

SOLANA BEACH SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2022



**SOLANA BEACH SCHOOL DISTRICT
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JUNE 30, 2022**

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FINANCIAL SECTION



Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Independent Auditors' Report

Governing Board
Solana Beach School District
Solana Beach, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Solana Beach School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Solana Beach School District's basic financial statements as listed in the table of contents.

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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Solana Beach School District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of district contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Solana Beach School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2023 on our consideration of the 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 Solana Beach School 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 Solana Beach School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
February 13, 2023

SOLANA BEACH SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

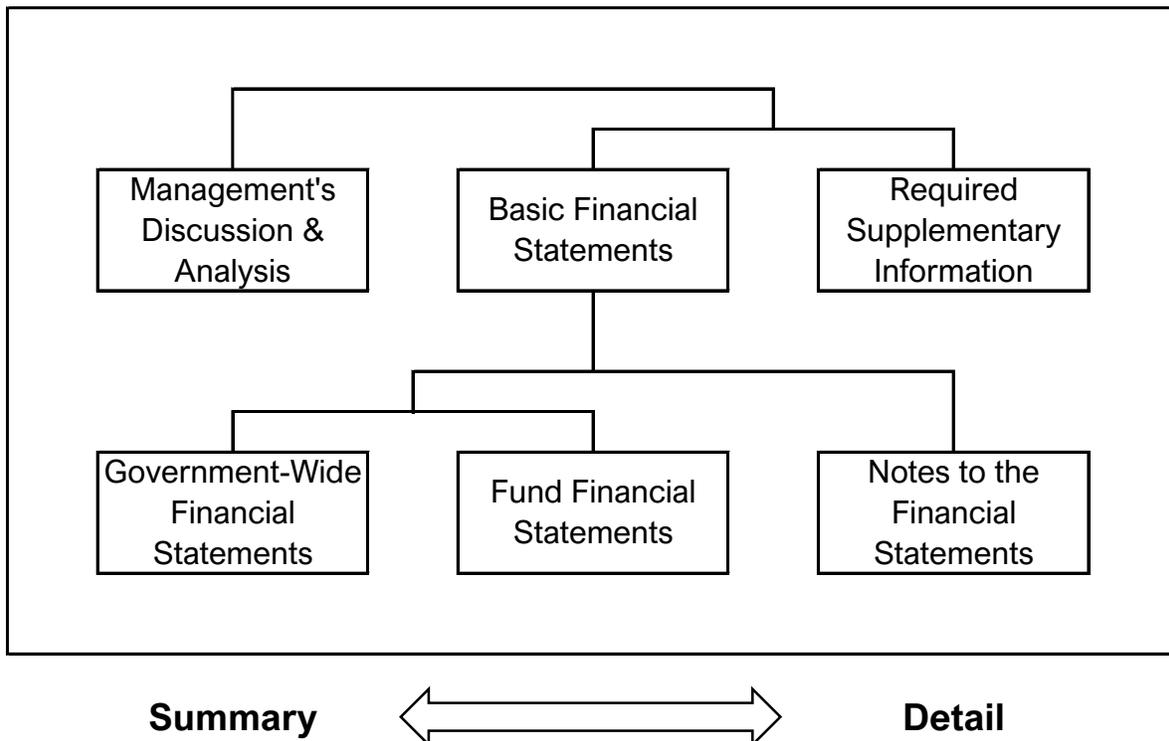
Our discussion and analysis of Solana Beach School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The District's combined net position was \$99,895,975 at June 30, 2022. This was an aggregate increase of \$4,133,781 from the prior year after restatement. The District's net position is comprised of \$103,025,641 related to governmental activities and \$(3,129,666) related to business-type activities.
- ▶ Total revenues related to governmental activities were \$67,541,479 which exceeded expenses of \$63,506,134. This resulted in an increase of \$4,035,345 in net position related to governmental activities after restatement.
- ▶ Total revenues related to business-type activities were \$3,753,013 which exceeded expenses of \$3,654,577. This resulted in an increase of \$98,436 in net position related to business-type activities after restatement.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**SOLANA BEACH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

 - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**SOLANA BEACH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$99,895,975 at June 30, 2022, as reflected in the table below. Of this amount, \$(35,073,058) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities			Business-Type Activities		
	2022	2021	Net Change	2022	2021	Net Change
ASSETS						
Current and other assets	\$ 78,486,226	\$ 92,345,399	\$ (13,859,173)	\$ 306,778	\$ 175,436	\$ 131,342
Capital assets	219,657,803	206,350,245	13,307,558	57,843	78,776	(20,933)
Total Assets	298,144,029	298,695,644	(551,615)	364,621	254,212	110,409
DEFERRED OUTFLOWS OF RESOURCES	16,022,233	12,733,400	3,288,833	481,636	781,795	(300,159)
LIABILITIES						
Current liabilities	11,776,120	7,047,363	4,728,757	155,781	96,468	59,313
Long-term liabilities	173,321,257	200,281,332	(26,960,075)	2,764,010	4,651,480	(1,887,470)
Total Liabilities	185,097,377	207,328,695	(22,231,318)	2,919,791	4,747,948	(1,828,157)
DEFERRED INFLOWS OF RESOURCES	26,043,244	4,447,140	21,596,104	1,056,132	179,074	877,058
NET POSITION						
Net investment in capital assets	91,857,805	89,869,768	1,988,037	57,843	78,776	(20,933)
Restricted	43,053,385	65,396,393	(22,343,008)	-	-	-
Unrestricted	(31,885,549)	(55,612,952)	23,727,403	(3,187,509)	(3,969,791)	782,282
Total Net Position	\$ 103,025,641	\$ 99,653,209	\$ 3,372,432	\$ (3,129,666)	\$ (3,891,015)	\$ 761,349

**SOLANA BEACH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities			Business-Type Activities		
	2022	2021	Net Change	2022	2021	Net Change
REVENUES						
Program revenues						
Charges for services	\$ 287,179	\$ 204,659	\$ 82,520	\$ -	\$ 1,730,725	\$ (1,730,725)
Operating grants and contributions	8,587,508	12,240,232	(3,652,724)	-	2,081	(2,081)
Capital grants and contributions	-	16,536	(16,536)	-	-	-
General revenues						
Property taxes	56,545,580	53,721,818	2,823,762	-	-	-
Unrestricted federal and state aid	3,045,676	2,511,862	533,814	-	-	-
Other	(924,464)	1,480,677	(2,405,141)	3,753,013	204,856	3,548,157
Total Revenues	67,541,479	70,175,784	(2,634,305)	3,753,013	1,937,662	1,815,351
EXPENSES						
Instruction	32,013,489	35,394,794	(3,381,305)	-	-	-
Instruction-related services	5,378,173	6,102,711	(724,538)	-	-	-
Pupil services	5,836,576	5,242,004	594,572	-	-	-
General administration	4,611,892	4,695,933	(84,041)	-	-	-
Plant services	5,218,300	5,347,456	(129,156)	-	-	-
Ancillary and community services	232,303	64,620	167,683	-	-	-
Debt service	6,796,645	4,914,467	1,882,178	-	-	-
Other outgo	4,593	11,959	(7,366)	-	-	-
Depreciation	3,325,111	1,774,352	1,550,759	-	-	-
Enterprise activities	89,052	14,310	74,742	3,654,577	3,306,074	348,503
Total Expenses	63,506,134	63,562,606	(56,472)	3,654,577	3,306,074	348,503
Change in net position	4,035,345	6,613,178	(2,577,833)	98,436	(1,368,412)	1,466,848
Net Position - Beginning, as Restated*	98,990,296	93,040,031	5,950,265	(3,228,102)	(2,522,603)	(705,499)
Net Position - Ending	\$ 103,025,641	\$ 99,653,209	\$ 3,372,432	\$ (3,129,666)	\$ (3,891,015)	\$ 761,349

*Beginning net position for the governmental activities and business-type activities was restated for the 2022 year only.

The cost of all our governmental activities this year was \$63,506,134 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was \$56,545,580 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions. The District's business-type activities experienced an increase in net position of \$98,436 during the year ended June 30, 2022.

**SOLANA BEACH SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District’s functions. Net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2022	2021
Instruction	\$ 28,002,271	\$ 30,740,886
Instruction-related services	5,148,890	5,102,108
Pupil services	2,436,698	3,761,241
General administration	4,447,263	4,292,043
Plant services	4,820,363	2,080,105
Ancillary and community services	75,773	61,386
Debt service	6,796,645	4,914,467
Transfers to other agencies	(510,609)	(1,638,036)
Depreciation	3,325,111	1,774,352
Enterprise activities	89,042	12,627
Total	\$ 54,631,447	\$ 51,101,179

FINANCIAL ANALYSIS OF THE DISTRICT’S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$ \$72,643,397 which is less than last year’s ending fund balance of \$86,048,921. The District’s General Fund had \$1,737,529 more in operating revenues than expenditures for the year ended June 30, 2022. The District’s Building Fund had \$15,410,663 less in operating revenues than expenditures for the year ended June 30, 2022. The District’s County School Facilities Fund experienced a net decrease in fund balance of \$1,745,269 primarily due to a transfer to the Capital Projects Fund for Blended Component Units in the amount of \$1,707,383 for the year ended June 30, 2022. The District’s Special Reserve Fund for Capital Outlay Projects experienced a net decrease in fund balance of \$5,012,414 primarily due to a transfer to the Capital Projects Fund for Blended Component Units in the amount of \$3,788,436 for the year ended June 30, 2022. The District’s Capital Projects Fund for Blended Component Units had \$4,481,756 more in operating revenues than expenditures for the year ended June 30, 2022 in addition to net financing sources of \$2,861,452 for a total increase in fund balance amounting to \$7,343,208.

