | -                               | -                    |
| Taxes levied for other specific purposes                  | 4,050,730                      | 1,205,582             | -                               | -                    |
| Federal and state aid not restricted to specific purposes | 3,318,679                      | 3,221,613             | -                               | -                    |
| Interest and investment earnings                          | 593,635                        | 857,752               | 30,790                          | -                    |
| Miscellaneous   | 432,642                        | 1,240,362             | -                               | 555,021              |
| Total Revenues  | <u>57,260,844</u>              | <u>70,652,386</u>     | <u>3,779,249</u>                | <u>3,396,160</u>     |
| <b>Expenses</b>   |                                |                       |                                 |                      |
| Instruction   | 32,279,439                     | 32,707,903            | -                               | -                    |
| Instruction related services                              | 5,781,917                      | 5,143,520             | -                               | -                    |
| Pupil support services                                    | 4,820,277                      | 4,450,487             | -                               | -                    |
| General administration                                    | 3,757,871                      | 4,240,007             | -                               | -                    |
| Plant services  | 7,096,257                      | 4,908,414             | -                               | -                    |
| Other   | 6,646,345                      | 2,191,680             | 3,648,908                       | 3,701,376            |
| Total Expenses  | <u>60,382,106</u>              | <u>53,642,011</u>     | <u>3,648,908</u>                | <u>3,701,376</u>     |
| Increase (Decrease) in Net Position                       | (3,121,262)                    | 17,010,375            | 130,341                         | (305,216)            |
| Net Position - Beginning Balance                          | 134,891,551                    | -                     | (601,920)                       | (296,704)            |
| Adjustment to Beginning Balance**                         | (40,450,606)                   | 117,881,176           | (1,001,235)                     | -                    |
| Net Position - Ending Balance                             | <u>\$ 91,319,683</u>           | <u>\$ 134,891,551</u> | <u>\$ (1,472,814)</u>           | <u>\$ (601,920)</u>  |

\*\*There were adjustments made to beginning balance to correct net pension liability and related deferred inflows and outflows of resources, total OPEB liability, capital assets, and to add special tax bonds associated with blended component units that had not been previously accounted for. These corrections were not made to the period ended June 30, 2018 affecting the comparability of this schedule.

## GOVERNMENTAL ACTIVITIES

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$60.3 million and the cost of business type activities was \$3.6 million. The amount that our local taxpayers financed for these activities through property taxes was \$47.8 million. (See Figure 1).



**FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

The fund financial statements focus on individual parts of the District’s operations in more detail than the government-wide statements. The District’s individual fund statements provide information on inflows and outflows and balances of spendable resources. The District’s Governmental Funds reported a combined fund balance of \$121.5 million, an increase of \$44.8 million from the previous fiscal year’s combined ending balance of \$76.7 million.

## General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget regularly. The significant budget adjustments fell into the following categories:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the General Fund reflected a net decrease to the ending balance of \$5 million.

The District ended the year with a \$3 million decrease to the general fund ending balance. The State recommends available reserves of 3% of District general fund expenditures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The District has a broad range of capital assets, including school buildings, administrative buildings, site improvements, vehicles, and equipment. Table 3 demonstrates a comparative Schedule of Capital Assets.

**Table 3**  
**Comparative Schedule of Capital Assets**  
**June 30,**

|                                   | <u>2019</u>                  | <u>2018</u>                  | <u>Net \$<br/>Change</u>   | <u>Net %<br/>Change</u> |
|-----------------------------------|------------------------------|------------------------------|----------------------------|-------------------------|
| Land                              | \$ 58,982,165                | \$ 58,982,165                | \$ 0                       | 0.0%                    |
| Work in Progress                  | 50,585,981                   | 41,248,609                   | 9,337,372                  | 22.6%                   |
| Land Improvements                 | 673,884                      | 673,884                      | 0                          | 0.0%                    |
| Buildings & Improvements          | 79,019,802                   | 78,074,156                   | 945,646                    | 1.2%                    |
| Equipment                         | 6,057,081                    | 5,936,910                    | 120,171                    | 2.0%                    |
| Less Accumulated Depreciation for |                              |                              |                            |                         |
| Land Improvements                 | (656,992)                    | (656,147)                    | (845)                      | 0.1%                    |
| Buildings & Improvements          | (24,456,682)                 | (22,824,579)                 | (1,632,103)                | 7.2%                    |
| Equipment                         | (5,453,616)                  | (5,380,123)                  | (73,493)                   | 100.0%                  |
| <b>Total</b>                      | <u><u>\$ 164,751,623</u></u> | <u><u>\$ 156,054,875</u></u> | <u><u>\$ 8,696,748</u></u> | <u><u>5.6%</u></u>      |

## Long-Term Debt

At June 30, 2019 the District had \$17.9 million in long-term debt outstanding. Table 4 shows a comparative schedule of long-term debt items.

**Table 4**  
**Comparative Schedule of Long-Term Debt**  
**June 30,**

|                          | <u>2019</u>           | <u>2018</u>          | <u>Net \$ Change</u> | <u>Net %<br/>Change</u> |
|--------------------------|-----------------------|----------------------|----------------------|-------------------------|
| General Obligation Bonds | \$ 107,998,109        | \$ 53,838,783        | \$ 54,159,326        | 100.6%                  |
| Special Tax Bonds        | <u>35,165,247</u>     | <u>36,069,615</u>    | <u>(904,368)</u>     | <u>-2.5%</u>            |
| Total Long-Term Debt     | <u>\$ 143,163,356</u> | <u>\$ 89,908,398</u> | <u>\$ 53,254,958</u> | <u>59.2%</u>            |

## FACTORS BEARING ON THE DISTRICT'S FUTURE

The financial well-being of the District is tied in large measure to property taxes. If an economic downturn in property values reduces property taxes, the District may be affected.

Predicting the future requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District currently maximizes restricted funds prior to utilizing unrestricted revenues in the budget development process. In addition, personnel practices will evidence early and effective intervention in identifying appropriate personnel actions that need to occur early in future school years experiencing State economic fallout.

## 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 about this report or need additional financial information, please contact the business office, at Solana Beach School District, 309 North Rios Ave., Solana Beach, California 92075.

## Basic Financial Statements

# Solana Beach School District

## Statement of Net Position

June 30, 2019

|                                       | Primary Government      |                          |                      | Discretely Presented Component Unit |
|---------------------------------------|-------------------------|--------------------------|----------------------|-------------------------------------|
|                                       | Governmental Activities | Business-Type Activities | Total                |                                     |
| <b>Assets</b>                         |                         |                          |                      |                                     |
| Cash                                  | \$ 122,280,319          | \$ 1,703,038             | \$ 123,983,357       | \$ 306,282                          |
| Investments                           | -                       | -                        | -                    | 200,775                             |
| Accounts Receivable                   | 1,529,210               | 64,573                   | 1,593,783            | -                                   |
| Internal Balances                     | 36,172                  | (36,172)                 | -                    | -                                   |
| Inventory                             | 16,469                  | -                        | 16,469               | -                                   |
| Prepaid Expenses                      | 118,399                 | -                        | 118,399              | -                                   |
| Capital Assets:                       |                         |                          |                      |                                     |
| Land                                  | 58,982,165              | -                        | 58,982,165           | -                                   |
| Land Improvements                     | 673,884                 | -                        | 673,884              | -                                   |
| Buildings & Improvements              | 78,935,534              | 84,268                   | 79,019,802           | -                                   |
| Equipment                             | 5,780,223               | 276,858                  | 6,057,081            | -                                   |
| Work in Progress                      | 50,585,981              | -                        | 50,585,981           | -                                   |
| Less Accumulated Depreciation         | (30,319,052)            | (248,238)                | (30,567,290)         | -                                   |
| Total Assets                          | <u>288,619,304</u>      | <u>1,844,327</u>         | <u>290,463,631</u>   | <u>507,057</u>                      |
| <b>Deferred Outflows of Resources</b> | <u>15,215,304</u>       | <u>1,088,192</u>         | <u>16,303,496</u>    | <u>-</u>                            |
| <b>Liabilities</b>                    |                         |                          |                      |                                     |
| Accounts Payable                      | 3,335,964               | 74,116                   | 3,410,080            | 80,021                              |
| Unearned Revenue                      | 61,168                  | -                        | 61,168               | -                                   |
| Long-Term Liabilities:                |                         |                          |                      |                                     |
| Due Within One Year                   | 5,861,773               | 53,001                   | 5,914,774            | -                                   |
| Due In More Than One Year             | 194,752,830             | 3,988,166                | 198,740,996          | -                                   |
| Total Liabilities                     | <u>204,011,735</u>      | <u>4,115,283</u>         | <u>208,127,018</u>   | <u>80,021</u>                       |
| <b>Deferred Inflows of Resources</b>  | <u>8,266,297</u>        | <u>290,050</u>           | <u>8,556,347</u>     | <u>-</u>                            |
| <b>Net Position</b>                   |                         |                          |                      |                                     |
| Net Investment in Capital Assets      | 72,577,580              | 112,888                  | 72,690,468           | -                                   |
| Restricted For:                       |                         |                          |                      |                                     |
| Capital Projects                      | 84,936,383              | -                        | 84,936,383           | -                                   |
| Debt Service                          | 9,156,951               | -                        | 9,156,951            | -                                   |
| Educational Programs                  | 828,937                 | -                        | 828,937              | 148,833                             |
| Other Purposes (Expendable)           | 2,423,658               | -                        | 2,423,658            | -                                   |
| Other Purposes (Nonexpendable)        | 207,482                 | -                        | 207,482              | 110,661                             |
| Unrestricted                          | (78,574,415)            | (1,585,702)              | (80,160,117)         | 167,542                             |
| Total Net Position                    | <u>\$ 91,556,576</u>    | <u>\$ (1,472,814)</u>    | <u>\$ 90,083,762</u> | <u>\$ 427,036</u>                   |

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

**Solana Beach School District**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

| Functions  | Primary Government   |                      |                                    |                                  |   |                          |                        | Discretely Presented Component Unit |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|------------------------|-------------------------------------|
|  | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          | Total                  |                                     |
|  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities |                        |                                     |
| <b>Governmental Activities</b>                             |                      |                      |                                    |                                  |   |                          |                        |                                     |
| Instruction  | \$ 32,279,439        | \$ 23,332            | \$ 2,733,459                       | \$ 210,578                       | \$ (29,312,070)                                   |                          | \$ (29,312,070)        |                                     |
| Instruction-Related Services:                              |                      |                      |                                    |                                  |   |                          |                        |                                     |
| Instructional Supervision and Administration               | 2,330,366            | 3,953                | 37,340                             | -                                | (2,289,073)                                       |                          | (2,289,073)            |                                     |
| Instructional Library, Media and Technology                | 1,070,825            | -                    | 58,797                             | -                                | (1,012,028)                                       |                          | (1,012,028)            |                                     |
| School Site Administration                                 | 2,380,726            | -                    | -                                  | -                                | (2,380,726)                                       |                          | (2,380,726)            |                                     |
| Pupil Services:  |                      |                      |                                    |                                  |   |                          |                        |                                     |
| Home-to-School Transportation                              | 542,913              | 2,882                | 92,555                             | -                                | (447,476)   |                          | (447,476)              |                                     |
| Food Services  | 1,170,148            | 644,884              | 284,325                            | -                                | (240,939)   |                          | (240,939)              |                                     |
| All Other Pupil Services                                   | 3,107,216            | 6,296                | 186,529                            | -                                | (2,914,391)                                       |                          | (2,914,391)            |                                     |
| General Administration:                                    |                      |                      |                                    |                                  |   |                          |                        |                                     |
| Centralized Data Processing                                | 785,271              | -                    | 38                                 | -                                | (785,233)   |                          | (785,233)              |                                     |
| All Other General Administration                           | 2,735,707            | -                    | -                                  | -                                | (2,735,707)                                       |                          | (2,735,707)            |                                     |
| Plant Services   | 7,096,257            | -                    | 852,936                            | -                                | (6,243,321)                                       |                          | (6,243,321)            |                                     |
| Ancillary Services   | 147,397              | -                    | 9,566                              | -                                | (137,831)   |                          | (137,831)              |                                     |
| Community Services   | 1,735                | -                    | -                                  | -                                | (1,735)   |                          | (1,735)                |                                     |
| Enterprise Activities                                      | 134,769              | -                    | -                                  | -                                | (134,769)   |                          | (134,769)              |                                     |
| Interest on Long-Term Debt                                 | 4,277,456            | -                    | -                                  | -                                | (4,277,456)                                       |                          | (4,277,456)            |                                     |
| Debt Issuance Costs  | 396,603              | -                    | -                                  | -                                | (396,603)   |                          | (396,603)              |                                     |
| Depreciation (Unallocated)                                 | 1,688,385            | -                    | -                                  | -                                | (1,688,385)                                       |                          | (1,688,385)            |                                     |
| Total Governmental Activities                              | <u>60,145,213</u>    | <u>681,347</u>       | <u>4,255,545</u>                   | <u>210,578</u>                   | <u>(54,997,743)</u>                               |                          | <u>(54,997,743)</u>    |                                     |
| <b>Business-Type Activities</b>                            |                      |                      |                                    |                                  |   |                          |                        |                                     |
| Childcare Program  | 3,630,852            | 3,748,459            | -                                  | -                                |   | 117,607                  | 117,607                |                                     |
| Depreciation (Unallocated)                                 | 18,056               | -                    | -                                  | -                                |   | (18,056)                 | (18,056)               |                                     |
| Total Business-Type Activities                             | <u>3,648,908</u>     | <u>3,748,459</u>     | <u>-</u>                           | <u>-</u>                         |   | <u>99,551</u>            | <u>99,551</u>          |                                     |
| <b>Discretely Presented Component Unit</b>                 |                      |                      |                                    |                                  |   |                          |                        |                                     |
| Educational Programs                                       | 736,528              | -                    | 623,894                            | -                                |   |                          |                        | (112,634)                           |
| Management and General                                     | 29,944               | -                    | -                                  | -                                |   |                          |                        | (29,944)                            |
| Fundraising  | 334,918              | -                    | 431,650                            | -                                |   |                          |                        | 96,732                              |
| Cost of Goods Sold   | 2,349                | -                    | 21,445                             | -                                |   |                          |                        | 19,096                              |
| Total Discretely Presented Component Unit                  | <u>1,103,739</u>     | <u>-</u>             | <u>1,076,989</u>                   | <u>-</u>                         |   |                          |                        | <u>(26,750)</u>                     |
| Total  | <u>\$ 64,897,860</u> | <u>\$ 4,429,806</u>  | <u>\$ 5,332,534</u>                | <u>\$ 210,578</u>                | <u>\$ (54,997,743)</u>                            | <u>\$ 99,551</u>         | <u>\$ (54,898,192)</u> | <u>\$ (26,750)</u>                  |
| <b>General Revenues</b>                                    |                      |                      |                                    |                                  |   |                          |                        |                                     |
| Taxes and Subventions:                                     |                      |                      |                                    |                                  |   |                          |                        |                                     |
| Property Taxes, Levied for General Purposes                |                      |                      |                                    |                                  | \$ 39,037,830                                     | \$ -                     | \$ 39,037,830          | \$ -                                |
| Property Taxes, Levied for Debt Service                    |                      |                      |                                    |                                  | 4,679,858   | -                        | 4,679,858              | -                                   |
| Property Taxes, Levied for Other Specific Purposes         |                      |                      |                                    |                                  | 4,050,730   | -                        | 4,050,730              | -                                   |
| Federal and State Aid Not Restricted for Specific Purposes |                      |                      |                                    |                                  | 3,318,679   | -                        | 3,318,679              | -                                   |
| Interest and Investment Earnings                           |                      |                      |                                    |                                  | 593,635   | 30,790                   | 624,425                | 8,659                               |
| Miscellaneous  |                      |                      |                                    |                                  | 432,642   | -                        | 432,642                | -                                   |
| Total General Revenues                                     |                      |                      |                                    |                                  | <u>52,113,374</u>                                 | <u>30,790</u>            | <u>52,144,164</u>      | <u>8,659</u>                        |
| Change in Net Position                                     |                      |                      |                                    |                                  | (2,884,369)                                       | 130,341                  | (2,754,028)            | (18,091)                            |
| Net Position - Beginning of Year, As Restated (See Note T) |                      |                      |                                    |                                  | 94,440,945  | (1,603,155)              | 92,837,790             | 445,127                             |
| Net Position - Ending                                      |                      |                      |                                    |                                  | <u>\$ 91,556,576</u>                              | <u>\$ (1,472,814)</u>    | <u>\$ 90,083,762</u>   | <u>\$ 427,036</u>                   |

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



**Solana Beach School District**  
**Balance Sheet – Governmental Funds**  
**June 30, 2019**

|                                      | General Fund         | Building Fund        | Capital Projects<br>Fund for<br>Blended<br>Component<br>Units | Nonmajor<br>Governmental<br>Funds | Total                 |
|--------------------------------------|----------------------|----------------------|---|-----------------------------------|-----------------------|
| <b>Assets</b>                        |                      |                      |   |                                   |                       |
| Cash in County Treasury              | \$ 23,867,774        | \$ 51,601,806        | \$ 13,612,846   | \$ 29,766,654                     | \$ 118,849,080        |
| Cash in Revolving Fund               | 110,000              | -                    | -   | 450                               | 110,450               |
| Cash with Fiscal Agent/Trustee       | -                    | -                    | 2,543,877   | -                                 | 2,543,877             |
| Accounts Receivable                  | 1,041,715            | 83,371               | 85,008  | 268,009                           | 1,478,103             |
| Due from Other Funds                 | 297,517              | 25,813               | 64,083  | 65,389                            | 452,802               |
| Stores Inventories                   | -                    | -                    | -   | 16,469                            | 16,469                |
| Prepaid Expenditures                 | 80,563               | -                    | -   | -                                 | 80,563                |
| Total Assets                         | <u>\$ 25,397,569</u> | <u>\$ 51,710,990</u> | <u>\$ 16,305,814</u>  | <u>\$ 30,116,971</u>              | <u>\$ 123,531,344</u> |
| <b>Liabilities and Fund Balance:</b> |                      |                      |   |                                   |                       |
| Liabilities:                         |                      |                      |   |                                   |                       |
| Accounts Payable                     | \$ 1,371,483         | \$ 42,353            | \$ 9,777  | \$ 63,646                         | \$ 1,487,259          |
| Due to Other Funds                   | 296,584              | -                    | -   | 215,198                           | 511,782               |
| Unearned Revenue                     | -                    | -                    | -   | 61,168                            | 61,168                |
| Total Liabilities                    | <u>1,668,067</u>     | <u>42,353</u>        | <u>9,777</u>  | <u>340,012</u>                    | <u>2,060,209</u>      |
| Fund Balance:                        |                      |                      |   |                                   |                       |
| Nonspendable                         | 190,563              | -                    | -   | 16,469                            | 207,032               |
| Restricted                           | 2,062,577            | 51,102,201           | 16,296,037  | 27,885,564                        | 97,346,379            |
| Committed                            | -                    | -                    | -   | -                                 | -                     |
| Assigned                             | 15,427,433           | 566,436              | -   | 1,874,926                         | 17,868,795            |
| Unassigned                           | 6,048,929            | -                    | -   | -                                 | 6,048,929             |
| Total Fund Balance                   | <u>23,729,502</u>    | <u>51,668,637</u>    | <u>16,296,037</u>   | <u>29,776,959</u>                 | <u>121,471,135</u>    |
| Total Liabilities and Fund Balances  | <u>\$ 25,397,569</u> | <u>\$ 51,710,990</u> | <u>\$ 16,305,814</u>  | <u>\$ 30,116,971</u>              | <u>\$ 123,531,344</u> |

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

# Solana Beach School District

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2019

**Total fund balances, governmental funds:** \$121,471,135

Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 relating to governmental activities, at historical cost | 194,957,787         |             |
| Accumulated depreciation   | <u>(30,319,052)</u> |             |
| Net  |                     | 164,638,735 |

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 unmaturing interest owing at the end of the period (1,848,703)

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 | 107,998,109    |               |
| Special tax bonds payable        | 35,165,247     |               |
| Net pension liability            | 48,470,386     |               |
| Total OPEB liability             | 8,631,922      |               |
| Compensated absences             | <u>348,939</u> |               |
| Total                            |                | (200,614,603) |

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 pensions are reported.

|   |                    |           |
|---|--------------------|-----------|
| Deferred outflows of resources relating to pensions | 16,142,368         |           |
| Deferred inflows of resources relating to pensions  | <u>(9,198,678)</u> |           |
| Net   |                    | 6,943,690 |

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

**Solana Beach School District**

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position, Continued  
June 30, 2019

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

|   |                 |       |
|---|-----------------|-------|
| Deferred outflows of resources relating to OPEB | 79,116          |       |
| Deferred inflows of resources relating to OPEB  | <u>(73,799)</u> |       |
|   | Net             | 5,317 |

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 operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