CURRENT YEAR BUDGET 2021-2022

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District’s financial projections and current budget based on State and local financial information.

**SOLANA BEACH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2021-2022 the District had invested \$219,715,646 in capital assets, net of accumulated depreciation.

	Governmental Activities			Business-Type Activities		
	2022	2021	Net Change	2022	2021	Net Change
CAPITAL ASSETS						
Land	\$ 70,609,117	\$ 70,609,117	\$ -	\$ -	\$ -	\$ -
Construction in progress	48,050,521	83,238,711	(35,188,190)	-	-	-
Land improvements	673,884	673,884	-	-	-	-
Buildings & improvements	131,688,120	79,867,261	51,820,859	84,268	84,268	-
Furniture & equipment	5,780,223	5,780,223	-	276,858	276,858	-
Accumulated depreciation	(37,144,062)	(33,818,951)	(3,325,111)	(303,283)	(282,350)	(20,933)
Total Capital Assets	\$ 219,657,803	\$ 206,350,245	\$ 13,307,558	\$ 57,843	\$ 78,776	\$ (20,933)

Long-Term Liabilities

At year-end, the District had \$176,085,267 in long-term liabilities, a decrease of 11.92% from last year – as shown in the table below. More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities			Business-Type Activities		
	2022	2021	Net Change	2022	2021	Net Change
LONG-TERM LIABILITIES						
Total general obligation bonds	\$ 97,238,300	\$ 100,076,541	\$ (2,838,241)	\$ -	\$ -	\$ -
Total special tax bonds	29,966,380	30,758,287	(791,907)	-	-	-
Certificates of participation	6,135,851	6,444,733	(308,882)	-	-	-
Compensated absences	302,283	236,461	65,822	127,978	79,340	48,638
Total OPEB liability	12,789,947	11,075,818	1,714,129	-	-	-
Net pension liability	29,916,087	52,256,176	(22,340,089)	2,636,032	4,005,456	(1,369,424)
Less: current portion of long-term liabilities	(3,027,591)	(4,940,435)	1,912,844	-	(79,340)	79,340
Total Long-term Liabilities	\$ 173,321,257	\$ 195,907,581	\$ (22,586,324)	\$ 2,764,010	\$ 4,005,456	\$ (1,241,446)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

In its September 2022 quarterly report, the UCLA Anderson Forecast stated the U.S. economy was likely to muddle along with below-trend growth and continued high inflation over the next twelve months. No recession is forecast at this time; however, the possibility still exists that persistent inflation and aggressive interest rate policy will lead to a hard landing of the economy, potentially triggering a recession. In California, defense spending and technology demands will likely keep the economy growing.

**SOLANA BEACH SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET (continued)

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. The May 2022 Budget Revision includes total funding of \$128.3 billion (\$78.4 billion General Fund and \$49.9 billion other funds) for all K-12 education programs, additionally, the revised spending plan further accelerates the implementation of the “California for All Kids” plan, which is a whole-child support framework designed to target inequities in educational outcomes among students from different demographic backgrounds, and empower parents and families with more options and services. The Proposition 98 Guarantee continues to be in Test 1 for 2021-22 and 2022-23. To accommodate enrollment increases related to the expansion of transitional kindergarten, the Governor’s Budget proposed rebenching the Test 1 percentage to increase the percentage of General Fund revenues due to the Guarantee, from 38.03 percent to approximately 38.4 percent. The May Revision updates the increased Test 1 percentage from approximately 38.4 percent to approximately 38.3 percent. At May Revision, the 2022-23 cost-of-living adjustment (COLA) is updated to 6.56 percent, the largest COLA in the history of LCFF.

The District participates in state employee pensions plans, California State Teachers’ Retirement System (CalSTRS) and California Public Employees’ Retirement System (CalPERS) and both are underfunded. The District’s proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2022. The amount of the liability is material to the financial position of the District. The CalSTRS projected employer contribution rate for 2022-23 is 19.10 percent. The CalPERS projected employer contribution rate for 2022-23 is 25.37 percent. The projected increased pension costs to school employers remain a significant fiscal factor.

All of these factors were considered in preparing the District’s budget for the 2022-23 fiscal year.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Office, at Solana Beach School District, 309 North Rios Ave., Solana Beach, California 92075.

**SOLANA BEACH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities	Business-Type Activities	Total	Discretely Presented Component Unit
ASSETS				
Cash and investments	\$ 75,576,005	\$ 333,605	\$ 75,909,610	\$ 498,956
Accounts receivable	2,811,961	12,903	2,824,864	-
Internal balances	39,730	(39,730)	-	-
Inventory	18,463	-	18,463	-
Prepaid expenses	40,067	-	40,067	-
Beneficial interest in endowment	-	-	-	108,946
Capital assets, not depreciated	118,659,638	-	118,659,638	-
Capital assets, net of accumulated depreciation	100,998,165	57,843	101,056,008	-
Total Assets	298,144,029	364,621	298,508,650	607,902
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	13,898,470	481,636	14,380,106	-
Deferred outflows related to OPEB	1,971,651	-	1,971,651	-
Deferred amount on refunding	152,112	-	152,112	-
Total Deferred Outflows of Resources	16,022,233	481,636	16,503,869	-
LIABILITIES				
Accrued liabilities	8,430,480	155,781	8,586,261	40,085
Unearned revenue	318,049	-	318,049	5,000
Long-term liabilities, current portion	3,027,591	-	3,027,591	-
Long-term liabilities, non-current portion	173,321,257	2,764,010	176,085,267	-
Total Liabilities	185,097,377	2,919,791	188,017,168	45,085
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	24,646,057	1,056,132	25,702,189	-
Deferred inflows related to OPEB	1,397,187	-	1,397,187	-
Total Deferred Inflows of Resources	26,043,244	1,056,132	27,099,376	-
NET POSITION				
Net investment in capital assets	91,857,805	57,843	91,915,648	-
Restricted:				
Capital projects	36,902,228	-	36,902,228	-
Debt service	(529,571)	-	(529,571)	-
Educational programs	5,913,119	-	5,913,119	231,553
Food service	767,609	-	767,609	-
Permanent endowment	-	-	-	108,946
Unrestricted	(31,885,549)	(3,187,509)	(35,073,058)	222,318
Total Net Position	\$ 103,025,641	\$ (3,129,666)	\$ 99,895,975	\$ 562,817

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

**SOLANA BEACH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position			Discretely Presented Component Unit
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 32,013,489	\$ 139,890	\$ 3,871,328	\$ (28,002,271)			
Instruction-related services							
Instructional supervision and administration	1,892,366	-	155,572	(1,736,794)			
Instructional library, media, and technology	555,447	-	-	(555,447)			
School site administration	2,930,360	-	73,711	(2,856,649)			
Pupil services							
Home-to-school transportation	204,382	-	61,523	(142,859)			
Food services	1,808,360	-	2,558,227	749,867			
All other pupil services	3,823,834	-	780,128	(3,043,706)			
General administration							
Centralized data processing	1,404,550	3,192	8,547	(1,392,811)			
All other general administration	3,207,342	403	152,487	(3,054,452)			
Plant services	5,218,300	1,364	396,573	(4,820,363)			
Ancillary services	232,303	1,731	154,799	(75,773)			
Enterprise activities	89,052	10	-	(89,042)			
Interest on long-term debt	6,796,645	-	-	(6,796,645)			
Other outgo	4,593	140,589	374,613	510,609			
Depreciation (unallocated)	3,325,111	-	-	(3,325,111)			
Total Governmental Activities	\$ 63,506,134	\$ 287,179	\$ 8,587,508	(54,631,447)			
BUSINESS-TYPE ACTIVITIES							
Enterprise activities	\$ 3,654,577	\$ -	\$ -	\$ (3,654,577)			
Total Business-Type Activities	3,654,577	-	-	(3,654,577)			
Total School District	\$ 67,160,711	\$ 287,179	\$ 8,587,508		\$ (58,286,024)		
DISCRETELY PRESENTED COMPONENT UNIT							
Foundation operations	\$ 691,326	\$ 709,951	\$ -				\$ 18,625
Total	\$ 691,326	\$ 709,951	\$ -				\$ 18,625
General revenues							
Taxes and subventions							
Property taxes, levied for general purposes				46,089,273	-	46,089,273	-
Property taxes, levied for debt service				5,025,416	-	5,025,416	-
Property taxes, levied for other specific purposes				5,430,891	-	5,430,891	-
Federal and state aid not restricted for specific purposes				3,045,676	-	3,045,676	-
Interest and investment earnings				(1,113,742)	(6,124)	(1,119,866)	(14,016)
Miscellaneous				189,278	3,759,137	3,948,415	-
Subtotal, General Revenue				58,666,792	3,753,013	62,419,805	(14,016)
CHANGE IN NET POSITION				4,035,345	98,436	4,133,781	4,609
Net Position - Beginning, as Restated				98,990,296	(3,228,102)	95,762,194	558,208
Net Position - Ending				\$ 103,025,641	\$ (3,129,666)	\$ 99,895,975	\$ 562,817

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

**SOLANA BEACH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022**

	General Fund	Building Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 24,364,983	\$ 7,977,484	\$ 1,703,442	\$ 9,624,424	\$ 24,519,277	\$ 6,208,878	\$ 74,398,488
Accounts receivable	2,242,615	22,817	3,941	23,210	39,886	476,898	2,809,367
Due from other funds	190,205	-	-	-	5,495,819	230	5,686,254
Stores inventory	-	-	-	-	-	18,463	18,463
Total Assets	\$ 26,797,803	\$ 8,000,301	\$ 1,707,383	\$ 9,647,634	\$ 30,054,982	\$ 6,704,469	\$ 82,912,572
LIABILITIES							
Accrued liabilities	\$ 1,557,392	\$ 2,611,880	\$ -	\$ 1,771	\$ 79,380	\$ 54,179	\$ 4,304,602
Due to other funds	230	-	1,707,383	3,788,436	-	150,475	5,646,524
Unearned revenue	183,055	-	-	-	-	134,994	318,049
Total Liabilities	1,740,677	2,611,880	1,707,383	3,790,207	79,380	339,648	10,269,175
FUND BALANCES							
Nonspendable	110,000	-	-	-	-	18,913	128,913
Restricted	5,000,326	5,388,421	-	5,857,427	29,975,602	6,345,908	52,567,684
Assigned	10,808,748	-	-	-	-	-	10,808,748
Unassigned	9,138,052	-	-	-	-	-	9,138,052
Total Fund Balances	25,057,126	5,388,421	-	5,857,427	29,975,602	6,364,821	72,643,397
Total Liabilities and Fund Balances	\$ 26,797,803	\$ 8,000,301	\$ 1,707,383	\$ 9,647,634	\$ 30,054,982	\$ 6,704,469	\$ 82,912,572

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

**SOLANA BEACH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2022**

Total Fund Balance - Governmental Funds \$ 72,643,397

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

Capital assets:

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

Capital assets	\$ 256,801,865	
Accumulated depreciation	<u>(37,144,062)</u>	219,657,803

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements: 152,112

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 was: (4,125,878)

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:

Total general obligation bonds	\$ 97,238,300	
Total special tax bonds	29,966,380	
Certificates of participation	6,135,851	
Compensated absences	302,283	
Total OPEB liability	12,789,947	
Net pension liability	<u>29,916,087</u>	(176,348,848)

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 related to pensions	\$ 13,898,470	
Deferred inflows of resources related to pensions	<u>(24,646,057)</u>	(10,747,587)

Deferred outflows and inflows of resources relating to OPEB:

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

Deferred outflows of resources related to OPEB	\$ 1,971,651	
Deferred inflows of resources related to OPEB	<u>(1,397,187)</u>	574,464

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: 1,220,178

Total Net Position - Governmental Activities \$ 103,025,641

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

**SOLANA BEACH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund	Building Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
REVENUES							
LCFF sources	\$ 48,522,679	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,522,679
Federal sources	2,643,219	-	-	-	-	2,459,536	5,102,755
Other state sources	5,935,783	-	-	-	-	153,197	6,088,980
Other local sources	2,063,861	(192,207)	(37,886)	(212,525)	4,965,965	5,829,726	12,416,934
Total Revenues	59,165,542	(192,207)	(37,886)	(212,525)	4,965,965	8,442,459	72,131,348
EXPENDITURES							
Current							
Instruction	36,550,491	-	-	-	-	733,418	37,283,909
Instruction-related services							
Instructional supervision and administration	2,170,321	-	-	-	-	-	2,170,321
Instructional library, media, and technology	556,578	-	-	-	-	-	556,578
School site administration	3,288,460	-	-	-	-	-	3,288,460
Pupil services							
Home-to-school transportation	204,382	-	-	-	-	-	204,382
Food services	-	-	-	-	-	1,830,266	1,830,266
All other pupil services	4,518,790	-	-	-	-	-	4,518,790
General administration							
Centralized data processing	1,409,323	-	-	-	-	-	1,409,323
All other general administration	3,332,418	-	-	-	-	-	3,332,418
Plant services	5,059,995	-	-	23,354	21,514	100,011	5,204,874
Facilities acquisition and construction	-	15,218,456	-	988,099	460,148	-	16,666,703
Ancillary services	238,000	-	-	-	-	-	238,000
Enterprise activities	97,209	-	-	-	-	-	97,209
Transfers to other agencies	2,046	-	-	-	-	-	2,046
Debt service							
Principal	-	-	-	-	-	3,533,882	3,533,882
Interest and other	-	-	-	-	2,547	5,197,164	5,199,711
Total Expenditures	57,428,013	15,218,456	-	1,011,453	484,209	11,394,741	85,536,872
Excess (Deficiency) of Revenues							
Over Expenditures	1,737,529	(15,410,663)	(37,886)	(1,223,978)	4,481,756	(2,952,282)	(13,405,524)
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	5,499,278	2,637,826	8,137,104
Transfers out	-	-	(1,707,383)	(3,788,436)	(2,637,826)	(3,459)	(8,137,104)
Net Financing Sources (Uses)	-	-	(1,707,383)	(3,788,436)	2,861,452	2,634,367	-
NET CHANGE IN FUND BALANCE	1,737,529	(15,410,663)	(1,745,269)	(5,012,414)	7,343,208	(317,915)	(13,405,524)
Fund Balance - Beginning	23,319,597	20,799,084	1,745,269	10,869,841	22,632,394	6,682,736	86,048,921
Fund Balance - Ending	\$ 25,057,126	\$ 5,388,421	\$ -	\$ 5,857,427	\$ 29,975,602	\$ 6,364,821	\$ 72,643,397

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

**SOLANA BEACH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balances - Governmental Funds \$ (13,405,524)

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:	\$	16,632,669	
Depreciation expense:		(3,325,111)	13,307,558

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:

3,533,882

Deferred amounts on refunding:

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

(9,507)

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 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:

(1,995,122)

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 amount earned. The difference between compensated absences paid and compensated absences earned, was:

(65,822)

Postemployment benefits other than pensions (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:

(1,218,769)

(continued on the following page)

**SOLANA BEACH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2022**

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:

3,554,926

Amortization of debt issuance premium or discount:

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 is amortized over the life of the debt. Amortization of premium or discount for the period is:

405,148

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:

(159,693)

Change in Net Position of Governmental Activities

\$ 4,035,345

**SOLANA BEACH SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2022**

	Business-Type Activities	Governmental Activities
	Childcare Enterprise Fund	Internal Service Fund
ASSETS		
Current assets		
Cash and investments	\$ 333,605	\$ 1,177,517
Accounts receivable	12,903	2,594
Prepaid expenses	-	40,067
Total current assets	<u>346,508</u>	<u>1,220,178</u>
Non-current assets		
Capital assets, net of accumulated depreciation	<u>57,843</u>	<u>-</u>
Total non-current assets	<u>57,843</u>	<u>-</u>
Total Assets	<u>404,351</u>	<u>1,220,178</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	<u>481,636</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>481,636</u>	<u>-</u>
LIABILITIES		
Current liabilities		
Accrued liabilities	155,781	-
Due to other funds	39,730	-
Total current liabilities	<u>195,511</u>	<u>-</u>
Non-current liabilities		
Compensated absences	127,978	-
Net pension liability	2,636,032	-
Total non-current liabilities	<u>2,764,010</u>	<u>-</u>
Total Liabilities	<u>2,959,521</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	<u>1,056,132</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>1,056,132</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	57,843	-
Restricted	-	1,220,178
Unrestricted	<u>(3,187,509)</u>	<u>-</u>
Total Net Position	<u>\$ (3,129,666)</u>	<u>\$ 1,220,178</u>

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

**SOLANA BEACH SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2022**

	Business-Type Activities	Governmental Activities
	Childcare Enterprise Fund	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 3,759,137	\$ 439,073
Total operating revenues	<u>3,759,137</u>	<u>439,073</u>
OPERATING EXPENSES		
Salaries and benefits	2,945,627	-
Supplies and materials	91,061	-
Professional services	596,956	572,099
Depreciation	20,933	-
Total operating expenses	<u>3,654,577</u>	<u>572,099</u>
Operating income/(loss)	<u>104,560</u>	<u>(133,026)</u>
NON-OPERATING REVENUES/(EXPENSES)		
Interest income	(6,124)	(26,667)
Total non-operating revenues/(expenses)	<u>(6,124)</u>	<u>(26,667)</u>
CHANGE IN NET POSITION	98,436	(159,693)
Net Position - Beginning, as Restated	<u>(3,228,102)</u>	<u>1,379,871</u>
Net Position - Ending	<u>\$ (3,129,666)</u>	<u>\$ 1,220,178</u>