961,005

**Total net position, governmental activities:**

\$ 91,556,576

# Solana Beach School District

## Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Year Ended June 30, 2019

|  | General Fund         | Building Fund        | Capital<br>Projects Fund<br>for Blended<br>Component<br>Units | Nonmajor<br>Governmental<br>Funds | Total                 |
|--|----------------------|----------------------|---|-----------------------------------|-----------------------|
| <b>Revenues</b>                        |                      |                      |   |                                   |                       |
| State Apportionment                    | \$ 1,663,802         | \$ -                 | \$ -  | \$ -                              | \$ 1,663,802          |
| Education Protection Account Funds     | 565,466              | -                    | -   | -                                 | 565,466               |
| Property Taxes                         | 39,030,260           | -                    | 4,001,731   | 4,662,455                         | 47,694,446            |
| Federal Revenue                        | 660,372              | -                    | -   | 239,422                           | 899,794               |
| Other State Revenue                    | 5,241,586            | -                    | -   | 78,504                            | 5,320,090             |
| Interest Income                        | 466,156              | 117,453              | 220,522   | 404,090                           | 1,208,221             |
| Other Local Revenue                    | 2,073,397            | -                    | -   | 2,192,887                         | 4,266,284             |
| Total Revenues                         | <u>\$ 49,701,039</u> | <u>\$ 117,453</u>    | <u>\$ 4,222,253</u>   | <u>\$ 7,577,358</u>               | <u>\$ 61,618,103</u>  |
| <b>Expenditures</b>                    |                      |                      |   |                                   |                       |
| Current Expenditures:                  |                      |                      |   |                                   |                       |
| Instruction                            | 33,050,237           | -                    | -   | 671,424                           | 33,721,661            |
| Instruction - Related Services         | 5,995,433            | -                    | -   | -                                 | 5,995,433             |
| Pupil Services                         | 3,761,905            | -                    | -   | 1,195,477                         | 4,957,382             |
| Ancillary Services                     | 148,101              | -                    | -   | -                                 | 148,101               |
| Community Services                     | 1,700                | -                    | -   | -                                 | 1,700                 |
| Enterprise Activities                  | 174,857              | -                    | -   | -                                 | 174,857               |
| General Administration                 | 3,840,143            | -                    | -   | 440                               | 3,840,583             |
| Plant Services                         | 4,498,510            | 1,917,955            | 944,532   | 74,403                            | 7,435,400             |
| Debt Issuance Costs                    | -                    | 396,000              | 603   | -                                 | 396,603               |
| Capital Outlay                         | 732,123              | 9,118,819            | 248,822   | 68,095                            | 10,167,859            |
| Debt Service:                          |                      |                      |   |                                   |                       |
| Principal                              | -                    | -                    | -   | 5,405,000                         | 5,405,000             |
| Interest                               | -                    | -                    | -   | 3,555,581                         | 3,555,581             |
| Total Expenditures                     | <u>52,203,009</u>    | <u>11,432,774</u>    | <u>1,193,957</u>  | <u>10,970,420</u>                 | <u>75,800,160</u>     |
| Excess (Deficiency) of Revenues        |                      |                      |   |                                   |                       |
| Over (Under) Expenditures              | <u>(2,501,970)</u>   | <u>(11,315,321)</u>  | <u>3,028,296</u>  | <u>(3,393,062)</u>                | <u>(14,182,057)</u>   |
| <b>Other Financing Sources (Uses):</b> |                      |                      |   |                                   |                       |
| Transfers In                           | -                    | -                    | 2,543,877   | 5,233,519                         | 7,777,396             |
| Transfers Out                          | (271,706)            | -                    | (4,961,813)   | (2,543,877)                       | (7,777,396)           |
| Proceeds from Sale of Bonds            | -                    | 55,176,000           | -   | 3,762,330                         | 58,938,330            |
| Total Other Financing Sources (Uses)   | <u>(271,706)</u>     | <u>55,176,000</u>    | <u>(2,417,936)</u>  | <u>6,451,972</u>                  | <u>58,938,330</u>     |
| Net Change in Fund Balance             | (2,773,676)          | 43,860,679           | 610,360   | 3,058,910                         | 44,756,273            |
| Fund Balance, Beginning of Year        | 26,503,178           | 7,807,958            | 15,685,677  | 26,718,049                        | 76,714,862            |
| Fund Balance, End of Year              | <u>\$ 23,729,502</u> | <u>\$ 51,668,637</u> | <u>\$ 16,296,037</u>  | <u>\$ 29,776,959</u>              | <u>\$ 121,471,135</u> |

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

# Solana Beach School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2019

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**Total change in fund balances, governmental funds:** \$ 44,756,273

Amounts reported 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 | 10,403,189         |           |
| Depreciation expense            | <u>(1,688,385)</u> |           |
|                                 | Net                | 8,714,804 |

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: 5,405,000

Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year expenses incurred for such obligations were: 473,785

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt were: (58,938,330)

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: (1,000,250)

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

## Solana Beach School District

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, Continued For the Year Ended June 30, 2019

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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 debt issue premium or discount, or deferred gain or loss from debt refunding for the period was: 278,372

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: 48,507

Pensions: In governmental 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: (1,920,261)

Other postemployment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (737,576)

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: 35,307

**Change in net position of governmental activities:** \$ (2,884,369)

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

# Solana Beach School District

## Statement of Net Position – Proprietary Funds

June 30, 2019

|   | Enterprise<br>Fund    | Internal Service<br>Fund |
|---|-----------------------|--------------------------|
|   | Childcare<br>Services | Self-Insurance<br>Fund   |
| <b>Assets</b>                                     |                       |                          |
| Current Assets:                                   |                       |                          |
| Cash in County Treasury                           | \$ 1,703,038          | \$ 776,909               |
| Accounts Receivable                               | 64,573                | 51,108                   |
| Due from Other Funds                              | 71,961                | 95,152                   |
| Prepaid Expenses                                  | -                     | 37,836                   |
| Total Current Assets                              | <u>1,839,572</u>      | <u>961,005</u>           |
| Noncurrent Assets:                                |                       |                          |
| Buildings and Improvements                        | 84,268                | -                        |
| Equipment   | 276,858               | -                        |
| Less Accumulated Depreciation                     | (248,238)             | -                        |
| Total Noncurrent Assets                           | <u>112,888</u>        | <u>-</u>                 |
| Total Assets                                      | <u>1,952,460</u>      | <u>961,005</u>           |
| <b>Deferred Outflows of Resources</b>             |                       |                          |
| Deferred Outflows of Resources Related to Pension | 1,335,106             | -                        |
| Deferred Outflows of Resources Related to OPEB    | 5,272                 | -                        |
| Total Deferred Outflows of Resources              | <u>1,340,378</u>      | <u>-</u>                 |
| <b>Liabilities</b>                                |                       |                          |
| Current Liabilities:                              |                       |                          |
| Accounts Payable                                  | 74,116                | -                        |
| Due to Other Funds                                | 108,133               | -                        |
| Compensated Absences                              | 53,001                | -                        |
| Total Current Liabilities                         | <u>235,250</u>        | <u>-</u>                 |
| Noncurrent Liabilities:                           |                       |                          |
| Net Pension Liability                             | 3,412,616             | -                        |
| Total OPEB Liability                              | 575,550               | -                        |
| Total Noncurrent Liabilities                      | <u>3,988,166</u>      | <u>-</u>                 |
| Total Liabilities                                 | <u>4,223,416</u>      | <u>-</u>                 |
| <b>Deferred Inflows of Resources</b>              |                       |                          |
| Deferred Inflows of Resources Related to Pension  | 537,315               | -                        |
| Deferred Inflows of Resources Related to OPEB     | 4,921                 | -                        |
| Total Deferred Inflows of Resources               | <u>542,236</u>        | <u>-</u>                 |
| <b>Net Position</b>                               |                       |                          |
| Net Investment in Capital Assets                  | 112,888               | -                        |
| Restricted for Self-Insured Activities            | -                     | 961,005                  |
| Unrestricted (Deficit)                            | (1,585,702)           | -                        |
| Total Net Position                                | <u>\$ (1,472,814)</u> | <u>\$ 961,005</u>        |

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

## Solana Beach School District

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds  
For the Year Ended June 30, 2019

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|   | <u>Enterprise<br/>Fund</u>    | <u>Internal<br/>Service Fund</u> |
|---|-------------------------------|----------------------------------|
|   | <u>Childcare<br/>Services</u> | <u>Self-Insurance<br/>Fund</u>   |
| <b>Operating Revenue</b>                |                               |                                  |
| Childcare Service Fees                  | \$ 3,748,459                  | \$ -                             |
| In-District Premiums/Contributions      | -                             | 518,763                          |
| Total Operating Revenue                 | <u>3,748,459</u>              | <u>518,763</u>                   |
| <b>Operating Expenses</b>               |                               |                                  |
| Salaries and Benefits                   | 2,932,025                     | -                                |
| Supplies and Materials                  | 196,095                       | -                                |
| Professional Services                   | 502,732                       | 497,657                          |
| Depreciation                            | 18,056                        | -                                |
| Total Operating Expenses                | <u>3,648,908</u>              | <u>497,657</u>                   |
| Operating Income/(Loss)                 | <u>99,551</u>                 | <u>21,106</u>                    |
| <b>Non-Operating Revenues</b>           |                               |                                  |
| Interest Income                         | 30,790                        | 14,201                           |
| Total Non-Operating Revenues            | <u>30,790</u>                 | <u>14,201</u>                    |
| <b>Change in Net Position</b>           | 130,341                       | 35,307                           |
| <b>Net Position - Beginning of Year</b> | <u>(1,603,155)</u>            | <u>925,698</u>                   |
| <b>Net Position - End of Year</b>       | <u>\$ (1,472,814)</u>         | <u>\$ 961,005</u>                |

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



# Solana Beach School District

## Statement of Cash Flows – Proprietary Funds

For the Year Ended June 30, 2019

|  | Enterprise<br>Fund    | Internal<br>Service Fund |
|--|-----------------------|--------------------------|
|  | Childcare<br>Services | Self-Insurance<br>Fund   |
| <b>Cash Flows from Operating Activities:</b>   |                       |                          |
| Cash Received from Customers   | \$ 3,747,054          | \$ -                     |
| Cash Received from Other Funds   |                       |                          |
| For Interfund Services Provided  |                       | 415,596                  |
| Cash Payments for Salaries and Benefits  | (2,989,101)           | -                        |
| Cash Payments to Vendors   | (647,282)             | (535,493)                |
| Net Cash Provided (Used) by Operating Activities   | <u>110,671</u>        | <u>(119,897)</u>         |
| <b>Cash Flows from Investing Activities:</b>   |                       |                          |
| Cash Received from Interest Earnings   | <u>30,190</u>         | <u>14,113</u>            |
| Net Cash Provided by Investment Activities   | <u>30,190</u>         | <u>14,113</u>            |
| Net Increase (Decrease) in Cash and Cash Equivalents   | 140,861               | (105,784)                |
| Cash and Cash Equivalents - Beginning of Year  | <u>1,562,177</u>      | <u>882,693</u>           |
| Cash and Cash Equivalents - End of Year  | <u>\$ 1,703,038</u>   | <u>\$ 776,909</u>        |
| <b>Reconciliation of Operating Income to Net Cash<br/>Provided by Operating Activities</b>       |                       |                          |
| Operating Income (Loss)  | \$ 99,551             | \$ 21,106                |
| Adjustments to reconcile Operating Income to<br>Net Cash Provided (Used) by Operating Activities |                       |                          |
| Depreciation   | 18,056                | -                        |
| (Increase)/Decrease in Assets & Deferred Outflows  |                       |                          |
| Accounts Receivable  | 14,941                | (8,015)                  |
| Due From Other Funds   | (16,346)              | (95,152)                 |
| Prepaid Expenses   | -                     | (37,836)                 |
| Deferred Outflows of Resources   | 27,014                | -                        |
| Increase/(Decrease) in Liabilities & Deferred Inflows  |                       |                          |
| Accounts Payable   | 6,890                 | -                        |
| Due to Other Funds   | 30,701                | -                        |
| Net Pension Liability  | (58,737)              | -                        |
| Total OPEB Liability   | 59,733                | -                        |
| Compensated Absences   | 53,001                | -                        |
| Deferred Inflows of Resources  | (124,133)             | -                        |
| Net Cash Provided (Used) by Operating Activities   | <u>\$ 110,671</u>     | <u>\$ (119,897)</u>      |

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

**Solana Beach School District**

Statement of Net Position – Fiduciary Funds

June 30, 2019

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|                       | <u>Agency Fund</u><br><u>Student Body</u><br><u>Fund</u> |
|-----------------------|--|
| <b>Assets</b>         |  |
| Cash in Bank          | <u>\$ 53,063</u>   |
| Total Assets          | <u><u>\$ 53,063</u></u>                                  |
| <b>Liabilities</b>    |  |
| Due to Student Groups | <u>\$ 53,063</u>   |
| Total Liabilities     | <u>53,063</u>  |
| <b>Net Position</b>   | <u><u>\$ -</u></u>                                       |

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

# Solana Beach School District

Notes to the Financial Statements

For the Year Ended June 30, 2019

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## A. Summary of Significant Accounting Policies

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

### 1. Reporting Entity

The District operates under a locally elected Board of Education form of government and provides educational services to grades K-6 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food services, childcare services, and student-related activities.

The Solana Beach School District Public Financing Authority (PFA) and the Solana Beach Community Facilities Districts (CFDs) have a financial and operational relationship which meet the reporting entity definition criteria of the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the PFA and the CFDs as component units of the District. The financial activities of the PFA and the CFDs have been included in the basic financial statements of the District as a blended component unit.

The following are those aspects of the relationship between the District, the PFA and the CFDs which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, criteria:

#### *Manifestation of Oversight*

- a. The PFA and the CFDs do not have a separate board of directors, instead the Board of Education takes responsibility for the activities of the PFA and the CFDs.
- b. The PFA and the CFDs have no employees. The District's Superintendent, Assistant Superintendent of Business Services, and other employees of the District function as agents of the PFA and the CFDs. None of the aforementioned individuals receive additional compensation for work performed in this capacity.
- c. The District exercises significant influence over operations of the PFA and CFDs.

#### *Accounting for Fiscal Matters*

- a. All major financing arrangements, contracts, and other transactions of the PFA and the CFDs must have consent of the District.

## Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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### *Scope of Public Service and Financial Presentation*

- a. The PFA and CFDs were created for the sole purpose of financially assisting the District.
- b. The PFA and CFDs were created pursuant to a joint powers agreement between the District and the California Statewide Communities Development Authority (CSCDA), pursuant to the California Government Code, commencing with Section 6500. The PFA and CFDs were formed to provide financing assistance to the District for construction and acquisition of major capital facilities.
- c. The PFA and CFDs financial activity are presented in the financial statements in the Capital Projects Fund for Blended Component Units and the Debt Service Fund for Blended Component Units. Debt issued by the PFA and the CFDs are included in the government-wide financial statements.

The Solana Beach Schools Foundation (the Foundation), has a financial and operational relationship which meets the reporting entity definition criteria of the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the Foundation as a component unit of the District. The financial activities of the Foundation have been included in the basic financial statements of the District as a discretely presented component unit.

The Foundation, a California non-profit public benefit corporation, was created to support and enrich the educational programs provided to the students in the District. Total amounts expended by the Foundation during the fiscal year ending June 30, 2019 for the sole benefit of the District totaled \$1,103,739 approximating 2.2% of general fund revenues for the District. Separate financial statements can be obtained by contacting the Solana Beach Schools Foundation directly.

The following are those aspects of the relationship between the District and the Foundation which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100 criteria:

### *Nature and Significance of Relationship*

Certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. The Foundation is reported as a discretely presented component unit as all of the following criteria are met:

- a. The economic resources received or held by the Foundation are entirely for the direct benefit of the District.
- b. The District is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the Foundation.
- c. The economic resources received or held by the Foundation are significant to the District.

## 2. Basis of Presentation

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (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. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

## Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from general revenues of the District.

**Fund Financial Statements.** The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

### *Major Governmental Funds*

The District reports the following major governmental funds:

**General Fund:** The General Fund is the primary operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund.

**Building Fund:** The Building fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code §15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code §17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code §41003*).

**Capital Projects Fund for Blended Component Units:** The Capital Projects Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos taxes levied by the Community Facilities Districts and Special Tax Bonds issued by the Solana Beach Schools Public Financing Authority.

## Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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### *Non-Major Governmental Funds*

The District reports the following non-major governmental funds categorized by the fund type:

**Special Revenue Funds:** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following nonmajor special revenue funds:

**Cafeteria Special Revenue Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code §38091 through §38093*). The Cafeteria Special Revenue fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code §38091 and §38100*).

**Foundation Special Revenue Fund:** This fund is used to account for resources received from gifts or bequests pursuant to *Education Code §41031* under which both earnings and principal may be used for the purposes that support the District's own programs and where there is a formal trust agreement with the donor.

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

**Capital Facilities Fund:** The Capital Facilities Fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code §17620 through §17626*). The authority for these levies may be county or city ordinances (*Government Code §65970 through §65981*) or private agreements between the District and the developer. All funds, including interest earned, are restricted to the purposes specified in *Government Code §65970 through §65981* or *Government Code §65995*, or items specified in agreements with the developer (*Government Code §66006*).

**County School Facilities Fund:** The County School Facilities fund is established pursuant to *Education Code §17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A, the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State School Facilities Fund (Proposition 1D) or the 2016 State School Facilities Fund (Proposition 51). The fund is used primarily to account 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 §17070.10 et seq.*).

**Special Reserve Fund for Capital Outlay Projects:** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code §42840*). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to another capital projects fund. Other authorized resources that may be deposited in the Special Reserve Fund for Capital Outlay Projects are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code §17462*) and rentals and leases of real property specifically authorized for deposit to the fund by the governing board (*Education Code §41003*).

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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**Debt Service Funds:** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt. The District maintains the following nonmajor debt service funds:

**Bond Interest and Redemption Fund:** The bond interest and redemption fund is used for the repayment of bonds issued for the District (*Education Code §15125 through §15262*). The County of San Diego Auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the County Treasurer from taxes levied by the County Auditor-Controller.

**Debt Service Fund for Blended Component Units:** The debt service fund for blended component units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by the Mello-Roos Community Facilities Districts and the Solana Beach Schools Public Financing Authority that are considered to be blended component units of the District.

## *Proprietary Funds*

The District reports the following proprietary funds:

**Enterprise Funds:** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The District maintains the following enterprise fund:

**Childcare Program Enterprise Fund:** The childcare program enterprise fund is used to account for activities of the District's childcare program. The District charges fees to parents in order to fund operations of the childcare program.

**Internal Service Funds:** Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges. The District maintains the following internal service fund:

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

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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## *Fiduciary Funds*

**Trust and Agency Funds:** Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District maintains the following agency fund:

**Student Body Fund:** The student body fund is an agency fund, and therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code §48930 through §48938*).

### 3. Basis of Accounting – Measurement Focus

**Government-Wide, Proprietary, and Fiduciary Financial Statements.** The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

**Governmental Fund Financial Statements.** The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.



# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

#### 4. 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 or at year end, whichever is sooner.

#### 5. 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<sup>st</sup>. A public hearing must be conducted to receive comments prior to adoption. The District's governing board has satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent and assistant superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts.

#### 6. Revenues and Expenses

##### a. Revenues – Exchange and Non-Exchange

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 year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, property taxes, interest, certain grants, and other local sources.

Non-exchange transactions are transactions in which the District receives value without directly giving equal value in return, including 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 are 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.

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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b. 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 has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide financial statements.

7. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

In accordance with Education Code §41001, the District maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

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

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued using the first-in/first-out (FIFO) method and consist of expendable supplies held for consumption. Reported inventories are equally offset by a non-spendable fund balance designation, which indicates that these amounts are not “available for appropriation and expenditure” even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures during the benefiting period.

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

| <u>Asset Class</u>         | <u>Estimated Useful Life</u> |
|----------------------------|------------------------------|
| Buildings and Improvements | 20 - 50 Years                |
| Land Improvements          | 7 - 30 Years                 |
| Equipment                  | 5 - 20 Years                 |

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The balance of the liabilities is recognized in the government-wide financial statements at year end.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

e. 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 occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. 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 or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

## Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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g. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

*Nonspendable Fund Balance* represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact (such as revolving cash accounts or principal of a permanent fund).

*Restricted Fund Balance* represents amounts that are subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations, or may be imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance* represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget or resolution. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

*Assigned Fund Balance* represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

*Unassigned Fund Balance* represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted fund to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

h. Minimum Fund Balance Policy

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce the service levels because of temporary revenue shortfalls or unpredicted expenses. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts equal to 3% of the general fund operating expenses and other financing uses.

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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i. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

j. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report the following timeframes are used:

|                    |                                |
|--------------------|--------------------------------|
| Valuation Date     | June 30, 2017                  |
| Measurement Date   | June 30, 2018                  |
| Measurement Period | June 30, 2017 to June 30, 2018 |

k. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources relating to pension, deferred inflows of resources relating to pension, pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan), and additions to/deductions from the CalPERS Plan and CalSTRS Plan fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain timeframes. For this report, the following time frames are used:

|                    |                                |
|--------------------|--------------------------------|
| Valuation Date     | June 30, 2017                  |
| Measurement Date   | June 30, 2018                  |
| Measurement Period | June 30, 2017 to June 30, 2018 |

l. Premiums and Discounts

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the economic interest method.

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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## 8. Property Taxes

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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

## 9. GASB 54 Fund Presentation

GASB Statement No. 54 defines a special revenue fund as a fund that has a special revenue source that is either restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. The Deferred Maintenance Fund, the Special Reserve Fund for Other than Capital Outlay, and the Special Reserve Fund for Other Post Employment Benefits do not have continuing revenue sources that are either restricted or committed in nature. As such these funds do not meet the definition of special revenue funds under the provisions of GASB Statement No. 54. These funds have been combined with the general fund for reporting purposes.

## 10. Use of 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.

## 11. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

- Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs: Unobservable inputs for an asset or liability.

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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## 12. New Accounting Pronouncements

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2019. Those newly implemented pronouncements are as follows:

### *GASB 83 – Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 83.

### *GASB 88 – Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

There have been no adjustments to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 88.

## **B. Compliance and Accountability**

### 1. Finance Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, violations of finance-related legal and contractual provisions, if any are reported below, along with actions taken to address such violations:

| <u>Violation</u> | <u>Action Taken</u> |
|------------------|---------------------|
| None Reported    | Not Applicable      |

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

## 2. Deficit Fund Balance or Fund Net Position of Individual Funds

The following funds are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

| <u>Fund Name</u>          | <u>Deficit Amount</u> | <u>Remarks</u>   |
|---------------------------|-----------------------|--|
| Childcare Enterprise Fund | \$ 1,472,814          | The childcare enterprise fund is in a deficit as a result of recording net OPEB liability in accordance with GASB Statement No. 75 and net pension liability in accordance with GASB Statement No. 68. |

## C. Fair Value Measurements

The District’s investments at June 30, 2019, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

|  | <u>Amount</u>         | <u>Fair Value Measurement Using</u>                                   |  |  |
|--|-----------------------|---|--|--|
|  |                       | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| External investment pools measured at fair value |                       |   |  |  |
| San Diego County Treasury                        | \$ 121,329,027        | \$ -  | \$ 121,329,027                                       | \$ -   |
| Total investments by fair value level            | <u>\$ 121,329,027</u> | <u>\$ -</u>   | <u>\$ 121,329,027</u>                                | <u>\$ -</u>                                      |

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 §41001). The fair value of the District’s investments in the pool is reported in the accounting financial statements as 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 the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.



# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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## D. Cash and Investments

### 1. Cash in County Treasury

In accordance with Education Code §41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$121,329,027 as of June 30, 2019). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$121,329,027. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

### 2. Cash on Hand, In Banks, and in Revolving Fund

Cash balances on hand and in banks (\$53,063 as of June 30, 2019) and in the revolving fund (\$110,450 as of June 30, 2019) are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). All amounts are fully insured as of June 30, 2019.

### 3. Cash with Fiscal Agent

Cash with fiscal agent (\$2,543,877 as of June 30, 2019) represents cash held by the Bank of New York Mellon Trust Company for the Capital Projects Fund for Blended Component Units as reserve amounts associated with special tax bonds. The cash with fiscal agent are held in highly liquid cash accounts with original maturities less than ninety days.