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

**SOLANA BEACH SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2022**

	Business-Type Activities	Governmental Activities
	Childcare Enterprise Fund	Internal Service Fund
Cash flows from operating activities		
Cash received from user charges	\$ 3,759,137	\$ 439,073
Cash received (paid) from assessments made to (from) other funds	203,080	47,900
Cash payments for payroll, insurance, and operating costs	(3,666,065)	(585,491)
Net cash provided by (used for) operating activities	<u>296,152</u>	<u>(98,518)</u>
Cash flows from investing activities		
Interest received	(6,124)	(26,667)
Net cash provided by (used for) investing activities	<u>(6,124)</u>	<u>(26,667)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	290,028	(125,185)
CASH AND CASH EQUIVALENTS		
Beginning of year	43,577	1,302,702
End of year	<u>\$ 333,605</u>	<u>\$ 1,177,517</u>
Reconciliation of operating income (loss) to cash provided by (used for) operating activities		
Operating income/(loss)	\$ 104,560	\$ (133,026)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	20,933	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivables	3,080	47,900
(Increase) decrease in due from other funds	200,000	-
(Increase) decrease in prepaid expenses	-	(2,178)
(Increase) decrease in deferred outflows related to pensions	269,458	-
Increase (decrease) in accrued liabilities	59,313	(11,214)
Increase (decrease) in due to other funds	(44,394)	-
Increase (decrease) in compensated absences	48,638	-
Increase (decrease) in net pension liability	(1,369,424)	-
Increase (decrease) in deferred inflows related to pensions	1,003,988	-
Net cash provided by (used for) operating activities	<u>\$ 296,152</u>	<u>\$ (98,518)</u>

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

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The District operates under a locally elected Board 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 service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The Solana Beach School District Public Financing Authority (PFA) and the Solana Beach Community Facilities Districts (CFDs) have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASBS No. 39, Determining Whether Certain Organizations Are Component Units, GASBS No. 61, The Financial Reporting Entity: Omnibus, GASBS No. 80, Blending Requirements for Certain Component Units, GASBS No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61, and GASBS No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Plans., and thus is included in the financial statements of the District. The component units, although a legally separate entity, are reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component units are essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Solana Beach Schools Foundation (the Foundation) is a California nonprofit corporation. The Foundation is a legally separate, tax-exempt component unit of the District. The Foundation was organized with the purpose of providing benefits to the educational programs and services of the District. Although the District does not control the timing or amount of receipts from the Foundation, the majority of the resources or income thereon that the Foundation holds and invests is restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

C. 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. 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 FINANCIAL STATEMENTS
JUNE 30, 2022**

C. Basis of Presentation (continued)

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 the general revenues of the District.

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its proprietary funds. Separate statements for each fund category – governmental and – 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 and child development 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.

Major Governmental Funds

General Fund: The General Fund is the main 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. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

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

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

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

Capital Projects Fund for Blended Component Units: This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds

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 special revenue funds:

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria 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 Sections 38091 and 38100*).

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

Capital Project Funds: Capital project 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).

Capital Facilities Fund: This 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 Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

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.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county 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: This fund is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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.

Childcare Enterprise Fund: The childcare 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.

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 Section 17566*).

D. Basis of Accounting – Measurement Focus

Government-Wide and Proprietary Financial Statements

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary 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.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

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 Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

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

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**SOLANA BEACH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

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

Investments

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

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

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

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Interfund Balances

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

Compensated Absences

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

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 because 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.

Accrued Liabilities and Long-Term Obligations

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

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, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Postemployment Benefits Other Than Pensions (OPEB) (continued)

Gains and losses related to changes in Total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

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 straight-line method.

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

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

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, lease receivables (net of related deferred inflows), prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

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

G. 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.

H. Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

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

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has implemented this Statement as of June 30, 2022.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has not yet determined the impact on the financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This standard's primary objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. A portion of this statement was effective upon issuance, while the majority of this statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has fully implemented this Statement as of June 30, 2022.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The statement is effective for periods beginning after June 15, 2022. The District has not yet determined the impact on the financial statements.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This standard's primary objectives are to increase consistency and comparability related to reporting fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective for periods beginning after June 15, 2021. The District has implemented this Statement as of June 30, 2022.

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has not yet determined the impact on the financial statements.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Fund	Governmental Activities	Business-Type Activities
Investment in county treasury	\$ 68,863,879	\$ 1,207,349	\$ 70,071,228	\$ 342,057
Fair value adjustment	(1,612,656)	(29,832)	(1,642,488)	(8,452)
Cash on hand and in banks	88,081	-	88,081	-
Cash with fiscal agent	110,450	-	110,450	-
Cash in revolving fund	6,948,734	-	6,948,734	-
Total	\$ 74,398,488	\$ 1,177,517	\$ 75,576,005	\$ 333,605

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices

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

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The San Diego County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 2 – CASH AND INVESTMENTS (continued)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$68,762,345. The average weighted maturity for this pool is 551 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2022, the pooled investments in the County Treasury were rated at least A.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2022, the District's bank balance was not exposed to custodial credit risk.

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 2 – CASH AND INVESTMENTS (continued)

G. Fair Value

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

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

Uncategorized - Investments in the San Diego County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2022 were as follows:

	Uncategorized
Investment in county treasury	\$ 68,762,345
Total	\$ 68,762,345

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Building Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Internal Service Fund	Governmental Activities	Business-Type Activities
Federal Government									
Categorical aid	\$ 1,531,009	\$ -	\$ -	\$ -	\$ -	\$ 328,644	\$ -	\$ 1,859,653	\$ -
State Government									
Apportionment	46,336	-	-	-	-	-	-	46,336	-
Categorical aid	406,048	-	-	-	-	-	-	406,048	-
Lottery	171,994	-	-	-	-	-	-	171,994	-
Local Government									
Other local sources	87,228	22,817	3,941	23,210	39,886	148,254	2,594	327,930	12,903
Total	\$ 2,242,615	\$ 22,817	\$ 3,941	\$ 23,210	\$ 39,886	\$ 476,898	\$ 2,594	\$ 2,811,961	\$ 12,903

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2021	Additions	Deletions	Balance June 30, 2022
overnmental Activities				
Capital assets not being depreciated				
Land	\$ 70,609,117	\$ -	\$ -	\$ 70,609,117
Construction in progress	83,238,711	15,184,421	50,372,611	48,050,521
Total capital assets not being depreciated	153,847,828	15,184,421	50,372,611	118,659,638
Capital assets being depreciated				
Land improvements	673,884	-	-	673,884
Buildings & improvements	79,867,261	51,820,859	-	131,688,120
Furniture & equipment	5,780,223	-	-	5,780,223
Total capital assets being depreciated	86,321,368	51,820,859	-	138,142,227
Less accumulated depreciation				
Land improvements	658,682	844	-	659,526
Buildings & improvements	27,799,455	3,139,742	-	30,939,197
Furniture & equipment	5,360,814	184,525	-	5,545,339
Total accumulated depreciation	33,818,951	3,325,111	-	37,144,062
overnmental Activities				
Capital Assets, net	\$ 206,350,245	\$ 63,680,169	\$ 50,372,611	\$ 219,657,803
usiness-Type Activities				
Capital assets being depreciated				
Buildings & improvements	\$ 84,268	\$ -	\$ -	\$ 84,268
Furniture & equipment	276,858	-	-	276,858
Total capital assets being depreciated	361,126	-	-	361,126
Less accumulated depreciation				
Buildings & improvements	44,538	-	10,169	34,369
Furniture & equipment	237,812	31,102	-	268,914
Total accumulated depreciation	282,350	31,102	10,169	303,283
usiness-Type Activities				
Capital Assets, net	\$ 78,776	\$ (31,102)	\$ (10,169)	\$ 57,843

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2022 were as follows:

Due To Other Funds	Due From Other Funds			
	General Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ -	\$ 230	\$ 230
County School Facilities Fund	-	1,707,383	-	1,707,383
Special Reserve Fund for Capital Outlay Projects	-	3,788,436	-	3,788,436
Non-Major Governmental Funds	150,475	-	-	150,475
Childcare Enterprise Fund	39,730	-	-	39,730
Total	\$ 190,205	\$ 5,495,819	\$ 230	\$ 5,686,254

Due from the General Fund to the Debt Service Fund for Blended Component Units for miscellaneous expenses.	\$ 230
Due from the Cafeteria Fund to the General Fund for copier expenses.	475
Due from the Foundation Special Revenue Fund to the General Fund for program contribution.	150,000
Due from the County School Facilities Fund to the Capital Projects Fund for Blended Component Units for school facilities projects costs.	1,707,383
Due from the Special Reserve Fund for Capital Outlay Projects to the Capital Projects Fund for Blended Component Units for HVAC project costs.	3,788,436
Due from the Childcare Enterprise Fund to the General Fund for Child Development Center rent and OPEB contributions.	39,730
Total	\$ 5,686,254

B. Operating Transfers

Interfund transfers for the year ended June 30, 2022 consisted of the following:

Interfund Transfers Out	Interfund Transfers In		
	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Total
County School Facilities Fund	1,707,383	\$ -	\$ 1,707,383
Special Reserve Fund for Capital Outlay Projects	3,788,436	-	3,788,436
Capital Projects Fund for Blended Component Units	-	2,637,826	2,637,826
Non-Major Governmental Funds	3,459	-	3,459
Total	\$ 5,499,278	\$ 2,637,826	\$ 8,137,104

Transfer from the County School Facilities Fund to the Capital Projects Fund for Blended Component Units for school facilities projects costs.	\$ 1,707,383
Transfer from the Special Reserve Fund for Capital Outlay Projects to the Capital Projects Fund for Blended Component Units for HVAC project costs.	3,788,436
Transfer from the Capital Projects Fund for Blended Component Units to the Debt Service Fund for Blended Component Units for debt service payments.	2,637,826
Transfer from the Debt Service Fund for Blended Component Units to the Capital Projects Fund for Blended Component Units for miscellaneous expenses.	3,459
Total	\$ 8,137,104

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2022 consisted of the following:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	District-Wide	Governmental Activities	Business-Type Activities
Payroll	\$ 764,067	\$ -	\$ -	\$ 1,024	\$ 43,124	\$ -	\$ 808,215	\$ 133,676
Construction	-	2,611,880	1,771	78,356	-	-	2,692,007	-
Vendors payable	793,325	-	-	-	11,055	-	804,380	22,105
Unmatured interest	-	-	-	-	-	4,125,878	4,125,878	-
Total	\$ 1,557,392	\$ 2,611,880	\$ 1,771	\$ 79,380	\$ 54,179	\$ 4,125,878	\$ 8,430,480	\$ 155,781

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2022 consisted of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal sources	\$ 29,917	\$ -	\$ 29,917
State categorical sources	153,138	-	153,138
Local sources	-	134,994	134,994
Total	\$ 183,055	\$ 134,994	\$ 318,049

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2022 consisted of the following:

	Restated Balance July 01, 2021	Additions	Deductions	Balance June 30, 2022	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 93,095,000	\$ -	\$ 2,525,000	\$ 90,570,000	\$ 1,475,000
Unamortized premium	6,981,541	-	313,241	6,668,300	308,168
Total general obligation bonds	100,076,541	-	2,838,241	97,238,300	1,783,168
Special tax bonds	28,710,000	-	700,000	28,010,000	830,000
Unamortized premium	2,048,287	-	91,907	1,956,380	97,819
Total special tax bonds	30,758,287	-	791,907	29,966,380	927,819
Certificates of participation	6,444,733	-	308,882	6,135,851	316,604
Compensated absences	236,461	65,822	-	302,283	-
Total OPEB liability	11,075,818	1,714,129	-	12,789,947	-
Net pension liability	52,256,176	-	22,340,089	29,916,087	-
Total	\$ 200,848,016	\$ 1,779,951	\$ 26,279,119	\$ 176,348,848	\$ 3,027,591
Business-Type Activities					
Compensated absences	\$ 79,340	\$ 48,638	\$ -	\$ 127,978	\$ -
Net pension liability	4,005,456	-	1,369,424	2,636,032	-
Total	\$ 4,084,796	\$ 48,638	\$ 1,369,424	\$ 2,764,010	\$ -

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for certificates of participation are made in the Debt Service Fund for Blended Component Units.
- Payments for special tax bonds are made in the Debt Service Fund for Blended Component Units.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. General Obligation Bonds

The general obligations bonds outstanding at June 30, 2022 are summarized as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2022
					Outstanding July 01, 2021	Additions	Deductions	
2016 Election, Series A	5/3/2017	8/1/2046	2.00 - 5.00%	\$ 50,000,000	\$ 40,345,000	\$ -	\$ 905,000	\$ 39,440,000
2016 Election, Series B	3/26/2019	8/1/2041	3.00 - 5.00%	\$ 55,000,000	52,750,000	-	1,620,000	51,130,000
					\$ 93,095,000	\$ -	\$ 2,525,000	\$ 90,570,000

The annual requirements to amortize general obligation bonds outstanding at June 30, 2022 is as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 1,475,000	\$ 3,498,200	\$ 4,973,200
2024	1,640,000	3,457,550	5,097,550
2025	1,810,000	3,396,150	5,206,150
2026	2,020,000	3,312,900	5,332,900
2027	2,245,000	3,220,750	5,465,750
2028 - 2032	15,015,000	14,371,100	29,386,100
2033 - 2037	22,605,000	10,596,750	33,201,750
2038 - 2042	32,385,000	5,512,450	37,897,450
2043 - 2047	11,375,000	1,173,100	12,548,100
Total	\$ 90,570,000	\$ 48,538,950	\$ 139,108,950

B. Compensated Absences

Total unpaid employee compensated absences in the governmental activities and business-type activities as of June 30, 2022 amounted to \$430,261. This amount is included as part of long-term liabilities in the government-wide financial statements.

C. Certificates of Participation

In June of 2020, the District issued \$6,635,641 in Certificates of Participation to finance and provide for the construction, installation, and completion of certain public improvements. Lease payments are required to be made by the District under the agreement each September through 2038 with an interest rate of 2.50 percent. The agreement is between the District and the Public Property Financing Corporation with The Bank of New York Mellon as trustee. At June 30, 2022, the principal outstanding was \$6,135,851.

The annual requirements to amortize all certificates of participation outstanding at June 30, 2022 were as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 316,604	\$ 149,439	\$ 466,043
2024	324,519	141,425	465,944
2025	332,632	133,210	465,842
2026	340,948	124,791	465,739
2027	349,471	116,160	465,631
2028 - 2032	1,882,859	443,605	2,326,464
2033 - 2037	2,130,282	193,089	2,323,371
2038	458,536	5,732	464,268
Total	\$ 6,135,851	\$ 1,307,451	\$ 7,443,302

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 8 – LONG-TERM LIABILITIES (continued)

D. 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 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.

The annual requirements to amortize the special tax bonds outstanding at June 30, 2022 were as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 830,000	\$ 1,363,788	\$ 2,193,788
2024	860,000	1,330,588	2,190,588
2025	905,000	1,287,588	2,192,588
2026	950,000	1,242,338	2,192,338
2027	980,000	1,209,088	2,189,088
2028 - 2032	5,635,000	5,319,588	10,954,588
2033 - 2037	7,175,000	3,779,500	10,954,500
2038 - 2042	8,865,000	1,798,250	10,663,250
2043	1,810,000	90,497	1,900,497
Total	\$ 28,010,000	\$ 17,421,225	\$ 45,431,225

E. Other Postemployment Benefits

The District's beginning total OPEB liability was \$11,075,818 and increased by \$1,714,129 during the year ended June 30, 2022. The ending total OPEB liability at June 30, 2022 was \$12,789,947. See Note 10 for additional information regarding the total OPEB liability.

F. Net Pension Liability

The District's beginning net pension liability in the governmental activities was \$52,256,176 and decreased by \$22,340,089 during the year ended June 30, 2022. The ending net pension liability in governmental activities at June 30, 2022 was \$29,916,087. The District's beginning net pension liability related to business-type activities was \$4,005,456 and decreased by \$1,369,424 during the year ended June 30, 2022. The ending net pension liability in the business-type activities at June 30, 2022 was \$2,636,032. See Note 11 for additional information regarding the net pension liability.

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2022:

	General Fund	Building Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable							
Revolving cash	\$ 110,000	\$ -	\$ -	\$ -	\$ -	\$ 450	\$ 110,450
Stores inventory	-	-	-	-	-	18,463	18,463
Total non-spendable	110,000	-	-	-	-	18,913	128,913
Restricted							
Educational programs	5,000,326	-	-	-	-	912,793	5,913,119
Food service	-	-	-	-	-	767,609	767,609
Capital projects	-	5,388,421	-	5,857,427	29,975,602	1,069,199	42,290,649
Debt service	-	-	-	-	-	3,596,307	3,596,307
Total restricted	5,000,326	5,388,421	-	5,857,427	29,975,602	6,345,908	52,567,684
Assigned							
Deferred maintenance	1,607,465	-	-	-	-	-	1,607,465
Special Reserve for Other Than Capital Outlay Projects	5,636,190	-	-	-	-	-	5,636,190
Special Reserve for Post-Employment Benefits	3,143,307	-	-	-	-	-	3,143,307
Site donations carryover	421,786	-	-	-	-	-	421,786
Total assigned	10,808,748	-	-	-	-	-	10,808,748
Unassigned	9,138,052	-	-	-	-	-	9,138,052
Total Fund Balance	\$ 25,057,126	\$ 5,388,421	\$ -	\$ 5,857,427	\$ 29,975,602	\$ 6,364,821	\$ 72,643,397

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than three percent of General Fund expenditures and other financing uses.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Solana Beach School District's defined benefit OPEB plan, Solana Beach School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

B. Benefits Provided

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

Certificated Employees

The District provides retiree medical (including prescription drug benefits), 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 STRS/PERS on or after age 55 with at least 12 years of District eligible service.