### 4. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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

## 5. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

### a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county treasury is restricted by Government Code §53635 pursuant to §53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of risk.

At June 30, 2019, credit risk for the District's investments was as follows:

| <u>Investment Type</u>             | <u>Rating</u> | <u>Rating Agency</u> | <u>Amount</u>  |
|------------------------------------|---------------|----------------------|----------------|
| County Treasurer's Investment Pool | Unrated       | Not Applicable       | \$ 121,329,027 |

## Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At June 30, 2019, the District's bank balances (including revolving cash) were fully insured or collateralized and were therefore not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in 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 maintains a pooled investment with the San Diego County Treasury with a fair value of \$121,329,027. The average weighted maturity for this pool was 528 days at June 30, 2019.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

## 6. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

## E. **Accounts Receivable**

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable balances as of June 30, 2019 consisted of:

|                                  | Major Governmental Funds        |                           |   |                                   | Total               |
|----------------------------------|---------------------------------|---------------------------|---|-----------------------------------|---------------------|
|                                  | General Fund                    | Building Fund             | Capital<br>Projects Fund<br>for Blended<br>Component<br>Units | Nonmajor<br>Governmental<br>Funds |                     |
| Federal Government:              |                                 |                           |   |                                   |                     |
| Special Education                | \$ 470,673                      | \$ -                      | \$ -  | \$ -                              | \$ 470,673          |
| Child Nutrition Program          | -                               | -                         | -   | 67,466                            | 67,466              |
| Other Federal Programs           | 38,985                          | -                         | -   | -                                 | 38,985              |
| State Government:                |                                 |                           |   |                                   |                     |
| Lottery                          | 142,125                         | -                         | -   | -                                 | 142,125             |
| Special Education                | 89,032                          | -                         | -   | -                                 | 89,032              |
| Other State Programs             | 22,724                          | -                         | -   | 3,182                             | 25,906              |
| Local Sources                    |                                 |                           |   |                                   |                     |
| Interest                         | 167,547                         | 83,371                    | 85,008  | 196,259                           | 532,185             |
| Other Local Sources              | 110,629                         | -                         | -   | 1,102                             | 111,731             |
| <b>Total Accounts Receivable</b> | <b>\$ 1,041,715</b>             | <b>\$ 83,371</b>          | <b>\$ 85,008</b>  | <b>\$ 268,009</b>                 | <b>\$ 1,478,103</b> |
|                                  | Childcare<br>Enterprise<br>Fund | Self<br>Insurance<br>Fund |   |                                   |                     |
| Local Sources                    |                                 |                           |   |                                   |                     |
| Interest                         | \$ 12,573                       | \$ 5,070                  |   |                                   |                     |
| Other Local Sources              | 52,000                          | 46,038                    |   |                                   |                     |
| <b>Total Accounts Receivable</b> | <b>\$ 64,573</b>                | <b>\$ 51,108</b>          |   |                                   |                     |

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

## F. Capital Assets:

Capital asset activity for the year ended June 30, 2019, was as follows:

|  | Beginning<br>Balances | Increases           | Decreases   | Ending<br>Balances    |
|--|-----------------------|---------------------|-------------|-----------------------|
| <b>Governmental activities:</b>              |                       |                     |             |                       |
| Capital assets not being depreciated:        |                       |                     |             |                       |
| Land   | \$ 58,982,165         | \$ -                | \$ -        | \$ 58,982,165         |
| Work in progress                             | 41,248,609            | 9,337,372           | -           | 50,585,981            |
| Total capital assets not being depreciated   | <u>100,230,774</u>    | <u>9,337,372</u>    | <u>-</u>    | <u>109,568,146</u>    |
| Capital assets being depreciated:            |                       |                     |             |                       |
| Land improvements                            | 673,884               | -                   | -           | 673,884               |
| Buildings and improvements                   | 77,989,888            | 945,646             | -           | 78,935,534            |
| Equipment                                    | 5,660,052             | 120,171             | -           | 5,780,223             |
| Total capital assets being depreciated       | <u>84,323,824</u>     | <u>1,065,817</u>    | <u>-</u>    | <u>85,389,641</u>     |
| Less accumulated depreciation for:           |                       |                     |             |                       |
| Land improvements                            | (656,147)             | (845)               | -           | (656,992)             |
| Buildings and improvements                   | (22,811,940)          | (1,618,260)         | -           | (24,430,200)          |
| Equipment                                    | <u>(5,162,580)</u>    | <u>(69,280)</u>     | <u>-</u>    | <u>(5,231,860)</u>    |
| Total accumulated depreciation               | <u>(28,630,667)</u>   | <u>(1,688,385)</u>  | <u>-</u>    | <u>(30,319,052)</u>   |
| Total capital assets being depreciated, net  | <u>55,693,157</u>     | <u>(622,568)</u>    | <u>-</u>    | <u>55,070,589</u>     |
| Governmental activities capital assets, net  | <u>\$ 155,923,931</u> | <u>\$ 8,714,804</u> | <u>\$ -</u> | <u>\$ 164,638,735</u> |
| <b>Business-type activities:</b>             |                       |                     |             |                       |
| Capital assets being depreciated:            |                       |                     |             |                       |
| Buildings and improvements                   | \$ 84,268             | \$ -                | \$ -        | \$ 84,268             |
| Equipment                                    | 276,858               | -                   | -           | 276,858               |
| Total capital assets being depreciated       | <u>361,126</u>        | <u>-</u>            | <u>-</u>    | <u>361,126</u>        |
| Less accumulated depreciation for:           |                       |                     |             |                       |
| Buildings and improvements                   | (12,639)              | (13,843)            | -           | (26,482)              |
| Equipment                                    | <u>(217,543)</u>      | <u>(4,213)</u>      | <u>-</u>    | <u>(221,756)</u>      |
| Total accumulated depreciation               | <u>(230,182)</u>      | <u>(18,056)</u>     | <u>-</u>    | <u>(248,238)</u>      |
| Total capital assets being depreciated, net  | <u>130,944</u>        | <u>(18,056)</u>     | <u>-</u>    | <u>112,888</u>        |
| Business-type activities capital assets, net | <u>\$ 130,944</u>     | <u>\$ (18,056)</u>  | <u>\$ -</u> | <u>\$ 112,888</u>     |

Depreciation of \$1,688,385 in governmental activities and \$18,056 in business-type activities were not allocated to any functions.

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

## G. Interfund Balances and Activities

### 1. Interfund Receivables and Payables (Due To and From Other Funds)

Balances due to and due from other funds at June 30, 2019, consisted of the following:

| Interfund Receivable<br>(Due From Other Funds) | Interfund Payable<br>(Due To Other Funds) | Amount            | Purpose                         |
|--|---|-------------------|---------------------------------|
| General Fund                                   | Cafeteria Fund                            | \$ 1,167          | OPEB expense allocation         |
| General Fund                                   | Cafeteria Fund                            | 62,297            | Reduce program contribution     |
| General Fund                                   | Childcare Enterprise Fund                 | 7,360             | Summer enrichment program       |
| General Fund                                   | Childcare Enterprise Fund                 | 30,000            | Facilities rent                 |
| General Fund                                   | Childcare Enterprise Fund                 | 65,500            | Reimburse expenses              |
| General Fund                                   | Childcare Enterprise Fund                 | 5,272             | OPEB expense allocation         |
| General Fund                                   | Foundation Special Revenue Fund           | 921               | OPEB expense allocation         |
| General Fund                                   | Foundation Special Revenue Fund           | 125,000           | Foundation contribution         |
| Cafeteria Fund                                 | General Fund                              | 6,918             | Catering costs and contribution |
| Foundation Special Revenue Fund                | General Fund                              | 28,241            | Reimburse expenses              |
| Building Fund                                  | Special Reserve Capital Projects          | 25,813            | Capital projects expenses       |
| Special Reserve Capital Projects               | General Fund                              | 30,000            | Move facilities rent            |
| Capital Projects Component Unit                | General Fund                              | 64,083            | Capital projects expenses       |
| Debt Service for Blended Comp Units            | General Fund                              | 230               | Reimburse expenses              |
| Childcare Enterprise Fund                      | General Fund                              | 71,961            | Summer enrichment program       |
| Self Insurance Fund                            | General Fund                              | 95,152            | OPEB expense allocation         |
|  | Total                                     | <u>\$ 619,915</u> |                                 |

All amounts due are scheduled to be repaid within one year.

### 2. Interfund Transfers Between Funds

Interfund transfers in and out between funds at June 30, 2019, consisted of the following:

| Transfers In                    | Transfers Out                   | Amount              | Purpose               |
|---------------------------------|---------------------------------|---------------------|-----------------------|
| Cafeteria Fund                  | General Fund                    | \$ 271,706          | Program contribution  |
| Capital Projects Component Unit | Debt Service Component Unit     | 2,543,877           | Transfer of funds     |
| Debt Service Component Unit     | Capital Projects Component Unit | 4,961,813           | Debt service payments |
|                                 | Total                           | <u>\$ 7,777,396</u> |                       |

**Solana Beach School District**

Notes to the Financial Statements, Continued

June 30, 2019

**H. Accounts Payable**

Accounts payable balances as of June 30, 2019 consisted of:

|                        | <u>Major Governmental Funds</u> |                      |  |  |                     |
|------------------------|---------------------------------|----------------------|--|--|---------------------|
|                        | <u>General Fund</u>             | <u>Building Fund</u> | <u>Capital<br/>Projects Fund<br/>for Blended<br/>Component<br/>Units</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total</u>        |
| Vendors payable        | \$ 814,213                      | \$ 42,353            | \$ 9,777   | \$ 49,049                                  | \$ 915,392          |
| Payroll and benefits   | 152,866                         | -                    | -  | 2,949                                      | 155,815             |
| Pension related        | 404,404                         | -                    | -  | 11,648                                     | 416,052             |
| Total accounts payable | <u>\$ 1,371,483</u>             | <u>\$ 42,353</u>     | <u>\$ 9,777</u>  | <u>\$ 63,646</u>                           | <u>\$ 1,487,259</u> |
|                        |                                 |                      |  | <u>Childcare<br/>Enterprise<br/>Fund</u>   |                     |
| Vendors payable        | \$ 31,234                       |                      |  |  |                     |
| Payroll and benefits   | 16,058                          |                      |  |  |                     |
| Pension related        | 26,824                          |                      |  |  |                     |
| Total accounts payable | <u>\$ 74,116</u>                |                      |  |  |                     |

**I. Unearned Revenue**

Unearned revenue balances as of June 30, 2019 consisted of:

|                        | <u>Nonmajor<br/>Governmental<br/>Funds</u> |
|------------------------|--|
| Prepaid lunch accounts | \$ 61,168                                  |
| Total unearned revenue | <u>\$ 61,168</u>                           |

**J. Short-Term Debt Activity**

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. During the year ended June 30, 2019, the District did not enter into any short-term debt agreements.

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

## K. Fund Balance Classifications of the Governmental Funds

Ending fund balance classifications of the governmental funds for the year ended June 30, 2019 consisted of:

|  | Major Governmental Funds |                      |   |                                   | Total                 |
|--|--------------------------|----------------------|---|-----------------------------------|-----------------------|
|  | General Fund             | Building Fund        | Capital Projects<br>Fund for<br>Blended<br>Component<br>Units | Nonmajor<br>Governmental<br>Funds |                       |
| <b>Nonspendable Fund Balance</b>       |                          |                      |   |                                   |                       |
| Revolving Cash                         | \$ 110,000               | \$ -                 | \$ -  | \$ 450                            | \$ 110,450            |
| Inventory                              | -                        | -                    | -   | 16,469                            | 16,469                |
| Prepaid Expenditures                   | 80,563                   | -                    | -   | -                                 | 80,563                |
| <b>Total Nonspendable Fund Balance</b> | <b>190,563</b>           | <b>-</b>             | <b>-</b>  | <b>16,919</b>                     | <b>207,482</b>        |
| <b>Restricted Fund Balance</b>         |                          |                      |   |                                   |                       |
| Capital Projects                       | -                        | 51,102,201           | 16,296,037  | 17,538,145                        | 84,936,383            |
| Debt Service                           | -                        | -                    | -   | 9,156,951                         | 9,156,951             |
| Educational Programs                   | 828,937                  | -                    | -   | -                                 | 828,937               |
| Other Purposes                         | 1,233,640                | -                    | -   | 1,190,018                         | 2,423,658             |
| <b>Total Restricted Fund Balance</b>   | <b>2,062,577</b>         | <b>51,102,201</b>    | <b>16,296,037</b>   | <b>27,885,114</b>                 | <b>97,345,929</b>     |
| <b>Assigned Fund Balance</b>           |                          |                      |   |                                   |                       |
| Capital Projects                       | -                        | 566,436              | -   | 1,874,926                         | 2,441,362             |
| Educational Programs                   | 3,054,068                | -                    | -   | -                                 | 3,054,068             |
| Cash Flow                              | 8,144,115                | -                    | -   | -                                 | 8,144,115             |
| Deferred Maintenance                   | 136,184                  | -                    | -   | -                                 | 136,184               |
| Technology Replacement                 | 1,000,000                | -                    | -   | -                                 | 1,000,000             |
| OPEB                                   | 3,093,066                | -                    | -   | -                                 | 3,093,066             |
| <b>Total Assigned Fund Balance</b>     | <b>15,427,433</b>        | <b>566,436</b>       | <b>-</b>  | <b>1,874,926</b>                  | <b>17,868,795</b>     |
| <b>Unassigned Fund Balance</b>         |                          |                      |   |                                   |                       |
| For Economic Uncertainties             | 6,048,929                | -                    | -   | -                                 | 6,048,929             |
| <b>Total Unassigned Fund Balance</b>   | <b>6,048,929</b>         | <b>-</b>             | <b>-</b>  | <b>-</b>                          | <b>6,048,929</b>      |
| <b>Total Fund Balance</b>              | <b>\$ 23,729,502</b>     | <b>\$ 51,668,637</b> | <b>\$ 16,296,037</b>  | <b>\$ 29,776,959</b>              | <b>\$ 121,471,135</b> |



# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

## L. Long Term Obligations

### 1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2019, are as follows:

|                                  | Beginning<br>Balance  | Increases            | Decreases           | Ending<br>Balance     | Due Within<br>One Year |
|----------------------------------|-----------------------|----------------------|---------------------|-----------------------|------------------------|
| <u>Governmental Activities:</u>  |                       |                      |                     |                       |                        |
| General Obligation Bonds         |                       |                      |                     |                       |                        |
| Principal Balance                | \$ 50,000,000         | \$ 55,000,000        | \$ 4,550,000        | \$ 100,450,000        | \$ 4,235,000           |
| Bond Premium                     | 3,838,783             | 3,938,330            | 229,004             | 7,548,109             | 336,357                |
| Total GO Bonds                   | <u>53,838,783</u>     | <u>58,938,330</u>    | <u>4,779,004</u>    | <u>107,998,109</u>    | <u>4,571,357</u>       |
| Special Tax Bonds - CFD          |                       |                      |                     |                       |                        |
| Principal Balance                | 33,875,000            | -                    | 855,000             | 33,020,000            | 890,000                |
| Bond Discount                    | (17,763)              | -                    | (930)               | (16,833)              | (961)                  |
| Bond Premium                     | 2,212,378             | -                    | 50,298              | 2,162,080             | 52,438                 |
| Total Special Tax Bonds          | <u>36,069,615</u>     | <u>-</u>             | <u>904,368</u>      | <u>35,165,247</u>     | <u>941,477</u>         |
| Early Retirement Incentive*      | 473,785               | -                    | 473,785             | -                     | -                      |
| Net Pension Liability*           | 51,928,371            | -                    | 3,457,985           | 48,470,386            | -                      |
| Total OPEB Liability*            | 8,000,651             | 631,271              | -                   | 8,631,922             | -                      |
| Compensated Absences*            | 397,446               | -                    | 48,507              | 348,939               | 348,939                |
| Total Governmental Activities    | <u>\$ 150,708,651</u> | <u>\$ 59,569,601</u> | <u>\$ 9,663,649</u> | <u>\$ 200,614,603</u> | <u>\$ 5,861,773</u>    |
| <br>                             |                       |                      |                     |                       |                        |
|                                  | Beginning<br>Balance  | Increases            | Decreases           | Ending<br>Balance     | Due Within<br>One Year |
| <u>Business Type Activities:</u> |                       |                      |                     |                       |                        |
| Net Pension Liability*           | \$ 3,143,335          | \$ 269,281           | \$ -                | \$ 3,412,616          | \$ -                   |
| Total OPEB Liability*            | 515,817               | 59,733               | -                   | 575,550               | -                      |
| Compensated Absences*            | -                     | 53,001               | -                   | 53,001                | 53,001                 |
| Total Business Type Activities   | <u>\$ 3,659,152</u>   | <u>\$ 382,015</u>    | <u>\$ -</u>         | <u>\$ 4,041,167</u>   | <u>\$ 53,001</u>       |

\*Other long-term liabilities

- Payments for general obligation bonds are made from the bond interest and redemption fund.
- Payments for special tax bonds are made from the debt service fund for blended component units.
- Payments for early retirement incentive program are made from the general fund.
- Payments for pension contributions are made from the general fund, nonmajor governmental funds, and the childcare enterprise fund.
- Payments for OPEB contributions are made from the general fund, nonmajor governmental funds, and the childcare enterprise fund.
- Payments for compensated absences are made from the general fund, nonmajor governmental funds, and the childcare enterprise fund.

## Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

### 2. General Obligation Bonds

The District's bonded debt consists of various issues of general obligation bonds that are generally callable with interest payable semiannually. Bond proceeds pay primarily for acquiring or constructing capital facilities. The District repays general obligation bonds from voter-approved property taxes.

In November 2016 registered voters authorized the issuance of \$105,000,000 principal amount of general obligation bonds. The bonds were issued in two issuances with no amounts remaining from voter authorized amounts.

On May 3, 2017, the District issued the Election 2016 Series A bonds of the Measure JJ bond authorization, which consisted of current interest with an initial par amount of \$50,000,000, with stated interest rates of 2.0% to 5.0% maturing through August 1, 2046.

On March 26, 2019 the District issued the Election 2016 Series B bonds of the Measure JJ bond authorization which consisted of current interest and term bonds with an initial par amount of \$55,000,000, with stated interest rates of 3.0% to 4.0% maturing through August 1, 2041.

General obligation bonds payable as of June 30, 2019 are as follows:

|                        | <u>Date of Issue</u>     | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Amount of Original Issue</u> |
|------------------------|--------------------------|----------------------|----------------------|---------------------------------|
| 2016 Election Series A | 05/03/17                 | 2.0 - 5.0%           | 08/01/46             | \$ 50,000,000                   |
| 2016 Election Series B | 03/26/19                 | 3.0 - 5.0%           | 08/01/41             | 55,000,000                      |
| Total GO Bonds         |                          |                      |                      | <u>\$ 105,000,000</u>           |
|                        | <u>Beginning Balance</u> | <u>Increases</u>     | <u>Decreases</u>     | <u>Ending Balance</u>           |
| 2016 Election Series A |                          |                      |                      |                                 |
| Principal              | \$ 50,000,000            | \$ -                 | \$ 4,550,000         | \$ 45,450,000                   |
| Premium                | 3,838,783                | -                    | 229,004              | 3,609,779                       |
| Total 2016-A           | <u>53,838,783</u>        | <u>-</u>             | <u>4,779,004</u>     | <u>49,059,779</u>               |
| 2016 Election Series B |                          |                      |                      |                                 |
| Principal              | -                        | 55,000,000           | -                    | 55,000,000                      |
| Premium                | -                        | 3,938,330            | -                    | 3,938,330                       |
| Total 2016-B           | <u>-</u>                 | <u>58,938,330</u>    | <u>-</u>             | <u>58,938,330</u>               |
| Total GO Bonds         | <u>\$ 53,838,783</u>     | <u>\$ 58,938,330</u> | <u>\$ 4,779,004</u>  | <u>\$ 107,998,109</u>           |

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

The annual requirements to amortize the bonds outstanding at June 30, 2019 are as follows:

| Year Ended<br>June 30, | Principal             | Interest             | Total                 |
|------------------------|-----------------------|----------------------|-----------------------|
| 2020                   | \$ 4,235,000          | \$ 3,579,231         | \$ 7,814,231          |
| 2021                   | 3,120,000             | 3,919,600            | 7,039,600             |
| 2022                   | 3,300,000             | 3,811,500            | 7,111,500             |
| 2023                   | 2,400,000             | 3,708,425            | 6,108,425             |
| 2024                   | 1,540,000             | 3,637,900            | 5,177,900             |
| 2025-2029              | 10,930,000            | 16,822,000           | 27,752,000            |
| 2030-2034              | 17,995,000            | 13,277,050           | 31,272,050            |
| 2035-2039              | 26,895,000            | 8,445,100            | 35,340,100            |
| 2040-2044              | 22,945,000            | 3,009,600            | 25,954,600            |
| 2045-2049              | 7,090,000             | 432,800              | 7,522,800             |
| Total                  | <u>\$ 100,450,000</u> | <u>\$ 60,643,206</u> | <u>\$ 161,093,206</u> |

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond.

Effective interest on general obligation bonds issued at a premium are as follows:

|                                  | <u>2016 Series A</u> | <u>2016 Series B</u> |
|----------------------------------|----------------------|----------------------|
| Total Interest Payments on Bonds | \$ 32,036,028        | \$ 31,949,606        |
| Less Bond Premium                | <u>(3,971,155)</u>   | <u>(3,938,330)</u>   |
| Net Interest Payments            | <u>\$ 28,064,873</u> | <u>\$ 28,011,276</u> |
| Par Amount of Bonds              | 50,000,000           | 55,000,000           |
| Periods                          | 30                   | 23                   |
| Effective Interest Rate          | 1.87%                | 2.21%                |

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

### 3. Special Tax Bonds

The District has three community facilities districts within its boundaries, the Communities Facilities Districts 99-1, 2000-1 and 2004-1 as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mello-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amount held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. As discussed in Note A, the CFDs and PFA are blended component units of the District and as such the debt issued is included in the government-wide financial statements.

On July 13, 2012 special tax bonds were issued through the Solana Beach School District Public Financing Authority to finance the acquisition and construction of certain school facilities serving the property within the Community Facilities Districts, to fund a portion of the reserve fund for the bonds, and to fund a portion of the costs of issuing the bonds and special tax assessments. The bonds were issued for \$3,560,000 bearing interest ranging from 1.0% to 4.375% and maturing on September 1, 2032.