The District's contribution is 75% of the employee-only benefit cap (currently \$8,655, the current UHC Network 1 HMO premium) plus 5% of the employee only benefit cap 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 HMO retiree only dental insurance (currently \$606.60). 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. Any spouse coverage elected by the retiree ceases upon death of the retiree except for COBRA continuation coverage.

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Benefits Provided (continued)

Classified Employees

The District provides retiree medical (including prescription drug benefits), 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 STRS/PERS on or after age 55 with at least 15 years of District eligible service.

Beginning July 1, 2017, current active Classified employees were no longer eligible for retiree medical benefits. On July 1, 2018, these Classified employees became eligible again. For current Classified retirees, the District's contribution is 50% of the employee-only benefit cap (currently \$8,655, the current UHC Network 1 HMO premium) plus 5% of the employee-only benefit cap for each additional year of age in excess of 55 to a maximum of 100%. If an eligible employee retires at age 60 or older and has at least 20 years of District service and has been covered by District health benefits for the previous 20 years, the District will pay full benefits for 5 years or Medicare eligibility, if earlier. In addition, the District will pay the cost of the District's HMO retiree only dental insurance (currently \$606.60). 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. Any spouse coverage elected by the retiree ceases upon death of the retiree except for COBRA continuation coverage.

Management Employees

The District provides retiree medical (including prescription drug benefits), 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 STRS/PERS on or after age 55 with at least 8 years of District eligible service.

The District's contribution is 50% of the employee-only benefit cap (currently \$8,655, the current UHC Network 1 HMO premium) plus 5% of the employee only benefit cap for each additional year of District eligible service in excess of 8 years to a maximum of 100%. In addition, the District will pay the cost of the District's HMO retiree only dental insurance (currently \$606.60). 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. Any spouse coverage elected by the retiree ceases upon death of the retiree except for COBRA continuation coverage.

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.

D. Contributions

For the measurement period, the District contributed \$198,786 to the Plan, all of which was used for current premiums.

**SOLANA BEACH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

E. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	16
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	448
Total number of participants**	464

*Information not provided

**As of the June 30, 2021 valuation date

F. Total OPEB Liability

The Solana Beach School District’s total OPEB liability of \$12,789,947 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

G. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Economic assumptions:

Inflation	2.75%	
Payroll growth	2.75%	
Discount rate	2.19%	
Healthcare cost trend rates	7.00% decreasing to 4.50%	

Non-economic assumptions:

Mortality:

Certificated	Certificated employees: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2021
Non-Certificated	Non-Certificated employees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021

Turnover rates:

According to the termination rates from the 2021 CalPERS experience study for PERS employees, and according to the 2017 experience study for the STRS pension plans for STRS employees.

Participation rates:

95% of future active employees are assumed to elect retiree health coverage at retirement. Of those electing coverage 15% are assumed to elect coverage for their spouse. Spouses are assumed to be the same age as the retiree.

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

G. Actuarial Assumptions and Other Inputs (continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on a review of plan experience during the period July 1, 2019 to June 30, 2021.

Under GASB 75, the discount rate used in valuing OPEB liabilities for unfunded plans as of the Measurement Date must be based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA /Aa or higher (or equivalent quality on another rating scale).

H. Changes in Total OPEB Liability

	<u>June 30, 2022</u>
Total OPEB Liability	
Service cost	\$ 1,059,693
Interest on total OPEB liability	320,178
Difference between expected and actual experience	1,552,958
Changes of assumptions	(1,019,914)
Benefits payments	<u>(198,786)</u>
Net change in total OPEB liability	1,714,129
Total OPEB liability - beginning	<u>11,075,818</u>
Total OPEB liability - ending	<u>\$ 12,789,947</u>
Covered-employee payroll	\$ 31,460,954
District's total OPEB liability as a percentage of covered-employee payroll	40.65%

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

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

	1% Decrease	Valuation Discount Rate	1% Increase
	(1.19%)	(2.19%)	(3.19%)
Total OPEB liability	\$ 13,857,990	\$ 12,789,947	\$ 11,774,921

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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

The following presents the total OPEB liability of the Solana Beach School District, 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:

	1% Decrease (6.00%)	Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
Total OPEB liability	\$ 11,176,400	\$ 12,789,947	\$ 14,709,047

K. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Solana Beach School District recognized OPEB expense of \$1,416,446. At June 30, 2022, the Solana Beach School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,347,095
Changes in assumptions	1,796,224	50,092
District contributions subsequent to the measurement date	175,427	-
Total	\$ 1,971,651	\$ 1,397,187

The \$175,427 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	\$ 184,171	\$ 147,596
2024	184,171	147,596
2025	184,171	147,596
2026	184,171	147,596
2027	184,171	147,596
Thereafter	875,369	659,207
Total	\$ 1,796,224	\$ 1,397,187

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement 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). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 20,136,234	\$ 12,002,228	\$ 20,202,922	\$ 978,815
PERS Pension	12,415,885	2,377,878	5,499,267	1,313,682
Total	<u>\$ 32,552,119</u>	<u>\$ 14,380,106</u>	<u>\$ 25,702,189</u>	<u>\$ 2,292,497</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**SOLANA BEACH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2022, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2022 was 16.92% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$4,170,617 for the year ended June 30, 2022.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$2,845,660 to CalSTRS.

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

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

District's proportionate share of the net pension liability	\$ 20,136,234
State's proportionate share of the net pension liability associated with the District	10,131,983
Total	\$ 30,268,217

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2021, the District’s proportion was 0.044 percent, which was an increase of 0.006 percent from its proportion measured as of June 30, 2020.

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2022, the District recognized pension expense of \$978,815. In addition, the District recognized pension expense and revenue of \$(1,744,209) for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 15,928,280
Differences between expected and actual experience	50,443	2,142,915
Changes in assumptions	2,853,091	-
Changes in proportion and differences between District contributions and proportionate share of contributions	4,928,077	2,131,727
District contributions subsequent to the measurement date	4,170,617	-
Total	<u>\$ 12,002,228</u>	<u>\$ 20,202,922</u>

The \$4,170,617 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 2,299,632	\$ 5,304,129
2024	2,300,961	4,780,526
2025	1,011,137	4,654,560
2026	786,686	4,865,039
2027	728,100	384,953
2028	705,095	213,715
Total	<u>\$ 7,831,611</u>	<u>\$ 20,202,922</u>

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS’ independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2021, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%
	100%	

*20-year geometric average

**SOLANA BEACH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
	<hr/>	<hr/>	<hr/>
District’s proportionate share of the net pension liability	\$ 40,990,166	\$ 20,136,234	\$ 2,827,869

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2022 was 22.91% of annual payroll. Contributions to the plan from the District were \$1,772,784 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$12,415,885 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2021, the District's proportion was 0.061 percent, which was a decrease of 0.003 percent from its proportion measured as of June 30, 2020.

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2022, the District recognized pension expense of \$1,313,682. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 4,764,847
Differences between expected and actual experience	370,646	29,269
Changes in proportion and differences between District contributions and proportionate share of contributions	234,448	705,151
District contributions subsequent to the measurement date	<u>1,772,784</u>	<u>-</u>
Total	<u>\$ 2,377,878</u>	<u>\$ 5,499,267</u>

The \$1,772,784 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 471,092	\$ 1,479,154
2024	127,264	1,358,108
2025	6,738	1,336,809
2026	-	1,325,196
Total	<u>\$ 605,094</u>	<u>\$ 5,499,267</u>

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from 1997 through 2015.

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, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the 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 adjusted to account for assumed administrative expenses.

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	<u>100.0%</u>		

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 20,934,926	\$ 12,415,885	\$ 5,343,254

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

B. 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 is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2022.

C. Construction Commitments

As of June 30, 2022, the District had commitments with respect to unfinished capital projects of \$20,209,180.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the San Diego County Schools Risk Management JPA (SDCSR) public entity risk pool and the North City West School Facilities Financing Authority (NCWJPA). The District pays an annual premium to SDCSR 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.

The JPAs 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 JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2022, the deferred amount on refunding was \$152,112.

**SOLANA BEACH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2022, total combined deferred outflows related to pensions was \$14,380,106 and total deferred inflows related to pensions was \$25,702,189.

C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2022, total deferred outflows related to other postemployment benefits was \$1,883,383 and total deferred inflows related to other postemployment benefits was \$1,397,187.