On November 15, 2012 special tax bonds were issued through the Solana Beach School District Public Financing Authority to finance the acquisition and construction of certain school facilities serving the property within the Community Facilities Districts, to fund a portion of the reserve fund for the bonds, and to fund a portion of the costs of issuing the bonds and special tax assessments. The bonds were issued for \$34,450,000 bearing interest ranging from 2.0% to 5.0% and maturing on September 1, 2042.

Special tax bonds outstanding as of June 30, 2019 were as follows:

|                          | <u>Date of Issue</u>     | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Amount of Original Issue</u> |
|--------------------------|--------------------------|----------------------|----------------------|---------------------------------|
| 2012-A Special Tax Bonds | 07/13/12                 | 1.0 - 4.375%         | 09/01/32             | \$ 3,560,000                    |
| 2012-B Special Tax Bonds | 11/15/12                 | 2.0 - 5.0%           | 09/01/42             | 34,450,000                      |
| Total Special Tax Bonds  |                          |                      |                      | <u>\$ 38,010,000</u>            |
|                          | <u>Beginning Balance</u> | <u>Increases</u>     | <u>Decreases</u>     | <u>Ending Balance</u>           |
| 2012-A Special Tax Bonds |                          |                      |                      |                                 |
| Principal                | \$ 2,865,000             | \$ -                 | \$ 150,000           | \$ 2,715,000                    |
| Discount                 | (17,763)                 | -                    | (930)                | (16,833)                        |
| Total 2012-A             | <u>2,847,237</u>         | <u>-</u>             | <u>149,070</u>       | <u>2,698,167</u>                |
| 2012-B Special Tax Bonds |                          |                      |                      |                                 |
| Principal                | 31,010,000               | -                    | 705,000              | 30,305,000                      |
| Premium                  | 2,212,378                | -                    | 50,298               | 2,162,080                       |
| Total 2012-B             | <u>33,222,378</u>        | <u>-</u>             | <u>755,298</u>       | <u>32,467,080</u>               |
| Total Special Tax Bonds  | <u>\$ 36,069,615</u>     | <u>\$ -</u>          | <u>\$ 904,368</u>    | <u>\$ 35,165,247</u>            |

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

The annual requirements to amortize the bonds outstanding at June 30, 2019 are as follows:

| Year Ended<br>June 30, | Principal            | Interest             | Total                |
|------------------------|----------------------|----------------------|----------------------|
| 2020                   | \$ 890,000           | \$ 1,544,644         | \$ 2,434,644         |
| 2021                   | 920,000              | 1,510,188            | 2,430,188            |
| 2022                   | 955,000              | 1,474,163            | 2,429,163            |
| 2023                   | 995,000              | 1,436,378            | 2,431,378            |
| 2024                   | 1,035,000            | 1,391,994            | 2,426,994            |
| 2025-2029              | 5,905,000            | 6,215,581            | 12,120,581           |
| 2030-2034              | 7,135,000            | 4,685,072            | 11,820,072           |
| 2035-2039              | 7,905,000            | 2,846,625            | 10,751,625           |
| 2040-2044              | 7,280,000            | 722,000              | 8,002,000            |
| Total                  | <u>\$ 33,020,000</u> | <u>\$ 21,826,644</u> | <u>\$ 54,846,644</u> |

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond.

Bond discount arises when the market rate of interest is lower than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the discount decrease the face value of the bond and then amortize the discount over the life of the bond.

Effective interest on special tax bonds issued at a premium or discount are as follows:

|                                  | 2012-A              | 2012-B               |
|----------------------------------|---------------------|----------------------|
| Total Interest Payments on Bonds | \$ 1,617,437        | \$ 30,469,511        |
| Plus Bond Discount               | 22,073              | -                    |
| Less Bond Premium                | -                   | (2,457,801)          |
| Net Interest Payments            | <u>\$ 1,639,510</u> | <u>\$ 28,011,710</u> |
| Par Amount of Bonds              | 3,560,000           | 34,450,000           |
| Periods                          | 20                  | 30                   |
| Effective Interest Rate          | 2.30%               | 2.71%                |

## Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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### 4. Net Pension Liability

The District's combined beginning net pension liability was \$55,071,706 and decreased by \$3,188,704 during the year ended June 30, 2019 for a combined ending net pension liability of \$51,883,002. See Note M for additional information regarding the net pension liability.

### 5. Total OPEB Liability

The District's combined beginning total OPEB liability was \$8,516,468 and increased by \$691,004 during the year ended June 30, 2019 for a combined ending total OPEB liability of \$9,207,472. See Note N for additional information regarding the total OPEB liability.

### 6. Compensated Absences

Total combined unpaid employee compensated absences as of June 30, 2019 was \$401,940. This amount is included as part of long-term liabilities in the government-wide financial statements.

## M. Pension Plans

### 1. General Information about the Pension Plans

#### a. Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement no. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

#### b. Benefits Paid

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

**Solana Beach School District**

Notes to the Financial Statements, Continued

June 30, 2019

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

|   | CalSTRS                |                       |
|---|------------------------|-----------------------|
|   | Before<br>Jan. 1, 2013 | After<br>Jan. 1, 2013 |
| Hire Date   |                        |                       |
| Benefit Formula   | 2% at 60               | 2% at 62**            |
| Benefit Vesting Schedule                                | 5 Years                | 5 Years               |
| Benefit Payments  | Monthly for life       | Monthly for life      |
| Retirement Age  | 55-60                  | 55-62                 |
| Monthly Benefits as a % of Eligible Compensation        | 1.1 - 2.4%             | 1.0 - 2.4%*           |
| Required Employee Contribution Rates (at June 30, 2019) | 10.250%                | 10.205%               |
| Required Employer Contribution Rates (at June 30, 2019) | 16.280%                | 16.280%               |
| Required State Contribution Rates (at June 30, 2019)    | 14.764%                | 14.764%               |

\*Amounts are limited to 120% of Social Security Wage Base.

\*\*The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

|   | CalPERS                |                       |
|---|------------------------|-----------------------|
|   | Before<br>Jan. 1, 2013 | After<br>Jan. 1, 2013 |
| Hire Date   |                        |                       |
| Benefit Formula   | 2% at 60               | 2% at 62**            |
| Benefit Vesting Schedule                                | 5 Years                | 5 Years               |
| Benefit Payments  | Monthly for life       | Monthly for life      |
| Retirement Age  | 50-62                  | 52-67                 |
| Monthly Benefits as a % of Eligible Compensation        | 1.1 - 2.5%             | 1.0 - 2.5%*           |
| Required Employee Contribution Rates (at June 30, 2019) | 7.000%                 | 7.000%                |
| Required Employer Contribution Rates (at June 30, 2019) | 18.062%                | 18.062%               |
| Required State Contribution Rates (at June 30, 2019)    | 7.971%                 | 7.971%                |

c. Contributions

*CalSTRS*

For the fiscal year ended June 30, 2019 (measurement date June 30, 2018), California Education Code §22950 requires members to contribute monthly to the system 10.205% (if hired on or after January 1, 2013) or 10.25% (if hired before January 1, 2013) of the creditable compensation upon which members’ contributions under this part are based. In addition, the employer required rates established by the CalSTRS board have been established at 16.28% of creditable compensation for the fiscal year ended June 30, 2019. Rates are defined in Education Code §22950.5 through the fiscal year ending June 30, 2021. Beginning in the fiscal year ending on June 30, 2022 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

## CalPERS

California Public Employees' Retirement Law §20814(c) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018), the employee contribution rate was 7.00% and the employer contribution rate was 18.062% of covered payroll.

## On Behalf Payments

Consistent with California Education Code §22955.1, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018) the State contributed 14.647% of salaries creditable to CalSTRS. The contributions made by the State during the fiscal year ended June 30, 2019 included amounts resulting from Senate Bill (SB) 90 settlement in which the State contributed an additional \$2.2 Billion to CalSTRS on behalf of the Districts during the 2018-19 fiscal year in order to reduce contribution rates for Districts in 2019-20 and 2020-21. The contribution resulting from SB90 made up 42% of the total contributions made by the State on behalf of the District. In addition, SB90 apportioned \$900 Million in contributions to CalPERS on behalf of the Districts as a one time contribution in order to reduce contribution rates for Districts in 2019-20 and 2020-21. The amounts contributed to CalPERS on behalf of the District was 7.971% of creditable salaries. Consistent with the requirements of generally accepted accounting principles, the District has recorded these contributions as revenue and expense in the fund financial statements (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). Contributions reported for on behalf payments are based on the District's proportionate share of the States contribution for the fiscal year. Contributions made by the state on behalf of the District and the State's pension expense associated with District employees for the past three fiscal years are as follows:

| CalSTRS                |                                   |                                     |                                 |
|------------------------|-----------------------------------|-------------------------------------|---------------------------------|
| Year Ended<br>June 30, | On Behalf<br>Contribution<br>Rate | On Behalf<br>Contribution<br>Amount | On Behalf<br>Pension<br>Expense |
| 2017                   | 7.470%                            | \$ 1,706,982                        | \$ 2,668,484                    |
| 2018                   | 8.292%                            | 1,682,443                           | 817,937                         |
| 2019                   | 14.764%                           | 3,159,703                           | (612,269)                       |

| CalPERS                |                                   |                                     |                                 |
|------------------------|-----------------------------------|-------------------------------------|---------------------------------|
| Year Ended<br>June 30, | On Behalf<br>Contribution<br>Rate | On Behalf<br>Contribution<br>Amount | On Behalf<br>Pension<br>Expense |
| 2019                   | 7.971%                            | \$ 729,115                          | \$ -                            |



**Solana Beach School District**

Notes to the Financial Statements, Continued

June 30, 2019

d. Contributions Recognized

For the fiscal year ended June 30, 2019 (measurement period June 30, 2018), the contributions recognized for each plan were:

|  | Governmental Funds Financial Statements<br>(Current Financial Resources Measurement Focus) |                     |                     |
|--|--|---------------------|---------------------|
|  | CalSTRS  | CalPERS             | Total               |
| <u>Governmental Funds</u>                    |  |                     |                     |
| Contributions - Employer                     | \$ 3,482,344   | \$ 1,327,042        | \$ 4,809,386        |
| Contributions - State On Behalf Payments     | 3,159,705  | 585,611             | 3,745,316           |
| Total Governmental Funds Contributions       | <u>\$ 6,642,049</u>  | <u>\$ 1,912,653</u> | <u>\$ 8,554,702</u> |
| <br>   |  |                     |                     |
|  | Enterprise Funds Financial Statements<br>(Economic Resources Measurement Focus)            |                     |                     |
|  | CalSTRS  | CalPERS             | Total               |
| <u>Enterprise Funds</u>                      |  |                     |                     |
| Contributions - Employer                     | \$ -   | \$ 265,053          | \$ 265,053          |
| Contributions - State On Behalf Payments     | 1,695  | 143,502             | 145,197             |
| Total Enterprise Funds Funds Contributions   | <u>\$ 1,695</u>  | <u>\$ 408,555</u>   | <u>\$ 410,250</u>   |
| <br>   |  |                     |                     |
|  | Government-Wide Financial Statements<br>(Economic Resources Measurement Focus)             |                     |                     |
|  | CalSTRS  | CalPERS             | Total               |
| <u>Governmental Activities</u>               |  |                     |                     |
| Contributions - Employer                     | \$ 2,927,722   | \$ 1,037,484        | \$ 3,965,206        |
| Contributions - State On Behalf Payments     | 3,159,705  | 729,115             | 3,888,820           |
| Total Contributions Governmental Activities  | <u>6,087,427</u>   | <u>1,766,599</u>    | <u>7,854,026</u>    |
| <u>Business Type Activities</u>              |  |                     |                     |
| Contributions - Employer                     | -  | 265,053             | 265,053             |
| Contributions - State On Behalf Payments     | 1,695  | 143,502             | 145,197             |
| Total Contributions Business Type Activities | <u>1,695</u>   | <u>408,555</u>      | <u>410,250</u>      |
| Total Contributions Government-Wide          | <u>\$ 6,089,122</u>  | <u>\$ 2,175,154</u> | <u>\$ 8,264,276</u> |

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

As of June 30, 2018 the District reported net pension liabilities for its proportionate share of the net pension liability of each plan as follows:

|         | Proportionate Share of the<br>Net Pension Liability |                             |                      |
|---------|---|-----------------------------|----------------------|
|         | Governmental<br>Activities                          | Business Type<br>Activities | Total                |
| CalSTRS | \$ 35,112,149                                       | \$ -                        | \$ 35,112,149        |
| CalPERS | 13,358,237  | 3,412,616                   | 16,770,853           |
| Total   | <u>\$ 48,470,386</u>                                | <u>\$ 3,412,616</u>         | <u>\$ 51,883,002</u> |

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

The District's net pension liability for each Plan is measured as the proportionate share of the total net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to measurement date June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, as actuarially determined.

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

|                                 | CalSTRS                        |                              | Total For District Employees | CalPERS                        |
|---------------------------------|--------------------------------|------------------------------|------------------------------|--------------------------------|
|                                 | District's Proportionate Share | State's Proportionate Share* |                              | District's Proportionate Share |
| <u>Governmental Activities</u>  |                                |                              |                              |                                |
| Proportion June 30, 2018        | 0.0431%                        | 0.0256%                      | 0.0687%                      | 0.0506%                        |
| Proportion June 30, 2019        | 0.0382%                        | 0.0220%                      | 0.0602%                      | 0.0501%                        |
| Change in Proportion            | -0.0049%                       | -0.0036%                     | -0.0085%                     | -0.0005%                       |
| <u>Business Type Activities</u> |                                |                              |                              |                                |
| Proportion June 30, 2018        | 0.0001%                        | 0.0001%                      | 0.0002%                      | 0.0126%                        |
| Proportion June 30, 2019        | 0.0000%                        | 0.0000%                      | 0.0000%                      | 0.0128%                        |
| Change in Proportion            | -0.0001%                       | -0.0001%                     | -0.0002%                     | 0.0002%                        |

\*Represents State's Proportionate Share on behalf of District employees.

## a. Pension Expense

|   | CalSTRS        | CalPERS      | Total          |
|---|----------------|--------------|----------------|
| <u>Governmental Activities</u>                        |                |              |                |
| Change in Net Pension Liability (Asset)               | \$ (4,729,266) | \$ 1,271,281 | \$ (3,457,985) |
| State On Behalf Pension Expense                       | (611,941)      | -            | (611,941)      |
| Employer Contributions to Pension Expense             | 3,482,344      | 1,327,042    | 4,809,386      |
| (Increase) Decrease in Deferred Outflows of Resources |                |              |                |
| Employer Contributions Subsequent to Measurement Date | (519,261)      | (551,579)    | (1,070,840)    |
| Differences between actual and expected experiences   | 34,379         | (542,690)    | (508,311)      |
| Changes in assumptions                                | 1,722,206      | 290,411      | 2,012,617      |
| Changes in proportionate share                        | 676,586        | 250,121      | 926,707        |
| Net difference between projected and actual earnings  | 2,614          | 659,978      | 662,592        |
| Increase (Decrease) in Deferred Inflows of Resources  |                |              |                |
| Differences between actual and expected experiences   | 26,356         | -            | 26,356         |
| Changes in assumptions                                | -              | (117,472)    | (117,472)      |
| Changes in proportionate share                        | 3,514,151      | 36,554       | 3,550,705      |
| Net difference between projected and actual earnings  | 250,488        | (354,596)    | (104,108)      |
| Total Governmental Activities                         | \$ 3,848,656   | \$ 2,269,050 | \$ 6,117,706   |

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

|   | CalSTRS             | CalPERS             | Total               |
|---|---------------------|---------------------|---------------------|
| <u>Business Type Activities</u>                       |                     |                     |                     |
| Change in Net Pension Liability (Asset)               | \$ (123,924)        | \$ 393,205          | \$ 269,281          |
| State On Behalf Pension Expense                       | (328)               | -                   | (328)               |
| Employer Contributions to Pension Expense             | 1,868               | 325,186             | 327,054             |
| (Increase) Decrease in Deferred Outflows of Resources |                     |                     |                     |
| Employer Contributions Subsequent to Measurement Date | (1,868)             | (60,133)            | (62,001)            |
| Differences between actual and expected experiences   | 107                 | (135,903)           | (135,796)           |
| Changes in assumptions                                | 5,357               | 71,526              | 76,883              |
| Changes in proportionate share                        | -                   | (28,757)            | (28,757)            |
| Net difference between projected and actual earnings  | 20                  | 181,937             | 181,957             |
| Increase (Decrease) in Deferred Inflows of Resources  |                     |                     |                     |
| Differences between actual and expected experiences   | (26)                | -                   | (26)                |
| Changes in assumptions                                | -                   | (32,517)            | (32,517)            |
| Changes in proportionate share                        | 51,510              | (33,007)            | 18,503              |
| Net difference between projected and actual earnings  | (2,932)             | (112,082)           | (115,014)           |
| Total Business Type Activities                        | <u>\$ (70,216)</u>  | <u>\$ 569,455</u>   | <u>\$ 499,239</u>   |
| Total Pension Expense                                 | <u>\$ 3,778,440</u> | <u>\$ 2,838,505</u> | <u>\$ 6,616,945</u> |

b. Deferred Outflows and Inflows of Resources

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

|  | Deferred Outflows of Resources |                     |                      |
|--|--------------------------------|---------------------|----------------------|
|  | CalSTRS                        | CalPERS             | Total                |
| <u>Governmental Activities</u>                       |                                |                     |                      |
| Pension contributions subsequent of measurement date | \$ 3,482,344                   | \$ 1,327,042        | \$ 4,809,386         |
| Differences between actual and expected experience   | 103,136                        | 1,087,139           | 1,190,275            |
| Changes in assumptions                               | 5,166,618                      | 1,592,778           | 6,759,396            |
| Changes in employer's proportionate share            | 1,737,253                      | 614,069             | 2,351,322            |
| Net difference between projected and actual earnings | -                              | 25,809              | 25,809               |
| Total Governmental Activities                        | <u>\$ 10,489,351</u>           | <u>\$ 4,646,837</u> | <u>\$ 15,136,188</u> |
| <u>Business Type Activities</u>                      |                                |                     |                      |
| Pension contributions subsequent of measurement date | 1,868                          | 325,186             | 327,054              |
| Differences between actual and expected experience   | 321                            | 280,569             | 280,890              |
| Changes in assumptions                               | 16,070                         | 398,909             | 414,979              |
| Changes in employer's proportionate share            | -                              | 29,079              | 29,079               |
| Net difference between projected and actual earnings | -                              | 30,918              | 30,918               |
| Total Business Type Activities                       | <u>18,259</u>                  | <u>1,064,661</u>    | <u>1,082,920</u>     |
| Total Deferred Outflows of Resources                 | <u>\$ 10,507,610</u>           | <u>\$ 5,711,498</u> | <u>\$ 16,219,108</u> |

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

|  | Deferred Inflows of Resources |                     |                       |
|--|-------------------------------|---------------------|-----------------------|
|  | CalSTRS                       | CalPERS             | Total                 |
| <u>Governmental Activities</u>                       |                               |                     |                       |
| Differences between actual and expected experience   | \$ (30,191)                   | \$ -                | \$ (30,191)           |
| Changes in assumptions                               | -                             | (117,471)           | (117,471)             |
| Changes in employer's proportionate share            | (3,796,329)                   | (231,124)           | (4,027,453)           |
| Net difference between projected and actual earnings | (4,017,383)                   | -                   | (4,017,383)           |
| Total Governmental Activities                        | <u>(7,843,903)</u>            | <u>(348,595)</u>    | <u>(8,192,498)</u>    |
| <u>Business Type Activities</u>                      |                               |                     |                       |
| Differences between actual and expected experience   | (12)                          | -                   | (12)                  |
| Changes in assumptions                               | -                             | (32,517)            | (32,517)              |
| Changes in employer's proportionate share            | (190,097)                     | (53,729)            | (243,826)             |
| Net difference between projected and actual earnings | (8,774)                       | -                   | (8,774)               |
| Total Business Type Activities                       | <u>(198,883)</u>              | <u>(86,246)</u>     | <u>(285,129)</u>      |
| Total Deferred Inflows of Resources                  | <u>\$ (8,042,786)</u>         | <u>\$ (434,841)</u> | <u>\$ (8,477,627)</u> |

Pension contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2020. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five-year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

| Year Ended<br>June 30, | Governmental Activities           |                     |                                  |                     |                     | Net Effect<br>on Expenses |
|------------------------|-----------------------------------|---------------------|----------------------------------|---------------------|---------------------|---------------------------|
|                        | Deferred Outflows<br>of Resources |                     | Deferred Inflows<br>of Resources |                     |                     |                           |
|                        | CalSTRS                           | CalPERS             | CalSTRS                          | CalPERS             |                     |                           |
| 2020                   | \$ 5,915,515                      | \$ 2,830,835        | \$ (2,242,922)                   | \$ (207,681)        | \$ 6,295,747        |                           |
| 2021                   | 2,286,919                         | 1,034,515           | (2,243,221)                      | (90,209)            | 988,004             |                           |
| 2022                   | 2,286,917                         | 629,578             | (2,150,232)                      | (25,353)            | 740,910             |                           |
| 2023                   | -                                 | 151,909             | (1,207,528)                      | (25,352)            | (1,080,971)         |                           |
| Total                  | <u>\$ 10,489,351</u>              | <u>\$ 4,646,837</u> | <u>\$ (7,843,903)</u>            | <u>\$ (348,595)</u> | <u>\$ 6,943,690</u> |                           |
| Year Ended<br>June 30, | Business Type Activities          |                     |                                  |                     |                     | Net Effect<br>on Expenses |
|                        | Deferred Outflows<br>of Resources |                     | Deferred Inflows<br>of Resources |                     |                     |                           |
|                        | CalSTRS                           | CalPERS             | CalSTRS                          | CalPERS             |                     |                           |
| 2020                   | \$ 7,332                          | \$ 667,453          | \$ (75,338)                      | \$ (65,525)         | \$ 533,922          |                           |
| 2021                   | 5,464                             | 231,229             | (69,404)                         | (20,721)            | 146,568             |                           |
| 2022                   | 5,463                             | 119,964             | (29,357)                         | -                   | 96,070              |                           |
| 2023                   | -                                 | 46,015              | (24,784)                         | -                   | 21,231              |                           |
| Total                  | <u>\$ 18,259</u>                  | <u>\$ 1,064,661</u> | <u>\$ (198,883)</u>              | <u>\$ (86,246)</u>  | <u>\$ 797,791</u>   |                           |

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2019 were based on actuarial valuations determined using the following actuarial assumptions:

|                                  | <u>CalSTRS</u>   | <u>CalPERS</u>   |
|----------------------------------|------------------|------------------|
| Fiscal Year                      | June 30, 2019    | June 30, 2019    |
| Measurement Date                 | June 30, 2018    | June 30, 2018    |
| Valuation Date                   | June 30, 2017    | June 30, 2017    |
| Actuarial Cost Method            | Entry Age Normal | Entry Age Normal |
| Actuarial Assumptions:           |                  |                  |
| Discount Rate                    | 7.10%            | 7.15%            |
| Inflation                        | 2.75%            | 2.50%            |
| Wage Growth                      | 3.50%            | (3)              |
| Investment Rate of Return        | 7.10%            | 7.15%            |
| Post Retirement Benefit Increase | (1)              | (4)              |
| Mortality                        | (2)              | (5)              |

- (1) CalSTRS post retirement benefit increases assumed at 2% simple for DB (annually) maintaining 85% purchasing power level for DB. Increases are not applicable for DBS/CBB.
- (2) CalSTRS projects mortality by setting the projection scale equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) tables issued by the Society of Actuaries.
- (3) Wage growth is a component of inflation for CalPERS assumptions.
- (4) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.
- (5) CalPERS mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.10% for CalSTRS and 7.15% for CalPERS. The projection of cash flows used to determine the discount rates assumed the contributions from the plan members, employers, and state contributing agencies (where applicable) will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate, and the use of the Discount bond rate calculations is not necessary for either plan. The stress test results are presented in detailed reports that can be obtained from CalPERS and CalSTRS respective websites.

## Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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The CalPERS discount rate was increased from 7.50% to 7.65% at measurement date June 30, 2015 (Fiscal year June 30, 2016) to correct for an adjustment to exclude administrative expenses. Subsequently CalPERS discount rate was decreased from 7.65% to 7.15% at measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from actuarially determined amounts.

The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. The last ALM completed by CalSTRS was conducted in 2015. CalSTRS is in process of completing the next ALM with an initial expected completion date of November 2019. CalPERS completed their ALM in 2018 with new policies in effect on July 1, 2018. Both CalSTRS and CalPERS conduct new ALM's every 4 years.

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

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

## Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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

### CalSTRS

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

\*20 year average

### CalPERS

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

\*In the basic financial statements, fixed income is included in global debt securities; liquidity is included in short term investments; inflation assets are included in both global equity securities and global debt securities.

\*\*An expected inflation of 2.00% is used for this period.

\*\*\*An expected inflation of 2.92% is used for this period.

## Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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

The following represents 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:

|                       | CalSTRS                    |                             |               |
|-----------------------|----------------------------|-----------------------------|---------------|
|                       | Governmental<br>Activities | Business Type<br>Activities | Total         |
| 1% Decrease           | 6.10%                      | 6.10%                       | 6.10%         |
| Net Pension Liability | \$ 51,435,190              | \$ -                        | \$ 51,435,190 |
| Current Discount Rate | 7.10%                      | 7.10%                       | 7.10%         |
| Net Pension Liability | \$ 35,112,149              | \$ -                        | \$ 35,112,149 |
| 1% Increase           | 8.10%                      | 8.10%                       | 8.10%         |
| Net Pension Liability | \$ 21,578,768              | \$ -                        | \$ 21,578,768 |

|                       | CalPERS                    |                             |               |
|-----------------------|----------------------------|-----------------------------|---------------|
|                       | Governmental<br>Activities | Business Type<br>Activities | Total         |
| 1% Decrease           | 6.15%                      | 6.15%                       | 6.15%         |
| Net Pension Liability | \$ 19,448,955              | \$ 4,968,606                | \$ 24,417,561 |
| Current Discount Rate | 7.15%                      | 7.15%                       | 7.15%         |
| Net Pension Liability | \$ 13,358,237              | \$ 3,412,616                | \$ 16,770,853 |
| 1% Increase           | 8.15%                      | 8.15%                       | 8.15%         |
| Net Pension Liability | \$ 8,305,115               | \$ 2,121,700                | \$ 10,426,815 |



**Solana Beach School District**  
Notes to the Financial Statements, Continued  
June 30, 2019

3. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

**CalSTRS – Governmental Activities**

|   | Increase (Decrease)                  |  |  |   |  |
|---|--------------------------------------|--|--|---|--|
|   | Total<br>Pension<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net<br>Pension<br>Liability<br>(a) - (b) | State's Share<br>of Net Pension<br>Liability<br>(c) | District's Share<br>of Net Pension<br>Liability<br>(a) - (b) - (c) |
| Balance at June 30, 2018<br>(Previously Reported)                   | \$ 208,136,309                       | \$ 144,561,688                           | \$ 63,574,621                            | \$ 23,733,206                                       | \$ 39,841,415  |
| Changes for the year:   |                                      |  |  |   |  |
| CalSTRS Auditor Adjustment  | -                                    | (306,204)                                | 306,204                                  | 111,744   | 194,460  |
| Change in prop. share   | (25,753,629)                         | (17,887,259)                             | (7,866,370)                              | (3,356,108)   | (4,510,262)  |
| Service cost  | 4,296,484                            | -  | 4,296,484                                | 1,567,955   | 2,728,529  |
| Interest  | 12,931,564                           | -  | 12,931,564                               | 4,719,232   | 8,212,332  |
| Difference between<br>expected and actual<br>experience             | (56,549)                             | -  | (56,549)                                 | (20,637)  | (35,912)   |
| Contributions:  |                                      |  |  |   |  |
| Employer  | -                                    | 2,927,686                                | (2,927,686)                              | (1,068,427)   | (1,859,259)  |
| Employee  | -                                    | 2,103,271                                | (2,103,271)                              | (767,566)   | (1,335,705)  |
| State On Behalf   | -                                    | 1,682,423                                | (1,682,423)                              | (613,982)   | (1,068,441)  |
| Net investment income   | -                                    | 11,233,626                               | (11,233,626)                             | (4,099,588)   | (7,134,038)  |
| Other income  | -                                    | 63,253                                   | (63,253)                                 | (23,083)  | (40,170)   |
| Benefit payments, including<br>refunds of employee<br>contributions | (8,744,986)                          | (8,744,986)                              | -  | -   | -  |
| Administrative expenses   | -                                    | (129,991)                                | 129,991                                  | 47,439  | 82,552   |
| Borrowing costs   | -                                    | (56,698)                                 | 56,698                                   | 20,691  | 36,007   |
| Other expenses  | -                                    | (1,009)                                  | 1,009                                    | 368   | 641  |
| Net changes   | <u>(17,327,116)</u>                  | <u>(9,115,888)</u>                       | <u>(8,211,228)</u>                       | <u>(3,481,962)</u>                                  | <u>(4,729,266)</u>   |
| Balance at June 30, 2019  | <u>\$ 190,809,193</u>                | <u>\$ 135,445,800</u>                    | <u>\$ 55,363,393</u>                     | <u>\$ 20,251,244</u>                                | <u>\$ 35,112,149</u>   |

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

## CalPERS – Governmental Activities

|   | Increase (Decrease)                  |  |  |
|---|--------------------------------------|--|--|
|   | Total<br>Pension<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net<br>Pension<br>Liability<br>(a) - (b) |
| Balance at June 30, 2018<br>(Previously Reported)                   | \$ 42,971,049                        | \$ 30,884,093                            | \$ 12,086,956                            |
| Changes for the year:   |                                      |  |  |
| Change in prop. share   | (450,665)                            | (323,901)                                | (126,764)                                |
| Service cost  | 1,088,521                            | -  | 1,088,521                                |
| Interest  | 3,089,023                            | -  | 3,089,023                                |
| Difference between<br>expected and actual<br>experience             | 928,304                              | -  | 928,304                                  |
| Change in assumptions   | 225,482                              | -  | 225,482                                  |
| Contributions:  |                                      |  |  |
| Employer  | -                                    | 1,037,487                                | (1,037,487)                              |
| Employee  | -                                    | 477,443                                  | (477,443)                                |
| Net investment income   | -                                    | 2,552,627                                | (2,552,627)                              |
| Plan to plan res. movement  | -                                    | 1  | (1)                                      |
| Benefit payments, including<br>refunds of employee<br>contributions | (2,030,612)                          | (2,030,612)                              | -  |
| Administrative expenses   | -                                    | (46,317)                                 | 46,317                                   |
| Other expenses  | -                                    | (87,956)                                 | 87,956                                   |
| Net changes   | 2,850,053                            | 1,578,772                                | 1,271,281                                |
| Balance at June 30, 2019  | \$ 45,821,102                        | \$ 32,462,865                            | \$ 13,358,237                            |

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

## CalPERS – Business Type Activities

|   | Increase (Decrease)         |                                  |                                   |
|---|-----------------------------|----------------------------------|-----------------------------------|
|   | Total                       | Plan                             | Net                               |
|   | Pension<br>Liability<br>(a) | Fiduciary<br>Net Position<br>(b) | Pension<br>Liability<br>(a) - (b) |
| Balance at June 30, 2018<br>(Previously Reported)                   | \$ 10,734,488               | \$ 7,715,076                     | \$ 3,019,412                      |
| Changes for the year:   |                             |                                  |                                   |
| Change in prop. share   | 128,155                     | 92,108                           | 36,047                            |
| Service cost  | 278,083                     | -                                | 278,083                           |
| Interest  | 789,150                     | -                                | 789,150                           |
| Difference between<br>expected and actual<br>experience             | 237,153                     | -                                | 237,153                           |
| Change in assumptions   | 57,604                      | -                                | 57,604                            |
| Contributions:  |                             |                                  |                                   |
| Employer  | -                           | 265,046                          | (265,046)                         |
| Employee  | -                           | 121,972                          | (121,972)                         |
| Net investment income   | -                           | -                                | -                                 |
| Plan to plan res. movement  | -                           | 652,117                          | (652,117)                         |
| Benefit payments, including<br>refunds of employee<br>contributions | (518,759)                   | (518,759)                        | -                                 |
| Administrative expenses   | -                           | (11,832)                         | 11,832                            |
| Other expenses  | -                           | (22,470)                         | 22,470                            |
| Net changes   | 971,386                     | 578,182                          | 393,204                           |
| Balance at June 30, 2019  | \$ 11,705,874               | \$ 8,293,258                     | \$ 3,412,616                      |

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports available on their respective websites.

## N. Post-Employment Benefits Other than Pension (OPEB)

### 1. Plan Description

The District's defined benefit OPEB plan, Solana Beach School District Retiree Health Care Plan (the Plan) provides OPEB for retirees that meet eligibility requirements until age 65. Retirees in the plan are eligible for the same medical plans as active employees. The Plan is a single employer defined benefit OPEB plan administered by the District. Authority to establish and amend the benefit terms and financing requirements lie with the Districts governing board. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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## 2. Benefits Provided

The eligibility requirements and benefits provided by the Plan are described below:

### **Certificated Employees**

The District provides retiree medical, dental, and vision benefits to eligible retirees and their eligible dependents to age 65 or Medicare eligibility, if earlier. Eligibility for retiree benefits requires retirement under CalSTRS/CalPERS on or after age 55 with at least 12 years of District eligible service.

The District's contribution is 75% of the retiree-only medical premium plus 5% of the retiree-only for each additional year of District eligible service in excess of 12 years to a maximum of 100%. In addition, the District will pay the cost of the District's PMI retiree only dental insurance. The District does not provide any financial contribution for coverage beyond age 65. Retirees can elect dependent medical coverage and additional dental and vision coverage on a self-paid basis.

### **Classified Employees**

The District provides retiree medical, dental, and vision benefits to eligible retirees and their eligible dependents to age 65 or Medicare eligibility, if earlier. Eligibility for retiree benefits requires retirement under CalSTRS/CalPERS on or after age 52 with at least 13 years of District eligible service.

The District's contribution is 75% of the retiree-only medical premium plus 5% of the retiree-only for each additional year of District eligible service in excess of 13 years to a maximum of 100%. In addition, the District will pay the cost of the District's PMI retiree only dental insurance. The District does not provide any financial contribution for coverage beyond age 65. Retirees can elect dependent medical coverage and additional dental and vision coverage on a self-paid basis.

### **Board Members**

A board member, whose first term of office began on or after January 1, 1995 and who retires after at least one term, may continue health and welfare benefits at his/her own expense if covered at the time of retirement.

## 3. Contributions

The contribution requirements of Plan members and the Solana Beach School District are established and may be amended by the Solana Beach School District through negotiations with bargaining units.

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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## 4. Plan Membership

Membership of the plan consisted of the following as of the June 30, 2017 valuation date, measured as of June 30, 2018 for fiscal year June 30, 2019:

|   |            |
|---|------------|
| Inactive plan members or beneficiaries currently receiving benefits | 13         |
| Inactive plan members entitled to but not yet receiving benefits    | 0          |
| Active plan members   | <u>329</u> |
|   | <u>342</u> |

## 5. Total OPEB Liability

The Solana Beach School District's total OPEB liability of \$9,207,472 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

## 6. Actuarial Assumptions and Other Inputs

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

### **Economic assumptions:**

|                             |                           |
|-----------------------------|---------------------------|
| Inflation                   | 2.75%                     |
| Salary increases            | 3.00%                     |
| Discount rate               | 3.50%                     |
| Healthcare cost trend rates | 6.50% decreasing to 5.00% |

### **Non-economic assumptions:**

#### *Mortality*

|              |                                      |
|--------------|--------------------------------------|
| Certificated | Most recent CalSTRS mortality tables |
| Classified   | Most recent CalPERS mortality tables |

#### *Termination Rates:*

|              |                                       |
|--------------|---------------------------------------|
| Certificated | Most recent CalSTRS termination rates |
| Classified   | Most Recent CalPERS termination rates |

The discount rate used is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO AA 20 Year Bond Index.

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

## 7. Changes in Total OPEB Liability

|   | <u>Governmental</u> | <u>Business Type</u> | <u>Total</u>        |
|---|---------------------|----------------------|---------------------|
| Total OPEB Liability  |                     |                      |                     |
| Service cost  | \$ 631,114          | \$ 42,081            | \$ 673,195          |
| Interest  | 289,534             | 19,305               | 308,839             |
| Change in proportionate shares                              | (16,539)            | 16,539               | -                   |
| Changes of assumptions                                      | (73,799)            | (4,921)              | (78,720)            |
| Benefit payments, including refunds of member contributions | (199,039)           | (13,271)             | (212,310)           |
| Net change in Total OPEB Liability                          | 631,271             | 59,733               | 691,004             |
| Total OPEB Liability - Beginning                            | 8,000,651           | 515,817              | 8,516,468           |
| Total OPEB Liability - Ending                               | <u>\$ 8,631,922</u> | <u>\$ 575,550</u>    | <u>\$ 9,207,472</u> |

## 8. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

|                      | <u>1% Decrease<br/>(2.50%)</u> | <u>Valuation<br/>Discount Rate<br/>(3.50%)</u> | <u>1% Increase<br/>(4.50%)</u> |
|----------------------|--------------------------------|--|--------------------------------|
| Total OPEB Liability | \$ 10,016,572                  | \$ 9,207,472                                   | \$ 8,448,553                   |

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

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

|                      | <u>1% Decrease<br/>(5.50%<br/>decreasing to<br/>4.00%)</u> | <u>Valuation<br/>Discount Rate<br/>(6.50%<br/>decreasing to<br/>5.00%)</u> | <u>1% Increase<br/>(7.50%<br/>decreasing to<br/>6.00%)</u> |
|----------------------|--|--|--|
| Total OPEB Liability | \$ 7,992,369   | \$ 9,207,472   | \$ 10,660,618  |

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

## 10. OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$974,878. At June 30, 2019 the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|--|--------------------------------------|----------------------------------|
|  | <u>                    </u>          | <u>                    </u>      |
| Contributions subsequent to measurement date | \$ 84,388                            | \$ -                             |
| Changes of assumptions and other inputs      | <u>-</u>                             | <u>78,720</u>                    |
| Total  | <u><u>\$ 84,388</u></u>              | <u><u>\$ 78,720</u></u>          |

OPEB contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2020. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to OPEB expense over an eleven-year period. OPEB expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

| Year Ended<br>June 30,      | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Net Effect on<br>OPEB Expense |
|-----------------------------|--------------------------------------|-------------------------------------|-------------------------------|
| <u>                    </u> | <u>                    </u>          | <u>                    </u>         | <u>                    </u>   |
| 2020                        | \$ 84,388                            | \$ (7,156)                          | \$ 77,232                     |
| 2021                        | -                                    | (7,156)                             | (7,156)                       |
| 2022                        | -                                    | (7,156)                             | (7,156)                       |
| 2023                        | -                                    | (7,156)                             | (7,156)                       |
| 2024                        | -                                    | (7,156)                             | (7,156)                       |
| Thereafter                  | <u>-</u>                             | <u>(42,940)</u>                     | <u>(42,940)</u>               |
| Total                       | <u><u>\$ 84,388</u></u>              | <u><u>\$ (78,720)</u></u>           | <u><u>\$ 5,668</u></u>        |

## **Solana Beach School District**

Notes to the Financial Statements, Continued

June 30, 2019

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### **O. Risk Management**

The District is exposed to risk of losses due to:

- Torts,
- Theft of, damage to, or destruction of assets,
- Business interruption,
- Errors or omissions,
- Job related illness or injuries to employees,
- Natural disasters,
- Other risks associated with public entity risk pools

Risk management is the process of managing the District's activities to minimize the adverse effects of these risks. The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention, risk transfer to and from an insurer, and risk transfer to a non-insurer.

The District has implemented the risk financing technique of risk transfer to an insurer. The District has purchased property & liability insurance as well as workers compensation insurance to cover any losses resulting from the risks identified above.

### **P. Participation in Joint Powers Authorities**

The District is a member of the San Diego County Schools Risk Management JPA (SDCSRM) public entity risk pool and the North City West School Facilities Financing Authority (NCWJPA). The District pays an annual premium to SDCSRM for its health, worker's compensation, and property liability insurance coverage. The District pays an annual fee to NCWJPA to facilitate developer fees. The relationship between the District, the pools, and the JPA's are such that they are not component units of the District.

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



# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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## Q. Commitments and Contingencies

### 1. State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to view and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

### 2. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending, with exception of the litigation noted below, is not expected to have a material adverse effect on the overall financial position of the District as of June 30, 2019.

*Solana Beach School District vs. HED Architecture.* HED Architecture was hired to design Solana Ranch Elementary School. Subsequent to completion of construction it was discovered by the District that the HVAC system did not work. It was determined that the system was not appropriate for the type of building. The District believes they will be able to recover costs of replacement for the HVAC system from HED Architecture, which is estimated to be in excess of \$1 Million. If the District is not successful, the cost will fall to the District.

### 3. Construction Commitments

As of June 30, 2019, the District had outstanding commitments with respect to unfinished capital projects in the amount of \$13,102,688. Of this amount, \$11,690,308 is related to the Measure JJ bond program.

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

## R. Deferred Outflows of Resources

In accordance with GASB Statement No. 68 & 71, payments made subsequent to the pension plan measurement date and other items as outlined in the GASB pronouncement have been recorded as deferred outflows of resources.

In accordance with GASB Statement No. 75, payments made subsequent to the total OPEB liability measurement date, and other items as outlined in the GASB pronouncement have been recorded as deferred outflows of resources.

A summary of the deferred outflows of resources as of June 30, 2019 is as follows:

| Description                          | Beginning Balance    | Increases           | Decreases            | Ending Balance       |
|--------------------------------------|----------------------|---------------------|----------------------|----------------------|
| Governmental activities:             |                      |                     |                      |                      |
| Pension related                      | \$ 18,165,133        | \$ 5,963,172        | \$ 8,992,117         | \$ 15,136,188        |
| OPEB related                         | 111,622              | 79,116              | 111,622              | 79,116               |
| Total governmental activities        | <u>18,276,755</u>    | <u>6,042,288</u>    | <u>9,103,739</u>     | <u>15,215,304</u>    |
| Business type activities             |                      |                     |                      |                      |
| Pension related                      | 1,367,392            | 657,859             | 942,331              | 1,082,920            |
| OPEB related                         | -                    | 5,272               | -                    | 5,272                |
| Total business type activities       | <u>1,367,392</u>     | <u>663,131</u>      | <u>942,331</u>       | <u>1,088,192</u>     |
| Total Deferred Outflows of Resources | <u>\$ 19,644,147</u> | <u>\$ 6,705,419</u> | <u>\$ 10,046,070</u> | <u>\$ 16,303,496</u> |

Future amortization of deferred outflows is as follows:

| Governmental Activities |                      |                  |                      |
|-------------------------|----------------------|------------------|----------------------|
| Year Ending June 30,    | Pension Related      | OPEB Related     | Total                |
| 2020                    | \$ 8,746,350         | \$ 79,116        | \$ 8,825,466         |
| 2021                    | 3,321,434            | -                | 3,321,434            |
| 2022                    | 2,916,495            | -                | 2,916,495            |
| 2023                    | 151,909              | -                | 151,909              |
| Total                   | <u>\$ 15,136,188</u> | <u>\$ 79,116</u> | <u>\$ 15,215,304</u> |

| Business Type Activities |                     |                 |                     |
|--------------------------|---------------------|-----------------|---------------------|
| Year Ending June 30,     | Pension Related     | OPEB Related    | Total               |
| 2020                     | \$ 674,785          | \$ 5,272        | \$ 680,057          |
| 2021                     | 236,693             | -               | 236,693             |
| 2022                     | 125,427             | -               | 125,427             |
| 2023                     | 46,015              | -               | 46,015              |
| Total                    | <u>\$ 1,082,920</u> | <u>\$ 5,272</u> | <u>\$ 1,088,192</u> |

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

## S. Deferred Inflows of Resources

In accordance with GASB Statement No. 68 & 71, items as outlined in the GASB pronouncement have been recorded as deferred inflows of resources.

In accordance with GASB Statement No. 75, items as outlined in the GASB pronouncement have been recorded as deferred inflows of resources.