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position for governmental activities and business-type activities have been restated to reflect the in order to more accurately reflect the substance of the underlying transactions that occurred in the prior year. The effect on beginning net position is presented as follows:

	Governmental Activities	Childcare Enterprise Fund
Net Position - Beginning, as Previously Reported	\$ 99,653,209	\$ (3,891,015)
Restatement	(662,913)	662,913
Net Position - Beginning, as Restated	<u>\$ 98,990,296</u>	<u>\$ (3,228,102)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**SOLANA BEACH SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 46,624,136	\$ 48,181,049	\$ 48,022,679	\$ (158,370)
Federal sources	2,044,093	3,044,860	2,643,219	(401,641)
Other state sources	3,548,866	4,966,855	5,935,783	968,928
Other local sources	2,156,929	2,969,922	2,288,663	(681,259)
Total Revenues	54,374,024	59,162,686	58,890,344	(272,342)
EXPENDITURES				
Certificated salaries	25,097,037	25,925,817	25,600,353	325,464
Classified salaries	7,168,361	7,643,389	7,336,843	306,546
Employee benefits	16,198,337	16,107,743	15,869,552	238,191
Books and supplies	1,413,404	4,468,323	3,252,571	1,215,752
Services and other operating expenditures	6,319,021	6,684,051	5,120,214	1,563,837
Other outgo				
Excluding transfers of indirect costs	-	11,338	2,046	9,292
Total Expenditures	56,196,160	60,840,661	57,181,579	3,659,082
NET CHANGE IN FUND BALANCE	(1,822,136)	(1,677,975)	1,708,765	3,386,740
Fund Balance - Beginning	12,961,399	12,961,399	12,961,399	-
Fund Balance - Ending	\$ 11,139,263	\$ 11,283,424	\$ 14,670,164	\$ 3,386,740

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- The amounts on that schedule include the financial activity of the Deferred Maintenance Fund, Special Reserve Fund for Other Than Capital Outlay Projects, and the Special Reserve Fund for Postemployment Benefits in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**SOLANA BEACH SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability					
Service cost	\$ 1,059,693	\$ 982,361	\$ 583,530	\$ 673,195	\$ 651,059
Interest on total OPEB liability	320,178	339,534	303,106	308,980	283,363
Changes of benefit terms	-	-	1,098,297	(1,019,657)	-
Difference between expected and actual experience	1,552,958	(419,484)	(105,444)	-	-
Changes of assumptions	(1,019,914)	445,465	27,461	(78,716)	-
Benefits payments	<u>(198,786)</u>	<u>(136,056)</u>	<u>(239,199)</u>	<u>(204,023)</u>	<u>(202,200)</u>
Net change in total OPEB liability	1,714,129	1,211,820	1,667,751	(320,221)	732,222
Total OPEB liability - beginning	11,075,818	9,863,998	8,196,247	8,516,468	7,784,246
Total OPEB liability - ending	<u>\$ 12,789,947</u>	<u>\$ 11,075,818</u>	<u>\$ 9,863,998</u>	<u>\$ 8,196,247</u>	<u>\$ 8,516,468</u>
Covered-employee payroll	\$ 31,460,954	\$ 33,918,300	\$ 32,930,388	\$ 18,860,000	\$ 23,581,000
District's total OPEB liability as a percentage of covered-employee payroll	40.65%	32.65%	29.95%	43.46%	36.12%

See accompanying notes to required supplementary information.

**SOLANA BEACH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.044%	0.038%	0.039%	0.038%	0.043%	0.040%	0.041%	0.039%
District's proportionate share of the net pension liability	\$ 20,136,234	\$ 35,332,238	\$ 35,112,149	\$ 39,112,149	\$ 39,965,339	\$ 32,309,341	\$ 27,564,208	\$ 23,244,027
State's proportionate share of the net pension liability associated with the District	10,131,983	24,041,659	20,751,368	20,177,262	23,733,206	18,482,164	14,676,613	14,140,544
Total	<u>\$ 30,268,217</u>	<u>\$ 59,373,897</u>	<u>\$ 55,863,517</u>	<u>\$ 59,289,411</u>	<u>\$ 63,698,545</u>	<u>\$ 50,791,505</u>	<u>\$ 42,240,821</u>	<u>\$ 37,384,571</u>
District's covered payroll	\$ 24,449,028	\$ 23,194,971	\$ 21,029,533	\$ 20,289,134	\$ 22,778,553	\$ 19,775,312	\$ 18,716,295	\$ 17,391,830
District's proportionate share of the net pension liability as a percentage of its covered payroll	82.36%	152.33%	166.97%	192.77%	175.45%	163.38%	147.27%	133.65%
Plan fiduciary net position as a percentage of the total pension liability	87.20%	71.80%	72.60%	71.00%	69.46%	70.04%	74.02%	76.52%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**SOLANA BEACH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.061%	0.064%	0.065%	0.063%	0.063%	0.059%	0.062%	0.059%
District's proportionate share of the net pension liability	\$ 12,415,885	\$ 19,748,241	\$ 18,984,565	\$ 16,770,853	\$ 15,106,367	\$ 11,587,365	\$ 9,075,909	\$ 6,710,724
District's covered payroll	\$ 8,976,007	\$ 9,354,039	\$ 9,116,178	\$ 8,386,691	\$ 8,127,362	\$ 7,104,743	\$ 6,847,311	\$ 4,754,947
District's proportionate share of the net pension liability as a percentage of its covered payroll	138.32%	211.12%	208.25%	199.97%	185.87%	163.09%	132.55%	141.13%
Plan fiduciary net position as a percentage of the total pension liability	81.00%	70.00%	70.00%	70.80%	71.87%	73.90%	79.43%	83.38%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**SOLANA BEACH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 4,170,617	\$ 3,948,518	\$ 3,966,340	\$ 3,423,608	\$ 2,927,722	\$ 2,874,486	\$ 2,129,575	\$ 1,680,128
Contributions in relation to the contractually required contribution*	(4,170,617)	(3,948,518)	(3,966,340)	(3,423,608)	(2,927,722)	(2,874,486)	(2,129,575)	(1,680,128)
Contribution deficiency (excess)	<u>\$ -</u>							
District's covered payroll	\$ 25,289,343	\$ 24,449,028	\$ 23,194,971	\$ 21,029,533	\$ 20,289,134	\$ 22,778,553	\$ 19,775,312	\$ 18,716,295
Contributions as a percentage of covered payroll	16.49%	16.15%	17.10%	16.28%	14.43%	12.62%	10.77%	8.98%

*Amounts do not include on-behalf contributions

**SOLANA BEACH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,772,784	\$ 1,858,048	\$ 1,844,710	\$ 1,646,564	\$ 1,302,537	\$ 1,128,728	\$ 841,699	\$ 805,997
Contributions in relation to the contractually required contribution*	(1,772,784)	(1,858,048)	(1,844,710)	(1,646,564)	(1,302,537)	(1,128,728)	(841,699)	(805,997)
Contribution deficiency (excess)	<u>\$ -</u>							
District's covered payroll	\$ 9,398,873	\$ 8,976,007	\$ 9,354,039	\$ 9,116,178	\$ 8,386,691	\$ 8,127,362	\$ 7,104,743	\$ 6,847,311
Contributions as a percentage of covered payroll	18.86%	20.70%	19.72%	18.06%	15.53%	13.89%	11.85%	11.77%

*Amounts do not include on-behalf contributions

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

Changes in Benefit Terms

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

Changes in Assumptions

The discount rate changed from 2.66 percent to 2.19 percent since the previous measurement date.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

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

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2022, the District incurred no excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

SUPPLEMENTARY INFORMATION

**SOLANA BEACH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 244,343
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	76,762
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	5,491
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	386,376
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	33,580
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	14,681
Subtotal Special Education Cluster			<u>434,637</u>
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants: [1]			
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	15,222
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	590,217
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	819,557
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	157,711
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	157,648
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	141,632
Subtotal Education Stabilization Fund Discretionary Grants			<u>1,881,987</u>
Total U. S. Department of Education			<u>2,643,220</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO:			
Child Nutrition Cluster [1]			
School Breakfast Program - Basic	10.553	13525	439,695
School Breakfast Program - Needy	10.553	13526	79,925
National School Lunch Program	10.555	13391	1,828,043
USDA Commodities [2]	10.555	*	84,709
SNP COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.555	15637	26,549
Subtotal Child Nutrition Cluster			<u>2,458,921</u>
Pandemic EBT Local Administrative Grant	10.649	15644	614
Total U. S. Department of Agriculture			<u>2,459,535</u>
Total Federal Expenditures			<u>\$ 5,102,755</u>

[1] - Major Program

[2] - In-Kind Contribution

* - Pass-Through Entity Identifying Number not available or not applicable

**SOLANA BEACH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2022**

	Second Period Report	Annual Report
	Data ID: 7AE16BF1	Data ID: 2FDADBD5
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	1,385.96	1,383.66
Extended Year Special Education	1.62	1.62
Special Education - Nonpublic Schools	15.31	15.19
Extended Year Special Education - Nonpublic Schools	0.27	0.27
Total TK/K through Third	1,403.16	1,400.74
Fourth through Sixth		
Regular ADA	1,293.93	1,292.90
Extended Year Special Education	0.57	0.57
Special Education - Nonpublic Schools	7.30	7.68
Extended Year Special Education - Nonpublic Schools	0.41	0.41
Total Fourth through Sixth	1,302.21	1,301.56
TOTAL SCHOOL DISTRICT	2,705.37	2,702.30

**SOLANA BEACH SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2022**

Grade Level	Minutes Requirement	2021-22 Actual Minutes	Number of Days	Status
Kindergarten	36,000	54,147	180	Complied
Grade 1	50,400	54,147	180	Complied
Grade 2	50,400	54,147	180	Complied
Grade 3	50,400	54,147	180	Complied
Grade 4	54,000	54,147	180	Complied
Grade 5	54,000	54,147	180	Complied
Grade 6	54,000	54,147	180	Complied

See accompanying note to supplementary information.