A summary of the deferred outflows of resources as of June 30, 2019 is as follows:

| Description                          | Beginning Balance   | Increases           | Decreases           | Ending Balance      |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Governmental activities:             |                     |                     |                     |                     |
| Pension related                      | \$ 5,843,197        | \$ 6,558,652        | \$ 4,209,351        | \$ 8,192,498        |
| OPEB related                         | -                   | 73,799              | -                   | 73,799              |
| Total governmental activities        | <u>5,843,197</u>    | <u>6,632,451</u>    | <u>4,209,351</u>    | <u>8,266,297</u>    |
| Business type activities             |                     |                     |                     |                     |
| Pension related                      | 666,369             | 224,638             | 605,878             | 285,129             |
| OPEB related                         | -                   | 4,921               | -                   | 4,921               |
| Total business type activities       | <u>666,369</u>      | <u>229,559</u>      | <u>605,878</u>      | <u>290,050</u>      |
| Total Deferred Outflows of Resources | <u>\$ 6,509,566</u> | <u>\$ 6,862,010</u> | <u>\$ 4,815,229</u> | <u>\$ 8,556,347</u> |

Future amortization of deferred inflows is as follows:

| Governmental Activities |                     |                  |                     |
|-------------------------|---------------------|------------------|---------------------|
| Year Ending June 30,    | Pension Related     | OPEB Related     | Total               |
| 2020                    | \$ 2,761,029        | \$ 6,709         | \$ 2,767,738        |
| 2021                    | 2,642,527           | 6,709            | 2,649,236           |
| 2022                    | 2,483,396           | 6,709            | 2,490,105           |
| 2023                    | 1,311,726           | 6,709            | 1,318,435           |
| 2024                    | -                   | 6,709            | 6,709               |
| Thereafter              | -                   | 40,254           | 40,254              |
| Total                   | <u>\$ 9,198,678</u> | <u>\$ 73,799</u> | <u>\$ 9,272,477</u> |

| Business Type Activities |                   |                 |                   |
|--------------------------|-------------------|-----------------|-------------------|
| Year Ending June 30,     | Pension Related   | OPEB Related    | Total             |
| 2020                     | \$ 218,222        | \$ 447          | \$ 218,669        |
| 2021                     | 167,469           | 447             | 167,916           |
| 2022                     | 106,698           | 447             | 107,145           |
| 2023                     | 44,926            | 447             | 45,373            |
| 2024                     | -                 | 447             | 447               |
| Thereafter               | -                 | 2,686           | 2,686             |
| Total                    | <u>\$ 537,315</u> | <u>\$ 4,921</u> | <u>\$ 542,236</u> |

# Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

## T. Restatement of Beginning Net Position

The beginning net position for the governmental activities, the business type activities, and the childcare enterprise fund have been restated to correct errors identified in prior year reporting. The following errors were noted and corrected in these restatements:

- Proportionate share of the net pension liability was calculated in error using the contributions of a different school district located one line different from the Solana Beach School District on schedules. The error resulted in misstatements of net pension liability and related deferred outflows and deferred inflows of resources.
- Total OPEB liability was not properly allocated between governmental and business type activities. The result was an overstatement of total OPEB liability in the governmental activities and an understatement of total OPEB liability in the business type activities and childcare enterprise fund.
- Capital assets reported were not in agreement with District maintained depreciation schedules and work in progress schedules. The result was an overstatement of capital assets in the governmental activities.
- Special tax bonds associated with blended component units were excluded from the financial statements. The result was an understatement in long-term liabilities.

The table below presents the adjustments to beginning net position:

|   | Governmental<br>Activities | Business Type<br>Activities  | Total                |
|---|----------------------------|------------------------------|----------------------|
| Prior Year Audit Report Ending Net Position | \$ 134,891,551             | \$ (601,920)                 | \$ 134,289,631       |
| Adjustments for:                            |                            |                              |                      |
| Corrections to Capital Assets, Net          | (2,170,980)                | -                            | (2,170,980)          |
| Corrections to include Special Tax Bonds    | (36,069,615)               | -                            | (36,069,615)         |
| Corrections to Total OPEB Liability         | 515,817                    | (515,817)                    | -                    |
| Corrections to Net Pension Liability        | (4,968,020)                | (164,010)                    | (5,132,030)          |
| Corrections to Deferred Outflows            | 4,349,588                  | 233,704                      | 4,583,292            |
| Corrections to Deferred Inflows             | (2,107,396)                | (555,112)                    | (2,662,508)          |
| Total Adjustments                           | <u>(40,450,606)</u>        | <u>(1,001,235)</u>           | <u>(41,451,841)</u>  |
| Beginning Net Position, As Restated         | <u>\$ 94,440,945</u>       | <u>\$ (1,603,155)</u>        | <u>\$ 92,837,790</u> |
|   |                            | Childcare<br>Enterprise Fund |                      |
| Prior Year Audit Report Ending Net Position | \$ (601,920)               |                              |                      |
| Adjustments for:                            |                            |                              |                      |
| Corrections to Total OPEB Liability         | (515,817)                  |                              |                      |
| Corrections to Net Pension Liability        | (164,010)                  |                              |                      |
| Corrections to Deferred Outflows            | 233,704                    |                              |                      |
| Corrections to Deferred Inflows             | (555,112)                  |                              |                      |
| Total Adjustments                           | <u>(1,001,235)</u>         |                              |                      |
| Beginning Net Position, As Restated         | <u>\$ (1,603,155)</u>      |                              |                      |

## Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2019

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### U. Upcoming Accounting Guidance

The District will adopt accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2020. Those newly implemented pronouncements are as follows:

1. GASB 84 – Fiduciary Activities

The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District expects adjustments to be made to the financial statements resulting from the implementation of this GASB Statement but does not expect the adjustments to be material to the financial statements.

2. GASB 90 – Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or a permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. The statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in financial statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The District does not currently hold any equity interests in legally separate organizations and as such does not anticipate any adjustments to be made to the financial statements as a result of implementing this GASB Statement.

Required Supplementary Information

# Solana Beach School District

## Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2019

|  | Budgeted Amounts     |                      |                      | Variance to<br>Final Budget<br>Positive<br>(Negative) |
|--|----------------------|----------------------|----------------------|---|
|  | Original             | Final                | Actual               |   |
| <b>Revenues</b>                                      |                      |                      |                      |   |
| LCFF Sources   |                      |                      |                      |   |
| State Apportionment                                  | \$ 1,663,990         | \$ 1,662,832         | \$ 1,663,802         | \$ 970  |
| Education Protection Account                         | 586,016              | 564,840              | 565,466              | 626   |
| Property Taxes                                       | 37,667,429           | 38,167,273           | 38,530,260           | 362,987   |
| Federal Revenue                                      | 739,105              | 689,661              | 660,372              | (29,289)  |
| Other State Revenue                                  | 4,110,587            | 3,754,744            | 5,241,586            | 1,486,842   |
| Interest Income                                      | 184,000              | 351,453              | 308,870              | (42,583)  |
| Other Local Revenue                                  | 1,242,852            | 1,692,010            | 2,073,396            | 381,386   |
| Total Revenues                                       | <u>46,193,979</u>    | <u>46,882,813</u>    | <u>49,043,752</u>    | <u>2,160,939</u>                                      |
| <b>Expenditures</b>                                  |                      |                      |                      |   |
| Current Expenditures:                                |                      |                      |                      |   |
| Certificated Salaries                                | 21,980,796           | 22,301,211           | 22,673,323           | (372,112)   |
| Classified Salaries                                  | 7,310,482            | 6,810,219            | 6,785,807            | 24,412  |
| Employee Benefits                                    | 12,753,342           | 13,356,813           | 14,615,818           | (1,259,005)   |
| Books and Supplies                                   | 1,103,115            | 2,865,862            | 1,850,780            | 1,015,082   |
| Services and Other Operating                         | 5,211,584            | 5,801,108            | 5,331,671            | 469,437   |
| Capital Outlay                                       | 215,000              | 598,949              | 556,157              | 42,792  |
| Total Expenditures                                   | <u>48,574,319</u>    | <u>51,734,162</u>    | <u>51,813,556</u>    | <u>(79,394)</u>                                       |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>(2,380,340)</u>   | <u>(4,851,349)</u>   | <u>(2,769,804)</u>   | <u>2,081,545</u>                                      |
| <b>Other Financing Sources (Uses)</b>                |                      |                      |                      |   |
| Transfers Out  | <u>(360,000)</u>     | <u>(211,000)</u>     | <u>(271,706)</u>     | <u>(60,706)</u>                                       |
| Net Financing Sources (Uses)                         | <u>(360,000)</u>     | <u>(211,000)</u>     | <u>(271,706)</u>     | <u>(60,706)</u>                                       |
| <b>Net Change in Fund Balance</b>                    | <u>(2,740,340)</u>   | <u>(5,062,349)</u>   | <u>(3,041,510)</u>   | <u>2,020,839</u>                                      |
| <b>Fund Balance - Beginning of Year</b>              | <u>17,992,261</u>    | <u>17,992,261</u>    | <u>17,992,261</u>    | <u>-</u>  |
| <b>Fund Balance - End of Year</b>                    | <u>\$ 15,251,921</u> | <u>\$ 12,929,912</u> | <u>\$ 14,950,751</u> | <u>\$ 2,020,839</u>                                   |

See Accompanying Notes to Required Supplementary Information

## Solana Beach School District

### Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS

Last Ten Fiscal Years\*

|  | Fiscal Year          |                      |                      |                      |                      |            |            |            |            |            |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|------------|------------|------------|------------|------------|
|  | 2019                 | 2018                 | 2017                 | 2016                 | 2015                 | 2014       | 2013       | 2012       | 2011       | 2010       |
| District's proportion of the net pension liability (asset)   | 0.0382%              | 0.0431%              | 0.0398%              | 0.0405%              | 0.0392%              | N/A        | N/A        | N/A        | N/A        | N/A        |
| District's proportionate share of the net pension liability (asset)  | \$ 35,112,149        | \$ 39,965,339        | \$ 32,309,341        | \$ 27,564,208        | \$ 23,224,027        | N/A        | N/A        | N/A        | N/A        | N/A        |
| State's proportionate share of the net pension liability (asset) associated with the District              | 20,177,262           | 23,733,206           | 18,482,164           | 14,676,613           | 14,140,544           | N/A        | N/A        | N/A        | N/A        | N/A        |
| <b>Total</b>   | <b>\$ 55,289,411</b> | <b>\$ 63,698,545</b> | <b>\$ 50,791,505</b> | <b>\$ 42,240,821</b> | <b>\$ 37,364,571</b> | <b>N/A</b> | <b>N/A</b> | <b>N/A</b> | <b>N/A</b> | <b>N/A</b> |
| District's covered payroll**   | \$ 20,289,134        | \$ 22,778,553        | \$ 19,775,312        | \$ 18,716,295        | \$ 17,391,830        | N/A        | N/A        | N/A        | N/A        | N/A        |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 173.06%              | 175.45%              | 163.38%              | 147.27%              | 133.53%              | N/A        | N/A        | N/A        | N/A        | N/A        |
| Plan fiduciary net position as a percentage of the total pension   | 70.99%               | 69.46%               | 70.04%               | 74.02%               | 76.52%               | N/A        | N/A        | N/A        | N/A        | N/A        |

\*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

\*\*Covered payroll on this schedule is based on measurement date, as such covered payroll represented for each fiscal year is the covered payroll from the prior year as identified on the schedule of contributions.

See Accompanying Notes to Required Supplementary Information



# Solana Beach School District

## Schedule of the District's Contributions - CalSTRS

Last Ten Fiscal Years\*

|  | Fiscal Year   |               |               |               |               |      |      |      |      |      |
|--|---------------|---------------|---------------|---------------|---------------|------|------|------|------|------|
|  | 2019          | 2018          | 2017          | 2016          | 2015          | 2014 | 2013 | 2012 | 2011 | 2010 |
| Contractually required contribution                                  | \$ 3,484,212  | \$ 2,927,722  | \$ 2,874,486  | \$ 2,129,575  | \$ 1,680,128  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Contributions in relation to the contractually required contribution | (3,484,212)   | (2,927,722)   | (2,874,486)   | (2,129,575)   | (1,680,128)   | N/A  | N/A  | N/A  | N/A  | N/A  |
| Contribution deficiency (excess)                                     | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | N/A  | N/A  | N/A  | N/A  | N/A  |
| District's covered payroll**   | \$ 21,390,319 | \$ 20,289,134 | \$ 22,778,553 | \$ 19,775,312 | \$ 18,716,295 | N/A  | N/A  | N/A  | N/A  | N/A  |
| Contributions as a percentage of covered payroll                     | 16.29%        | 14.43%        | 12.62%        | 10.77%        | 8.98%         | N/A  | N/A  | N/A  | N/A  | N/A  |

\*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

\*\*Covered payroll on this schedule is based on the fiscal year.

See Accompanying Notes to Required Supplementary Information

## Solana Beach School District

### Schedule of the District's Proportionate Share of the Net Pension Liability – CalPERS

Last Ten Fiscal Years\*

|  | Fiscal Year   |               |               |              |              |      |      |      |      |      |
|--|---------------|---------------|---------------|--------------|--------------|------|------|------|------|------|
|  | 2019          | 2018          | 2017          | 2016         | 2015         | 2014 | 2013 | 2012 | 2011 | 2010 |
| District's proportion of the net pension liability (asset)   | 0.0629%       | 0.0633%       | 0.0587%       | 0.0616%      | 0.0591%      | N/A  | N/A  | N/A  | N/A  | N/A  |
| District's proportionate share of the net pension liability (asset)  | \$ 16,770,853 | \$ 15,106,367 | \$ 11,587,365 | \$ 9,075,909 | \$ 6,710,724 | N/A  | N/A  | N/A  | N/A  | N/A  |
| District's covered payroll**   | \$ 8,386,691  | \$ 8,127,362  | \$ 7,104,743  | \$ 6,847,311 | \$ 4,754,947 | N/A  | N/A  | N/A  | N/A  | N/A  |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 199.97%       | 185.87%       | 163.09%       | 132.55%      | 141.13%      | N/A  | N/A  | N/A  | N/A  | N/A  |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 70.85%        | 71.87%        | 73.90%        | 79.43%       | 83.38%       | N/A  | N/A  | N/A  | N/A  | N/A  |

\*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

\*\*Covered payroll on this schedule is based on measurement date, as such covered payroll represented for each fiscal year is the covered payroll from the prior year as identified on the schedule of contributions.

See Accompanying Notes to Required Supplementary Information

# Solana Beach School District

## Schedule of the District's Contributions - CalPERS

Last Ten Fiscal Years\*

|  | Fiscal Year  |              |              |              |              |      |      |      |      |      |
|--|--------------|--------------|--------------|--------------|--------------|------|------|------|------|------|
|  | 2019         | 2018         | 2017         | 2016         | 2015         | 2014 | 2013 | 2012 | 2011 | 2010 |
| Contractually required contribution                                  | \$ 1,652,228 | \$ 1,302,537 | \$ 1,128,728 | \$ 841,699   | \$ 805,997   | N/A  | N/A  | N/A  | N/A  | N/A  |
| Contributions in relation to the contractually required contribution | (1,652,228)  | (1,302,537)  | (1,128,728)  | (841,699)    | (805,997)    | N/A  | N/A  | N/A  | N/A  | N/A  |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | N/A  | N/A  | N/A  | N/A  | N/A  |
| District's covered payroll**   | \$ 9,147,537 | \$ 8,386,691 | \$ 8,127,362 | \$ 7,104,743 | \$ 6,847,311 | N/A  | N/A  | N/A  | N/A  | N/A  |
| Contributions as a percentage of covered payroll                     | 18.062%      | 15.531%      | 13.888%      | 11.847%      | 11.771%      | N/A  | N/A  | N/A  | N/A  | N/A  |

\*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

\*\*Covered payroll on this schedule is based on the fiscal year.

## Solana Beach School District

### Schedule of the District's Total OPEB Liability and Related Ratios – SBSB Retirement Health Benefits Last Ten Fiscal Years\*

|  | Fiscal Year         |                     |            |            |            |            |            |            |            |            |
|--|---------------------|---------------------|------------|------------|------------|------------|------------|------------|------------|------------|
|  | 2019                | 2018                | 2017       | 2016       | 2015       | 2014       | 2013       | 2012       | 2011       | 2010       |
| Total OPEB liability:                                      |                     |                     |            |            |            |            |            |            |            |            |
| Service cost   | \$ 673,195          | \$ 651,059          | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        |
| Interest   | 308,839             | 283,363             | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        |
| Changes of benefit terms                                   | -                   | -                   | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        |
| Differences between expected<br>and actual experience      | -                   | -                   | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        |
| Changes of assumptions                                     | (78,720)            | -                   | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        |
| Benefit payments   | (212,310)           | (202,200)           | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        |
| Net change in total OPEB<br>liability                      | 691,004             | 732,222             | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        |
| Total OPEB liability - beginning                           | 8,516,468           | 7,784,246           | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        |
| Total OPEB liability - ending                              | <u>\$ 9,207,472</u> | <u>\$ 8,516,468</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Covered payroll  | 23,581,000          | 23,581,000          | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        |
| Total OPEB liability as a<br>percentage of covered payroll | 39.05%              | 36.12%              | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        |

\*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See Accompanying Notes to Required Supplementary Information

# Solana Beach School District

Notes to Required Supplementary Information  
For the Year Ended June 30, 2019

## Budgetary Comparison Schedule – General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District’s Deferred Maintenance Fund (Fund 14), Special Reserve Fund for Other than Capital Outlay (Fund 17), and Special Reserve Fund for Postemployment Benefits (Fund 20) were included with the general fund as those funds did not meet the definition of special revenue funds under GASB Statement No. 54. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only. Below is a table reconciling between the General Fund as reported in the Basic Financial Statements and the General Fund as reported in the Budgetary Comparison Schedule.

|   |                       |
|---|-----------------------|
| General Fund - Basic Financial Statements Ending Fund Balance           | \$ 23,729,502         |
| Less Fund 14 Fund Balance   | (136,184)             |
| Less Fund 17 Fund Balance   | (5,549,501)           |
| Less Fund 20 Fund Balance   | <u>(3,093,066)</u>    |
| General Fund - Budgetary Comparison Schedule Ending Fund Balance        | <u>\$ 14,950,751</u>  |
| <br>  |                       |
| General Fund - Basic Financial Statements Net Change in Fund Balance    | \$ (2,773,676)        |
| Less Fund 14 Net Change in Fund Balance                                 | (114,512)             |
| Less Fund 17 Net Change in Fund Balance                                 | (98,449)              |
| Less Fund 20 Net Change in Fund Balance                                 | <u>(54,873)</u>       |
| General Fund - Budgetary Comparison Schedule Net Change in Fund Balance | <u>\$ (3,041,510)</u> |

## Excess of Expenditures Over Appropriations

As of June 30, 2019, expenditures exceeded appropriations in individual budgeted funds as follows:

| <u>Appropriations Category</u> | <u>Excess Expenditures</u> | <u>Reason for Excess Expenditures</u>  |
|--------------------------------|----------------------------|--|
| General Fund:                  |                            |  |
| Certificated Salaries          | \$ 372,112                 | The District underestimated salary increases due to hiring new staff in excess of anticipation.  |
| Employee Benefits              | \$ 1,259,005               | The District was not able to budget for increases to CalSTRS and CalPERS pension on behalf payments that resulted from SB90 passed on June 28, 2019. |

Amounts in excess of appropriations were not considered a violation of any laws, regulations, contracts or grant agreements and did not have a direct or material effect on the financial statements.

## Solana Beach School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2019

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### Schedule of District's Proportionate Share – CalSTRS

1. Benefit Changes: There were no changes to benefits in 2015, 2016, 2017, 2018 and 2019.
2. Changes in Assumptions: There were no changes to assumptions in 2015, 2016, 2017 and 2019. In 2018 there was a change in discount rate from 7.60% to 7.10%.

### Schedule of District's Contributions – CalSTRS

The total pension liability for California State Teachers' Retirement System (CalSTRS) was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2013, 2014, 2015, 2016 and 2017 and rolling forward the total pension liabilities to the June 30, 2014, 2015, 2016, 2017 and 2018 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

| <u>Reporting Period</u>           | <u>June 30, 2015</u> | <u>June 30, 2016</u> | <u>June 30, 2017</u> |
|-----------------------------------|----------------------|----------------------|----------------------|
| Measurement Date                  | 06/30/14             | 06/30/15             | 06/30/16             |
| Valuation Date                    | 06/30/13             | 06/30/14             | 06/30/15             |
| Experience Study                  | 07/01/06 - 06/30/10  | 07/01/06 - 06/30/10  | 07/01/06 - 06/30/10  |
| Actuarial Cost Method             | Entry Age Normal     | Entry Age Normal     | Entry Age Normal     |
| Investment Rate of Return         | 7.60%                | 7.60%                | 7.60%                |
| Consumer Price Inflation          | 3.00%                | 3.00%                | 3.00%                |
| Wage Growth (Average)             | 3.75%                | 3.75%                | 3.75%                |
| Post-retirement Benefit Increases | 2.00% Simple         | 2.00% Simple         | 2.00% Simple         |

| <u>Reporting Period</u>           | <u>June 30, 2018</u> | <u>June 30, 2019</u> |
|-----------------------------------|----------------------|----------------------|
| Measurement Date                  | 06/30/17             | 06/30/18             |
| Valuation Date                    | 06/30/16             | 06/30/17             |
| Experience Study                  | 07/01/06 - 06/30/15  | 07/01/06 - 06/30/15  |
| Actuarial Cost Method             | Entry Age Normal     | Entry Age Normal     |
| Investment Rate of Return         | 7.10%                | 7.10%                |
| Consumer Price Inflation          | 2.75%                | 2.75%                |
| Wage Growth (Average)             | 3.50%                | 3.50%                |
| Post-retirement Benefit Increases | 2.00% Simple         | 2.00% Simple         |

CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015 experience study adopted by the CalSTRS board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among CalSTRS members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries. Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on the CalSTRS website.

## Solana Beach School District

Notes to Required Supplementary Information, Continued  
For the Year Ended June 30, 2019

### Schedule of District's Proportionate Share – CalPERS

1. Benefit Changes: There were no changes to benefits in 2015, 2016, 2017, 2018 and 2019.
2. Changes in Assumptions. There were no changes in assumptions in 2015 and 2017. In 2016 the discount rate was changed from 7.50% to 7.65%. In 2018 the discount rate was changed from 7.65% to 7.15%. In 2019, demographic assumptions and inflation rate were changed in accordance to the CalPERS experience study and review of actuarial assumptions published December 2017, there were no changes to the discount rate in this period.

### Schedule of District's Contributions – CalPERS

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, 2014, 2015, 2016 and 2017 and rolling forward the total pension liabilities to June 30, 2014, 2015, 2016, 2017 and 2018 (measurement dates). The financial reporting actuarial valuation as of June 30, 2014, 2015, 2016, 2017 and 2018 (measurement dates) used the following actuarial methods and assumptions, applied to all periods included in the measurement:

| <u>Reporting Period</u>           | <u>June 30, 2015</u> | <u>June 30, 2016</u> | <u>June 30, 2017</u> |
|-----------------------------------|----------------------|----------------------|----------------------|
| Measurement Date                  | 06/30/14             | 06/30/15             | 06/30/16             |
| Valuation Date                    | 06/30/13             | 06/30/14             | 06/30/15             |
| Experience Study                  | 07/01/97 - 06/30/11  | 07/01/97 - 06/30/11  | 07/01/97 - 06/30/11  |
| Actuarial Cost Method             | Entry Age Normal     | Entry Age Normal     | Entry Age Normal     |
| Investment Rate of Return         | 7.50%                | 7.65%                | 7.65%                |
| Consumer Price Inflation          | 2.75%                | 2.75%                | 2.75%                |
| Wage Growth (Average)             | 3.00%                | 3.00%                | 3.00%                |
| Post-retirement Benefit Increases | 2.00% Simple         | 2.00% Simple         | 2.00% Simple         |

| <u>Reporting Period</u>           | <u>June 30, 2018</u> | <u>June 30, 2019</u> |
|-----------------------------------|----------------------|----------------------|
| Measurement Date                  | 06/30/17             | 06/30/18             |
| Valuation Date                    | 06/30/16             | 06/30/17             |
| Experience Study                  | 07/01/97 - 06/30/11  | 07/01/97 - 06/30/15  |
| Actuarial Cost Method             | Entry Age Normal     | Entry Age Normal     |
| Investment Rate of Return         | 7.15%                | 7.50%                |
| Consumer Price Inflation          | 2.75%                | 2.50%                |
| Wage Growth (Average)             | 3.00%                | 3.00%                |
| Post-retirement Benefit Increases | 2.00% Simple         | 2.00% Simple         |

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the December 2017 experience study report (based on demographic data from 1997 to 2015) available on the CalPERS website.

# Solana Beach School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2019

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

1. Benefit Changes: There were no benefit changes in 2018 and 2019.
2. Changes in Assumptions: There were no changes in assumptions in 2018. Changes in assumptions for the fiscal year ended June 30, 2019 included an increase in the discount rate from 3.40% to 3.50% based on the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO AA 20 Year Bond Index.
3. No assets are accumulated in a trust that meets the criteria in GASB No. 75 Paragraph 4.
4. The following are the discount rates used for each period:

| <u>Year</u> | <u>Discount Rate</u> |
|-------------|----------------------|
| 2018        | 3.40%                |
| 2019        | 3.50%                |



## Combining Statements as Supplementary Information

# Solana Beach School District

## Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2019

|                                      | Special<br>Revenue Funds | Capital Projects<br>Funds | Debt<br>Servie<br>Funds | Total Nonmajor<br>Governmental<br>Funds |
|--------------------------------------|--------------------------|---------------------------|-------------------------|---|
| <b>Assets</b>                        |                          |                           |                         |   |
| Cash in County Treasury              | \$ 1,293,556             | \$ 19,316,376             | \$ 9,156,722            | \$ 29,766,654                           |
| Cash in Revolving Fund               | 450                      | -                         | -                       | 450                                     |
| Accounts Receivable                  | 148,184                  | 119,825                   | -                       | 268,009                                 |
| Due from Other Funds                 | 35,159                   | 30,000                    | 230                     | 65,389                                  |
| Stores Inventories                   | 16,469                   | -                         | -                       | 16,469                                  |
| Total Assets                         | <u>\$ 1,493,818</u>      | <u>\$ 19,466,201</u>      | <u>\$ 9,156,952</u>     | <u>\$ 30,116,971</u>                    |
| <b>Liabilities and Fund Balance:</b> |                          |                           |                         |   |
| Liabilities:                         |                          |                           |                         |   |
| Accounts Payable                     | \$ 36,326                | \$ 27,320                 | \$ -                    | \$ 63,646                               |
| Due to Other Funds                   | 189,385                  | 25,813                    | -                       | 215,198                                 |
| Unearned Revenue                     | 61,168                   | -                         | -                       | 61,168                                  |
| Total Liabilities                    | <u>286,879</u>           | <u>53,133</u>             | <u>-</u>                | <u>340,012</u>                          |
| Fund Balance:                        |                          |                           |                         |   |
| Nonspendable                         | 16,469                   |                           |                         | 16,469                                  |
| Restricted                           | 1,190,470                | 17,538,142                | 9,156,952               | 27,885,564                              |
| Assigned                             | -                        | 1,874,926                 |                         | 1,874,926                               |
| Total Fund Balance                   | <u>1,206,939</u>         | <u>19,413,068</u>         | <u>9,156,952</u>        | <u>29,776,959</u>                       |
| Total Liabilities and Fund Balances  | <u>\$ 1,493,818</u>      | <u>\$ 19,466,201</u>      | <u>\$ 9,156,952</u>     | <u>\$ 30,116,971</u>                    |

# Solana Beach School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2019

|  | Special<br>Revenue<br>Funds | Capital<br>Project<br>Funds | Debt<br>Service<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------------------|-----------------------------|--------------------------|--|
| <b>Revenues</b>  |                             |                             |                          |  |
| Property Taxes   | \$ -                        | \$ -                        | \$ 4,662,455             | \$ 4,662,455                               |
| Federal Revenue  | 239,422                     | -                           | -                        | 239,422                                    |
| Other State Revenue  | 62,177                      | -                           | 16,327                   | 78,504                                     |
| Interest Income  | 19,395                      | 314,273                     | 70,422                   | 404,090                                    |
| Other Local Revenue  | 1,382,122                   | 764,713                     | 46,052                   | 2,192,887                                  |
| Total Revenues   | <u>\$ 1,703,116</u>         | <u>\$ 1,078,986</u>         | <u>\$ 4,795,256</u>      | <u>\$ 7,577,358</u>                        |
| <b>Expenditures</b>  |                             |                             |                          |  |
| Current Expenditures:  |                             |                             |                          |  |
| Instruction  | 671,424                     | -                           | -                        | 671,424                                    |
| Pupil Services   | 1,195,477                   | -                           | -                        | 1,195,477                                  |
| General Administration                                       | -                           | 440                         | -                        | 440  |
| Plant Services   | 1,042                       | 73,361                      | -                        | 74,403                                     |
| Capital Outlay   | 62,127                      | 5,968                       | -                        | 68,095                                     |
| Debt Service:  |                             |                             |                          |  |
| Principal  | -                           | -                           | 5,405,000                | 5,405,000                                  |
| Interest   | -                           | -                           | 3,555,581                | 3,555,581                                  |
| Total Expenditures   | <u>1,930,070</u>            | <u>79,769</u>               | <u>8,960,581</u>         | <u>10,970,420</u>                          |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(226,954)</u>            | <u>999,217</u>              | <u>(4,165,325)</u>       | <u>(3,393,062)</u>                         |
| <b>Other Financing Sources (Uses):</b>                       |                             |                             |                          |  |
| Transfers In   | 271,706                     | -                           | 4,961,813                | 5,233,519                                  |
| Transfers Out  | -                           | -                           | (2,543,877)              | (2,543,877)                                |
| Proceeds from Sale of Bonds                                  | -                           | -                           | 3,762,330                | 3,762,330                                  |
| Total Other Financing Sources (Uses)                         | <u>271,706</u>              | <u>-</u>                    | <u>6,180,266</u>         | <u>6,451,972</u>                           |
| Net Change in Fund Balance                                   | 44,752                      | 999,217                     | 2,014,941                | 3,058,910                                  |
| Fund Balance, Beginning of Year                              | 1,162,187                   | 18,413,851                  | 7,142,011                | 26,718,049                                 |
| Fund Balance, End of Year                                    | <u>\$ 1,206,939</u>         | <u>\$ 19,413,068</u>        | <u>\$ 9,156,952</u>      | <u>\$ 29,776,959</u>                       |

# Solana Beach School District

## Combining Balance Sheet – Nonmajor Special Revenue Funds

June 30, 2019

|                                      | Cafeteria<br>Fund | Foundation<br>Special<br>Revenue Fund | Total Nonmajor<br>Special<br>Revenue Funds |
|--------------------------------------|-------------------|---------------------------------------|--|
| <b>Assets</b>                        |                   |                                       |  |
| Cash in County Treasury              | \$ 74,739         | \$ 1,218,817                          | \$ 1,293,556                               |
| Cash in Revolving Fund               | 450               | -                                     | 450  |
| Accounts Receivable                  | 73,146            | 75,038                                | 148,184                                    |
| Due from Other Funds                 | 6,918             | 28,241                                | 35,159                                     |
| Stores Inventories                   | 16,469            | -                                     | 16,469                                     |
| Total Assets                         | <u>\$ 171,722</u> | <u>\$ 1,322,096</u>                   | <u>\$ 1,493,818</u>                        |
| <b>Liabilities and Fund Balance:</b> |                   |                                       |  |
| Liabilities:                         |                   |                                       |  |
| Accounts Payable                     | \$ 29,749         | \$ 6,577                              | \$ 36,326                                  |
| Due to Other Funds                   | 63,464            | 125,921                               | 189,385                                    |
| Unearned Revenue                     | 61,168            | -                                     | 61,168                                     |
| Total Liabilities                    | <u>154,381</u>    | <u>132,498</u>                        | <u>286,879</u>                             |
| Fund Balance:                        |                   |                                       |  |
| Nonspendable                         | 16,469            | -                                     | 16,469                                     |
| Restricted                           | 872               | 1,189,598                             | 1,190,470                                  |
| Total Fund Balance                   | <u>17,341</u>     | <u>1,189,598</u>                      | <u>1,206,939</u>                           |
| Total Liabilities and Fund Balances  | <u>\$ 171,722</u> | <u>\$ 1,322,096</u>                   | <u>\$ 1,493,818</u>                        |

## Solana Beach School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2019

|  | Cafeteria<br>Fund | Foundation<br>Special<br>Revenue Fund | Total<br>Nonmajor<br>Special<br>Revenue<br>Funds |
|--|-------------------|---------------------------------------|--|
| <b>Revenues</b>  |                   |                                       |  |
| Federal Revenue  | \$ 239,422        | \$ -                                  | \$ 239,422                                       |
| Other State Revenue  | 37,644            | 24,533                                | 62,177   |
| Interest Income  | 1,170             | 18,225                                | 19,395   |
| Other Local Revenue  | 650,973           | 731,149                               | 1,382,122  |
| Total Revenues   | <u>\$ 929,209</u> | <u>\$ 773,907</u>                     | <u>\$ 1,703,116</u>                              |
| <b>Expenditures</b>  |                   |                                       |  |
| Current Expenditures:  |                   |                                       |  |
| Instruction  | -                 | 671,424                               | 671,424  |
| Pupil Services   | 1,193,862         | 1,615                                 | 1,195,477  |
| Plant Services   | -                 | 1,042                                 | 1,042  |
| Capital Outlay   | -                 | 62,127                                | 62,127   |
| Total Expenditures   | <u>1,193,862</u>  | <u>736,208</u>                        | <u>1,930,070</u>                                 |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(264,653)</u>  | <u>37,699</u>                         | <u>(226,954)</u>                                 |
| <b>Other Financing Sources (Uses):</b>                       |                   |                                       |  |
| Transfers In   | 271,706           | -                                     | 271,706  |
| Total Other Financing Sources (Uses)                         | <u>271,706</u>    | <u>-</u>                              | <u>271,706</u>                                   |
| Net Change in Fund Balance                                   | 7,053             | 37,699                                | 44,752   |
| Fund Balance, Beginning of Year                              | 10,288            | 1,151,899                             | 1,162,187  |
| Fund Balance, End of Year                                    | <u>\$ 17,341</u>  | <u>\$ 1,189,598</u>                   | <u>\$ 1,206,939</u>                              |

# Solana Beach School District

## Combining Balance Sheet – Nonmajor Capital Projects Funds

June 30, 2019

|                                      | Capital<br>Facilities<br>Fund | County School<br>Facilities<br>Fund | Special<br>Reserve Fund<br>for Capital<br>Outlay<br>Projects | Total<br>Nonmajor<br>Capital<br>Projects Funds |
|--------------------------------------|-------------------------------|-------------------------------------|--|--|
| <b>Assets</b>                        |                               |                                     |  |  |
| Cash in County Treasury              | \$ 651,451                    | \$ 11,795,778                       | \$ 6,869,147   | \$ 19,316,376                                  |
| Accounts Receivable                  | 11,260                        | 77,973                              | 30,592   | 119,825  |
| Due from Other Funds                 | -                             | -                                   | 30,000   | 30,000   |
| Total Assets                         | <u>\$ 662,711</u>             | <u>\$ 11,873,751</u>                | <u>\$ 6,929,739</u>  | <u>\$ 19,466,201</u>                           |
| <b>Liabilities and Fund Balance:</b> |                               |                                     |  |  |
| Liabilities:                         |                               |                                     |  |  |
| Accounts Payable                     | \$ -                          | \$ -                                | \$ 27,320  | \$ 27,320                                      |
| Due to Other Funds                   | -                             | -                                   | 25,813   | 25,813   |
| Total Liabilities                    | <u>-</u>                      | <u>-</u>                            | <u>53,133</u>  | <u>53,133</u>                                  |
| Fund Balance:                        |                               |                                     |  |  |
| Restricted                           | 662,711                       | 11,873,751                          | 5,001,680  | 17,538,142                                     |
| Assigned                             | -                             | -                                   | 1,874,926  | 1,874,926                                      |
| Total Fund Balance                   | <u>662,711</u>                | <u>11,873,751</u>                   | <u>6,876,606</u>   | <u>19,413,068</u>                              |
| Total Liabilities and Fund Balances  | <u>\$ 662,711</u>             | <u>\$ 11,873,751</u>                | <u>\$ 6,929,739</u>  | <u>\$ 19,466,201</u>                           |

## Solana Beach School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –  
 Nonmajor Capital Projects Funds  
 For the Year Ended June 30, 2019

|                                 | Capital<br>Facilities<br>Fund | County School<br>Facilities<br>Fund | Special<br>Reserve Fund<br>for Capital<br>Outlay<br>Projects | Total<br>Nonmajor<br>Capital<br>Projects Funds |
|---------------------------------|-------------------------------|-------------------------------------|--|--|
| <b>Revenues</b>                 |                               |                                     |  |  |
| Interest Income                 | \$ 10,026                     | \$ 210,578                          | \$ 93,669  | \$ 314,273                                     |
| Other Local Revenue             | 139,177                       | -                                   | 625,536  | 764,713  |
| Total Revenues                  | <u>\$ 149,203</u>             | <u>\$ 210,578</u>                   | <u>\$ 719,205</u>  | <u>\$ 1,078,986</u>                            |
| <b>Expenditures</b>             |                               |                                     |  |  |
| Current Expenditures:           |                               |                                     |  |  |
| General Administration          | 440                           | -                                   | -  | 440  |
| Plant Services                  | 4,688                         | -                                   | 68,673   | 73,361   |
| Capital Outlay                  | -                             | -                                   | 5,968  | 5,968  |
| Total Expenditures              | <u>5,128</u>                  | <u>-</u>                            | <u>74,641</u>  | <u>79,769</u>                                  |
| Net Change in Fund Balance      | 144,075                       | 210,578                             | 644,564  | 999,217  |
| Fund Balance, Beginning of Year | <u>518,636</u>                | <u>11,663,173</u>                   | <u>6,232,042</u>   | <u>18,413,851</u>                              |
| Fund Balance, End of Year       | <u>\$ 662,711</u>             | <u>\$ 11,873,751</u>                | <u>\$ 6,876,606</u>  | <u>\$ 19,413,068</u>                           |

# Solana Beach School District

## Combining Balance Sheet – Nonmajor Debt Service Funds

June 30, 2019

|                                      | Bond Interest<br>and<br>Redemption<br>Fund | Debt Service<br>Fund for<br>Blended<br>Component<br>Unit | Total<br>Nonmajor<br>Debt Service<br>Funds |
|--------------------------------------|--|--|--|
|                                      | <u>                    </u>                | <u>                    </u>                              | <u>                    </u>                |
| <b>Assets</b>                        |  |  |  |
| Cash in County Treasury              | \$ 9,156,722                               | \$ -   | \$ 9,156,722                               |
| Due from Other Funds                 | -  | 230  | 230  |
| Total Assets                         | <u>\$ 9,156,722</u>                        | <u>\$ 230</u>  | <u>\$ 9,156,952</u>                        |
| <br>                                 |  |  |  |
| <b>Liabilities and Fund Balance:</b> |  |  |  |
| Liabilities:                         |  |  |  |
| Total Liabilities                    | <u>\$ -</u>                                | <u>\$ -</u>  | <u>\$ -</u>                                |
| <br>                                 |  |  |  |
| Fund Balance:                        |  |  |  |
| Restricted                           | 9,156,722                                  | 230  | 9,156,952                                  |
| Total Fund Balance                   | <u>9,156,722</u>                           | <u>230</u>   | <u>9,156,952</u>                           |
| Total Liabilities and Fund Balances  | <u>\$ 9,156,722</u>                        | <u>\$ 230</u>  | <u>\$ 9,156,952</u>                        |



## Solana Beach School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –  
 Nonmajor Debt Service Funds  
 For the Year Ended June 30, 2019

|  | Bond Interest<br>and<br>Redemption<br>Fund | Debt Service<br>Fund for<br>Blended<br>Component<br>Unit | Total<br>Nonmajor<br>Debt Service<br>Funds |
|--|--|--|--|
| <b>Revenues</b>  |  |  |  |
| Property Taxes   | \$ 4,662,455                               | \$ -   | \$ 4,662,455                               |
| Other State Revenue  | 16,327                                     | -  | 16,327                                     |
| Interest Income  | 70,422                                     | -  | 70,422                                     |
| Other Local Revenue  | 207  | 45,845   | 46,052                                     |
| Total Revenues   | <u>\$ 4,749,411</u>                        | <u>\$ 45,845</u>   | <u>\$ 4,795,256</u>                        |
| <b>Expenditures</b>  |  |  |  |
| Debt Service:  |  |  |  |
| Principal  | 4,550,000                                  | 855,000  | 5,405,000                                  |
| Interest   | 1,946,800                                  | 1,608,781  | 3,555,581                                  |
| Total Expenditures   | <u>6,496,800</u>                           | <u>2,463,781</u>   | <u>8,960,581</u>                           |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(1,747,389)</u>                         | <u>(2,417,936)</u>                                       | <u>(4,165,325)</u>                         |
| <b>Other Financing Sources (Uses):</b>                       |  |  |  |
| Transfers In   | -  | 4,961,813  | 4,961,813                                  |
| Transfers Out  | -  | (2,543,877)  | (2,543,877)                                |
| Proceeds from Sale of Bonds                                  | 3,762,330                                  | -  | 3,762,330                                  |
| Total Other Financing Sources (Uses)                         | <u>3,762,330</u>                           | <u>2,417,936</u>   | <u>6,180,266</u>                           |
| Net Change in Fund Balance                                   | 2,014,941                                  | -  | 2,014,941                                  |
| Fund Balance, Beginning of Year                              | 7,141,781                                  | 230  | 7,142,011                                  |
| Fund Balance, End of Year                                    | <u>\$ 9,156,722</u>                        | <u>\$ 230</u>  | <u>\$ 9,156,952</u>                        |

## Other Supplementary Information

# Solana Beach School District

Local Education Agency Organization Structure

June 30, 2019

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The Solana Beach School District was established in 1887. The District boundaries include the City of Solana Beach and portions of the unincorporated area of San Diego County. There were no changes to the District's boundaries during the year. The District operates one preschool and seven elementary schools.

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## GOVERNING BOARD

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| <u>Name</u>            | <u>Office</u>  | <u>Term and Term Expiration</u>         |
|------------------------|----------------|---|
| Julie Union            | President      | Four Year Term<br>Expires November 2020 |
| Richard H. Leib        | Vice President | Four Year Term<br>Expires November 2020 |
| Debra H. Schade, Ph.D. | Clerk          | Four Year Term<br>Expires November 2022 |
| Vicki King             | Member         | Four Year Term<br>Expires November 2022 |
| Gaylin Allbaugh        | Member         | Four Year Term<br>Expires November 2022 |

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## ADMINISTRATION

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Jodee Brentlinger  
Superintendent

Lisa Davis  
Assistant Superintendent  
Business Services

Sabrina Lee  
Assistant Superintendent  
Instructional Services

**Solana Beach School District**  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2019

|                                 | <u>Second Period Report</u> |                   | <u>Annual Report</u>   |                   |
|---------------------------------|-----------------------------|-------------------|------------------------|-------------------|
|                                 | <u>Original</u>             | <u>Revised</u>    | <u>Original</u>        | <u>Revised</u>    |
|                                 | <u>E433B147</u>             |                   | <u>E1B05BEA</u>        |                   |
| TK/K-3:                         |                             |                   |                        |                   |
| Regular ADA                     | 1,437.09                    | N/A               | 1,454.40               | N/A               |
| Extended Year Special Education | 9.42                        | N/A               | 9.42                   | N/A               |
| Special Education - Nonpublic   | 0.97                        | N/A               | 0.97                   | N/A               |
| Extended Year - Nonpublic       | 0.47                        | N/A               | 0.47                   | N/A               |
| Total ADA TK/K-3                | <u>1,447.95</u>             | <u>N/A</u>        | <u>1,465.26</u>        | <u>N/A</u>        |
| Grades 4-6:                     |                             |                   |                        |                   |
| Regular ADA                     | 1,325.82                    | N/A               | 1,329.29               | N/A               |
| Extended Year Special Education | 3.05                        | N/A               | 3.05                   | N/A               |
| Special Education - Nonpublic   | 1.80                        | N/A               | 1.68                   | N/A               |
| Extended Year - Nonpublic       | 0.13                        | N/A               | 0.13                   | N/A               |
| Total ADA Grades 4-6            | <u>1,330.80</u>             | <u>N/A</u>        | <u>1,334.15</u>        | <u>N/A</u>        |
| Total ADA                       | <u><u>2,778.75</u></u>      | <u><u>N/A</u></u> | <u><u>2,799.41</u></u> | <u><u>N/A</u></u> |

N/A – There were no audit findings which resulted in necessary revisions to 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 and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

## Solana Beach School District

### Schedule of Instructional Time

Year Ended June 30, 2019

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| <u>Grade Level</u>        | <u>Minutes Requirement</u> | <u>2018-19 Actual Minutes</u> | <u>Number of Traditional Days</u> | <u>Status</u> |
|---------------------------|----------------------------|-------------------------------|-----------------------------------|---------------|
| Transitional Kindergarten | 36,000                     | 51,607                        | 180                               | Complied      |
| Kindergarten              | 36,000                     | 51,607                        | 180                               | Complied      |
| 1st Grade                 | 50,400                     | 53,297                        | 180                               | Complied      |
| 2nd Grade                 | 50,400                     | 53,297                        | 180                               | Complied      |
| 3rd Grade                 | 50,400                     | 53,297                        | 180                               | Complied      |
| 4th Grade                 | 54,000                     | 54,142                        | 180                               | Complied      |
| 5th Grade                 | 54,000                     | 54,142                        | 180                               | Complied      |
| 6th Grade                 | 54,000                     | 54,142                        | 180                               | Complied      |

School districts must maintain their instructional minutes as defined in Education Code §46201 through §46207. This schedule is required of all school districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code §46201 through §46207. The District has met or exceeded its target funding.

# Solana Beach School District

## Schedule of Financial Trends and Analysis

Year Ended June 30, 2019

| General Fund (See Note 4)                            | Budget 2020<br>(See Note 1) | 2019                  | 2018                 | 2017                 |
|--|-----------------------------|-----------------------|----------------------|----------------------|
| Revenues and Other Financing Sources                 | \$ 47,937,803               | \$ 49,043,752         | \$ 45,213,110        | \$ 44,436,438        |
| Expenditures and Other Financing Uses                | 49,342,038                  | 52,085,262            | 48,212,689           | 46,865,275           |
| Net Change in Fund Balance                           | (1,404,235)                 | (3,041,510)           | (2,999,579)          | (2,428,837)          |
| Ending Fund Balance                                  | <u>\$ 13,546,516</u>        | <u>\$ 14,950,751</u>  | <u>\$ 17,992,261</u> | <u>\$ 20,991,840</u> |
| Available Reserves (See Note 2)                      | <u>\$ 12,044,548</u>        | <u>\$ 12,697,611</u>  | <u>\$ 16,295,948</u> | <u>\$ 18,089,893</u> |
| Available Reserves as a Percentage<br>of Total Outgo | <u>24.41%</u>               | <u>24.38%</u>         | <u>33.80%</u>        | <u>38.60%</u>        |
| Long Term Debt (See Note 3)                          | <u>\$ 137,650,522</u>       | <u>\$ 143,163,356</u> | <u>\$ 89,908,398</u> | <u>\$ 90,924,098</u> |
| Average Daily Attendance at P2                       | <u>2,828</u>                | <u>2,779</u>          | <u>2,824</u>         | <u>2,900</u>         |

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.

The general fund balance has decreased by \$6,041,089 (28.78%) over the past two years. The fiscal year 2019-20 budget projects a decrease of \$1,404,235 (9.39%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures and other financing uses (total outgo).

Total long-term debt has increased by \$52,239,258 over the past two years.

Average daily attendance has decreased by 121 over the past two years.

### Notes:

1. Budget 2020 is included for analytical purposes only and has not been subjected to audit.
2. Available reserves consist of all assigned fund balances and all unassigned fund balances contained within the general fund.
3. Total long-term debt consists of general obligation bonds payable and special tax bonds payable.
4. As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Deferred Maintenance Fund, Special Reserve Fund for Other Than Capital Outlay, and Special Reserve Fund for Other Postemployment Benefits were included with the general fund in the basic financial statements. The above Schedule of Financial Trends and Analysis contains only the financial information of the general fund.

# Solana Beach School District

## Reconciliation of Annual Financial and Budget Report with Audited Financial Statements Year Ended June 30, 2019

|   | General Fund<br>(Fund 01)                 | Deferred<br>Maintenance Fund<br>(Fund 14) | Special Reserve<br>Fund for Other<br>Than Capital<br>Outlay<br>(Fund 17) | Special Reserve<br>Fund for Other<br>Postemployment<br>Benefits<br>(Fund 20) |
|---|---|---|--|--|
| June 30, 2019, annual financial and budget report fund balances | \$ 14,950,751                             | \$ 136,184                                | \$ 5,549,501   | \$ 3,093,066   |
| Adjustments and reclassifications:                              |   |   |  |  |
| Increasing (decreasing) the fund balance:                       |   |   |  |  |
| GASB 54 Fund Presentation (Note 1)                              | 8,778,751                                 | (136,184)                                 | (5,549,501)  | (3,093,066)  |
| Net adjustments and reclassifications                           | 8,778,751                                 | (136,184)                                 | (5,549,501)  | (3,093,066)  |
| June 30, 2019, audited financial statement fund balances        | \$ 23,729,502                             | \$ -                                      | \$ -   | \$ -   |
|   | Childcare<br>Enterprise Fund<br>(Fund 63) |   |  |  |
| June 30, 2019, annual financial and budget report net position  | \$ (109,231)                              |   |  |  |
| Adjustments and reclassifications:                              |   |   |  |  |
| Increasing (decreasing) the fund balance:                       |   |   |  |  |
| Correction to accumulated depreciation                          | (36,112)                                  |   |  |  |
| Correction to deferred outflows of resources                    | 483,020                                   |   |  |  |
| Correction to net pension liability                             | (819,664)                                 |   |  |  |
| Correction to total OPEB liability                              | (575,550)                                 |   |  |  |
| Correction to compensated absences                              | (53,001)                                  |   |  |  |
| Correction to deferred inflows of resources                     | (362,276)                                 |   |  |  |
| Net adjustments and reclassifications                           | (1,363,583)                               |   |  |  |
| June 30, 2019, audited financial statement net position         | \$ (1,472,814)                            |   |  |  |

Note 1: The Deferred Maintenance Fund (Fund 14), Special Reserve Fund for Other Than Capital Outlay (Fund 17), and Special Reserve Fund for Other Postemployment Benefits (Fund 20) do not meet the definition of a special revenue fund under the provisions of GASB Statement No. 54. As a result, the funds are being combined with the General Fund for presentation in the basic financial statements.

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the SACS Annual Financial and Budget Report with the audited financial statements. Funds that required no adjustment are not presented.

**Solana Beach School District**

Schedule of Charter Schools

Year Ended June 30, 2019

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As of June 30, 2019, the District is not a sponsoring local educational agency for any charter schools.



**Solana Beach School District**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

| <u>Federal Grantor/Pass Through Grantor/<br/>Program or Cluster Title</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Entity<br/>Identifying<br/>Number</u> | <u>Subrecipient<br/>Expenditures</u> | <u>Total Federal<br/>Expenditures</u> |
|---|------------------------------------|---|--------------------------------------|---------------------------------------|
| <b>CHILD NUTRITION CLUSTER</b>  |                                    |   |                                      |                                       |
| <u>U.S. Department of Agriculture</u>                                     |                                    |   |                                      |                                       |
| Passed through California Department of Education                         |                                    |   |                                      |                                       |
| National School Lunch Program   | 10.555                             | 13396   | \$ -                                 | \$ 161,233                            |
| NSLP - Noncash Commodities  | 10.555                             | 13396   | -                                    | 78,189                                |
| Total Child Nutrition Cluster   |                                    |   | -                                    | 239,422                               |
| Total Passed through California Department of Education                   |                                    |   | -                                    | 239,422                               |
| Total U.S. Department of Agriculture                                      |                                    |   | -                                    | 239,422                               |
| <b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>                                  |                                    |   |                                      |                                       |
| <u>U.S. Department of Education</u>                                       |                                    |   |                                      |                                       |
| Passed through California Department of Education                         |                                    |   |                                      |                                       |
| IDEA Basic Local Assistance   | 84.027                             | 13379   | -                                    | 1,471,251                             |
| IDEA Mental Health  | 84.027                             | 15197   | -                                    | 110,525                               |
| IDEA Preschool Grants   | 84.173                             | 13430   | -                                    | 489,375                               |
| IDEA Preschool Staff Development  | 84.173                             | 13431   | -                                    | 195                                   |
| Total Special Education (IDEA) Cluster                                    |                                    |   | -                                    | 2,071,346                             |
| <b>OTHER PROGRAMS:</b>  |                                    |   |                                      |                                       |
| <u>U.S. Department of Education</u>                                       |                                    |   |                                      |                                       |
| Passed through California Department of Education                         |                                    |   |                                      |                                       |
| Title I   | 84.010                             | 14329   | -                                    | 170,685                               |
| Title II - Supporting Effective Instruction                               | 84.367                             | 14341   | -                                    | 16,450                                |
| Total Other Programs  |                                    |   | -                                    | 187,135                               |
| Total Passed through California Department of Education                   |                                    |   | -                                    | 2,258,481                             |
| Total U.S. Department of Education  |                                    |   | -                                    | 2,258,481                             |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                               |                                    |   | <b>\$ -</b>                          | <b>\$ 2,497,903</b>                   |

# Solana Beach School District

Notes to the Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

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## Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of 2 CFR §200.502 *Basis for Determining Federal Awards Expended* and 2CFR §200.510(b) *Schedule of Expenditures of Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

## Summary of Significant Accounting Policies

The expenditures reported on the schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

## Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 *Direct and Indirect Costs*. The District used an indirect cost rate of 9.04% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 *Indirect Costs*. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

| <u>Program</u>                | <u>CFDA #</u> | <u>Indirect<br/>Cost Rate</u> |
|-------------------------------|---------------|-------------------------------|
| IDEA Basic Local Assistance   | 84.027        | 0.00%                         |
| IDEA Preschool Grant          | 84.173        | 0.34%                         |
| National School Lunch Program | 10.555        | 0.00%                         |

## Schoolwide Program

The District did not operate any schoolwide programs at any school sites.

## Other Independent Auditors' Reports

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

To the Board of Education  
Solana Beach School District  
Solana Beach, California

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

## Report on Internal Control Over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Wilkinson-Hadley King + Co LLP*

El Cajon, California

January 31, 2020

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

To the Board of Education  
Solana Beach School District  
Solana Beach, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information and the related notes to the financial statements of Solana Beach School District (District), as of and for the year ended June 30, 2019, which collectively comprise the Solana Beach School District's basic financial statements, and have issued our report thereon dated January 31, 2020.

### Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Solana Beach School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

Wilkinson-Hadley King + Co LLP

El Cajon, California  
January 31, 2020

## Independent Auditor's Report on State Compliance

To the Board of Education  
Solana Beach School District  
Solana Beach, California

### Report on State Compliance

We have audited the Solana Beach School District's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of the school's state programs identified below for the fiscal year ended June 30, 2019.

### Management's Responsibility for State Compliance

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit Guide *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*, prescribed in Title 5, *California Code of Regulations*, section 19810. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller General of the United States; and the State's audit guide *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about each school's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Corporation's compliance with those requirements.



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

| <u>Description</u>  | <u>Procedures<br/>Performed</u> |
|---|---------------------------------|
| <b>Local Education Agencies Other Than Charter Schools</b>                |                                 |
| A. Attendance.....  | Yes                             |
| B. Teacher Certification and Misassignments.....                          | Yes                             |
| C. Kindergarten Continuance.....  | Yes                             |
| D. Independent Study.....   | N/A                             |
| E. Continuation Education.....  | N/A                             |
| F. Instructional Time.....  | Yes                             |
| G. Instructional Materials.....   | Yes                             |
| H. Ratio of Administrative Employees to Teachers.....                     | Yes                             |
| I. Classroom Teacher Salaries.....  | Yes                             |
| J. Early Retirement Incentive.....  | N/A                             |
| K. Gann Limit Calculation.....  | Yes                             |
| L. School Accountability Report Card.....                                 | Yes                             |
| M. Juvenile Court Schools.....  | N/A                             |
| N. Middle or Early College High Schools.....                              | N/A                             |
| O. K-3 Grade Span Adjustment.....   | Yes                             |
| P. Transportation Maintenance of Effort.....                              | Yes                             |
| Q. Apprenticeship: Related and Supplemental Instruction.....              | N/A                             |
| R. Comprehensive School Safety Plan.....                                  | Yes                             |
| S. District of Choice.....  | N/A                             |
| <b>School Districts, County Offices of Education, and Charter Schools</b> |                                 |
| T. California Clean Energy Jobs Act.....                                  | Yes                             |
| U. After/Before School Education and Safety Program.....                  | N/A                             |
| V. Proper Expenditure of Education Protection Account Funds.....          | Yes                             |
| W. Unduplicated Local Control Funding Formula Pupil Counts.....           | Yes                             |
| X. Local Control and Accountability Plan.....                             | Yes                             |
| Y. Independent Study - Course Based.....                                  | N/A                             |
| <b>Charter Schools</b>  |                                 |
| AA. Attendance.....   | N/A                             |
| BB. Mode of Instruction.....  | N/A                             |
| CC. Nonclassroom Based Instruction/Independent Study.....                 | N/A                             |
| DD. Determination of Funding for Nonclassroom Based Instruction.....      | N/A                             |
| EE. Annual Instructional Minutes - Classroom Based.....                   | N/A                             |
| FF. Charter School Facility Grant Program.....                            | N/A                             |

The term N/A is used above to mean either the school did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

## **Opinion on State Compliance**

In our opinion, Solana Beach School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2019.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the States audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. This report is an integral part of an audit performed in accordance with *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Accordingly, this report is not suitable for any other purpose.

*Wilkinson-Hadley King + Co LLP*

El Cajon, California  
January 31, 2020

## Auditor's Results, Findings & Recommendations

**Solana Beach School District**

Schedule of Auditor's Results

Year Ended June 30, 2019

**FINANCIAL STATEMENTS**

|  |                   |                   |
|--|-------------------|-------------------|
| Type of auditor's report issued:   | <u>Unmodified</u> |                   |
| Internal control over financial reporting:   |                   |                   |
| One or more material weakness(es) identified?  | _____ Yes         | _____ <u>X</u> No |
| One or more significant deficiencies identified that are not considered material weakness(es)? | _____ Yes         | _____ <u>X</u> No |
| Noncompliance material to financial statements noted?  | _____ Yes         | _____ <u>X</u> No |

**FEDERAL AWARDS**

|  |                    |                   |
|--|--------------------|-------------------|
| Internal control over major programs:  |                    |                   |
| One or more material weakness(es) identified?  | _____ Yes          | _____ <u>X</u> No |
| One or more significant deficiencies identified that are not considered material weakness(es)?   | _____ Yes          | _____ <u>X</u> No |
| Type of auditor's report issued on compliance for major programs:                                | <u>Unmodified</u>  |                   |
| Compliance supplement utilized for single audit  | <u>August 2019</u> |                   |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516? | _____ Yes          | _____ <u>X</u> No |

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 10.555                | Child Nutrition Cluster                   |
| 84.027, 84.173        | Special Education Cluster                 |

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

**STATE AWARDS**

|  |                    |          |
|--|--------------------|----------|
| Any audit findings disclosed that are required to be reported in accordance with <i>2018-19 Guide for Annual Audits of California K-12 Local Education Agencies?</i> | _____ <u>X</u> Yes | _____ No |
| Type of auditor's report issued on compliance for state programs:  | <u>Unmodified</u>  |          |

# Solana Beach School District

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are as follows:

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

### A. Financial Statement Findings

None

### B. Federal Award Findings

None

### C. State Award Findings

Finding Number: 2019-001  
 Repeat Finding: No  
 Program Name: Attendance Reporting  
 Questioned Costs: None  
 Type of Finding: State Compliance – Attendance (10000)

#### Criteria or Specific Requirement

Education Code §46000 requires that attendance in all schools and classes be recorded and kept in according to regulations prescribed by the State Board of Education. Education Code §44809 and the California Code of Regulations, Title 5, Section 401 require that the California Department of Education approves forms and procedures that constitute a District’s attendance accounting system. Solana Beach School District has an approved attendance system in place which requires teachers to sign attendance verifying accuracy within one week of the attendance period ending.

## Solana Beach School District

Schedule of Findings and Questioned Costs, Continued

Year Ended June 30, 2019

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### Condition

During our review of teacher verification of attendance, we noted one school site had three instances out of twenty tested and another school site with twenty instances out of twenty tested of teachers not signing verification of attendance within one week of the attendance period ending. Additionally, our auditors were told by one of the attendance clerks that the attendance procedures are not important because the District is basic aid and it does not affect funding.

### Cause

School site personnel are not consistently following district established processes that have been approved by the California Department of Education. There is not currently a monitoring process over attendance accounting to ensure all sites are following procedures consistently.

### Effect

The District is at risk of misstating attendance as the verification process is a key internal control over compliance to attendance reporting requirements.

### Context

We audited attendance at two out of seven school sites noting that one school site appeared to have some instances of noncompliance while the second school site had a pervasive systematic noncompliance to the attendance processes established by the District and approved by the California Department of Education.

Additional procedures were performed to ensure that attendance was reported correctly. We reviewed audit trail reports and determined that teachers are logging into the attendance system daily and inputting attendance directly into the system. Since the attendance is input directly into the attendance system by individuals with firsthand knowledge of actual attendance, we determined that the attendance in the system, and therefore the attendance reported, appears to be correctly stated. No adjustment to ADA was deemed necessary.

### Recommendation

Provide training to all attendance clerks regarding the District's established and approved attendance procedures. Emphasize the importance of attendance accounting, regardless of the District's basic aid status. Establish monitoring procedures to ensure that all school sites are following established procedures. Establish enforcement processes, including evaluation of principals and attendance personnel, based on following District established procedures.

### Views of Responsible Officials

See Corrective Action Plan

# Solana Beach School District

## Schedule of Findings and Questioned Costs, Continued

Year Ended June 30, 2019

Finding Number: 2019-002  
 Repeat Finding: Yes  
 Program Name: LCFF Unduplicated Pupil Counts  
 Questioned Costs: \$12,116 reduction in supplemental grant determined through extrapolation  
 Type of Finding: State Compliance – Other (40000)

Criteria or Specific Requirement

Verify that students reported as free or reduced priced meal eligible on the form “1.18-FRPM/English Learner/Foster Youth – Student List” is supported by documentation that indicated the student was eligible for the designation such as Free and Reduced Price Meal (FRPM) eligibility application under a federal nutrition program, an alternative household income data collections form that indicates the student was eligible for the designation, or a direct certification list obtained from the County Welfare Department or County Office of Education that matches enrolled students against those children/households receiving CalFresh (or CalWORKS) benefits.

Condition

In our review of eligibility of students reported for unduplicated pupil counts under FRPM, we identified six instances out of seventeen tested that did not meet the eligibility requirements. The students in question were identified as not qualifying for free or reduced priced meals by the child nutrition department.

Cause

The data provided by the child nutrition department for students eligible for FRPM included students that were receiving free lunches for a grace period of 30 days from the beginning of the school year but who either did not turn in a form for the 2018-19 fiscal year or were determined to be ineligible.

Effect

Unduplicated pupil counts were overstated for students that did not meet eligibility requirements in the FRPM category. This resulted in overfunding of supplemental grant in the local control funding formula.

Audit adjustments to the count are as follows:

|   | Funded Under<br>LCFF | Audit<br>Adjustments | Adjusted<br>Counts |
|---|----------------------|----------------------|--------------------|
| Total Enrollment                          | 2,891                | -                    | 2,891              |
| Free/Reduced Price Meal Program (FRPM)    | 68                   | (24)                 | 44                 |
| English Learner (ELAS)                    | 261                  | -                    | 261                |
| Both FRPM & ELAS                          | 12                   | -                    | 12                 |
| Other Funded (Direct Certification, etc.) | 224                  | -                    | 224                |
| Total Unduplicated Pupil Count            | 565                  | (24)                 | 541                |

The adjustments, and therefore questioned costs, were determined by an extrapolation of the impact error.

## **Solana Beach School District**

Schedule of Findings and Questioned Costs, Continued

Year Ended June 30, 2019

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### Context

Supplemental grant amounts (as part of the LCFF funding) are calculated based on the percentage of “unduplicated pupils” enrolled in the District on the Census Day (first Wednesday in October). We audited a total of eighty-nine students across the district eligible as ELAS, FRPM, or eligible under both categories. We found no errors in EL documentation which accounted for seventy-two students in our sample. We found six errors out of the remaining seventeen students tested in the FRPM category eligibility.

### Recommendation

Establish a procedure to ensure that the reporting of unduplicated pupil counts is based on the students who meet current year eligibility requirements for the FRPM program. Include in new procedures a verification of items reported on the form “1.18-FRPM/English Learner/Foster Youth – Student List” to the child nutrition system.

### Views of Responsible Officials

See Corrective Action Plan





solana beach school  
district

**BOARD OF EDUCATION**

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Vicki King, Esq., *Member*  
Open, *Member*

**SUPERINTENDENT**

Jodee Brentlinger

January 31, 2020

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit appeals Panel. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

Lisa Davis  
Assistant Superintendent  
Business Services

# Solana Beach School District

Corrective Action Plan  
Year Ended June 30, 2019

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## State Compliance Findings

Finding Number: 2019-001  
Program Name: Attendance Reporting  
Contact Person: Lisa Davis  
Anticipated Completion Date: August 7, 2019

Planned Corrective Action: A Secretary and Clerk meeting was held on August 7, 2019 with explicit discussion regarding procedures for verification of attendance and the importance of teachers signing verification of attendance within one week of the attendance period ending.

The Assistant Superintendent of Business Services will be visiting each school annually to review Attendance Verification forms for compliance.

Finding Number: 2019-002  
Program Name: Unduplicated Pupil Counts  
Contact Person: Lisa Davis  
Anticipated Completion Date: July 1, 2019

Planned Corrective Action: A timeline of dates has been created for department personnel to comply with the 30 day grace period from beginning of school year. There is now a department process with the CNS secretary reviewing with the CNS Director the applications and eligibility. Additionally, staffing changes have occurred in the Fall of 2019-20 with a new interim director that has been proactive with Child Nutrition operations. The Interim Director was made aware of this finding in November and has since completed an internal audit to verify they are now in compliance.

**Solana Beach School District**  
 Schedule of Prior Year Audit Findings  
 Year Ended June 30, 2019

| Finding/Recommendation   | Status          | Explanation if Not Implemented |
|--|-----------------|--------------------------------|
| <p><b>Finding 2018-001</b><br/> <b>Cash Receipts</b></p> <p>During the audit and testing of internal control procedures related to cash receipting at the District level, the auditors noted that seven out of twenty five cash receipts tested were not deposited in a timely manner.</p> <p>Auditors recommended that all deposits be made in a timely manner following the collection of funds, no more than two weeks after the date of collection in order to properly safeguard District funds.</p>  | Implemented     |                                |
| <p><b>Finding 2018-002</b><br/> <b>Unduplicated Pupil Counts</b></p> <p>During the audit one out of four students tested for unduplicated pupil counts eligibility classified as eligible under FRPM did not have proper supporting documentation to justify the designation.</p> <p>Auditors recommended that the District work to ensure all changes in FRPM eligibility be updated timely in the CalPADS system as to not incorrectly report students as eligible on the 1.18 FRPM/English Learner/Foster Youth – Student List for unduplicated pupil counts.</p> | Not Implemented | See Finding 2019-002           |