**SOLANA BEACH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

	2023 (Budget)	2022	2021	2020
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 57,232,847	\$ 58,890,344	\$ 54,220,676	\$ 50,070,045
Expenditures And Other Financing Uses	58,395,975	57,181,579	54,406,166	51,944,244
Net change in Fund Balance	<u>\$ (1,163,128)</u>	<u>\$ 1,708,765</u>	<u>\$ (185,490)</u>	<u>\$ (1,874,199)</u>
Ending Fund Balance	<u>\$ 13,507,036</u>	<u>\$ 14,670,164</u>	<u>\$ 12,961,399</u>	<u>\$ 13,076,553</u>
Available Reserves*	<u>\$ 8,425,812</u>	<u>\$ 9,138,052</u>	<u>\$ 7,397,587</u>	<u>\$ 8,110,974</u>
Available Reserves As A Percentage Of Outgo	<u>14.43%</u>	<u>15.98%</u>	<u>13.60%</u>	<u>15.61%</u>
Long-term Liabilities	<u>\$ 172,755,669</u>	<u>\$ 176,348,848</u>	<u>\$ 137,279,561</u>	<u>\$ 141,742,035</u>
Average Daily Attendance At P-2***	<u>2,797</u>	<u>2,705</u>	<u>2,879</u>	<u>2,879</u>

The General Fund ending fund balance has increased by \$1,593,611 over the past two years. The fiscal year 2022-23 budget projects a decrease of \$1,163,128. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2022-23 fiscal year. Total long-term obligations have increased by \$34,606,813 over the past two years.

Average daily attendance has decreased by 174 ADA over the past two years. An increase of 92 ADA is anticipated during the 2022-23 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, Special Reserve Fund for Other Than Capital Outlay Projects, and the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

***Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.

**SOLANA BEACH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund for Postemployment Benefits	Childcare Enterprise Fund
June 30, 2022, annual financial and budget report fund balance	\$ 14,670,164	\$ 1,607,465	\$ 5,636,190	\$ 3,143,307	\$ (3,818,986)
Adjustments and reclassifications:					
Increase (decrease) in total fund balances:					
Fund balance transfer (GASB 54)	10,386,962	(1,607,465)	(5,636,190)	(3,143,307)	-
Net pension liability	-	-	-	-	1,369,424
Deferred outflows related to pensions	-	-	-	-	(269,458)
Deferred inflows related to pensions	-	-	-	-	(1,003,988)
Compensated absences	-	-	-	-	(48,638)
Accumulated depreciation	-	-	-	-	(20,933)
Total OPEB liability	-	-	-	-	566,684
Deferred outflows related to OPEB	-	-	-	-	(30,701)
Deferred outflows related to OPEB	-	-	-	-	126,930
Net adjustments and reclassifications	10,386,962	(1,607,465)	(5,636,190)	(3,143,307)	689,320
June 30, 2022, audited financial statement fund balance	\$ 25,057,126	\$ -	\$ -	\$ -	\$ (3,129,666)

See accompanying note to supplementary information.

**SOLANA BEACH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2022**

The District does not sponsor any charter schools.

**SOLANA BEACH SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2022**

	Cafeteria Fund	Foundation Special Revenue Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds
ASSETS						
Cash and investments	\$ 600,720	\$ 968,850	\$ 1,043,231	\$ 3,596,077	\$ -	\$ 6,208,878
Accounts receivable	330,159	120,673	26,066	-	-	476,898
Due from other funds	-	-	-	-	230	230
Stores inventory	18,463	-	-	-	-	18,463
Total Assets	\$ 949,342	\$ 1,089,523	\$ 1,069,297	\$ 3,596,077	\$ 230	\$ 6,704,469
LIABILITIES						
Accrued liabilities	\$ 27,351	\$ 26,730	\$ 98	\$ -	\$ -	\$ 54,179
Due to other funds	475	150,000	-	-	-	150,475
Unearned revenue	134,994	-	-	-	-	134,994
Total Liabilities	162,820	176,730	98	-	-	339,648
FUND BALANCES						
Non-spendable	18,913	-	-	-	-	18,913
Restricted	767,609	912,793	1,069,199	3,596,077	230	6,345,908
Total Fund Balances	786,522	912,793	1,069,199	3,596,077	230	6,364,821
Total Liabilities and Fund Balances	\$ 949,342	\$ 1,089,523	\$ 1,069,297	\$ 3,596,077	\$ 230	\$ 6,704,469

See accompanying note to supplementary information.

**SOLANA BEACH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022**

	Cafeteria Fund	Foundation Special Revenue Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds
REVENUES						
Federal sources	\$ 2,459,536	\$ -	\$ -	\$ -	\$ -	\$ 2,459,536
Other state sources	138,233	-	-	14,964	-	153,197
Other local sources	(24,326)	546,702	275,651	5,028,239	3,460	5,829,726
Total Revenues	<u>2,573,443</u>	<u>546,702</u>	<u>275,651</u>	<u>5,043,203</u>	<u>3,460</u>	<u>8,442,459</u>
EXPENDITURES						
Current						
Instruction	-	733,418	-	-	-	733,418
Pupil services						
Food services	1,830,266	-	-	-	-	1,830,266
General administration						
Plant services	-	-	100,011	-	-	100,011
Debt service						
Principal	-	-	-	2,525,000	1,008,882	3,533,882
Interest and other	-	-	-	3,568,219	1,628,945	5,197,164
Total Expenditures	<u>1,830,266</u>	<u>733,418</u>	<u>100,011</u>	<u>6,093,219</u>	<u>2,637,827</u>	<u>11,394,741</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>743,177</u>	<u>(186,716)</u>	<u>175,640</u>	<u>(1,050,016)</u>	<u>(2,634,367)</u>	<u>(2,952,282)</u>
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	2,637,826	2,637,826
Transfers out	-	-	-	-	(3,459)	(3,459)
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,634,367</u>	<u>2,634,367</u>
NET CHANGE IN FUND BALANCE	<u>743,177</u>	<u>(186,716)</u>	<u>175,640</u>	<u>(1,050,016)</u>	<u>-</u>	<u>(317,915)</u>
Fund Balance - Beginning	43,345	1,099,509	893,559	4,646,093	230	6,682,736
Fund Balance - Ending	<u>\$ 786,522</u>	<u>\$ 912,793</u>	<u>\$ 1,069,199</u>	<u>\$ 3,596,077</u>	<u>\$ 230</u>	<u>\$ 6,364,821</u>

See accompanying note to supplementary information.

**SOLANA BEACH SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2022**

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.

GOVERNING BOARD

Member	Office	Term Expires
Vicki King, Esquire	President	Four Year Term Expires December 2022
Debra H. Schade, Ph.D.	Vice President	Four Year Term Expires December 2022
Gaylin Allbaugh	Clerk	Four Year Term Expires December 2022
Julie Union	Member	Four Year Term Expires December 2024
Dana King	Member	Four Year Term Expires December 2024

DISTRICT ADMINISTRATORS

Jodee Brentlinger
Superintendent

Michael Hodson
*Assistant Superintendent
 Business Services*

Sabrina Lee
*Assistant Superintendent
 Instructional Services*

Melissa Hurd
*Assistant Superintendent
 Human Resources*

**SOLANA BEACH SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

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

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

OTHER INDEPENDENT AUDITORS' REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**Independent Auditors' Report

Governing Board
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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Solana Beach School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Solana Beach School District's basic financial statements, and have issued our report thereon dated February 13, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. We identified certain deficiencies in internal control, described in the accompanying schedule of audit findings and questioned costs as Finding #2022-001 that we consider to be a significant deficiency.

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

Solana Beach School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Solana Beach School District's response to the findings identified in our audit and described in the accompanying schedule of audit findings and questioned costs. Solana Beach School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Christy White, Inc.

San Diego, California
February 13, 2023

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

Governing Board
Solana Beach School District
Solana Beach, California

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

We have audited Solana Beach School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Solana Beach School District's major federal programs for the year ended June 30, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit for Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

Report on Internal Control Over Compliance (continued)

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

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

Christy White, Inc.

San Diego, California
February 13, 2023

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

Governing Board
Solana Beach School District
Solana Beach, California

Report on State Compliance***Opinion on State Compliance***

We have audited Solana Beach School District's compliance with the types of compliance requirements described in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Solana Beach School District's state programs for the fiscal year ended June 30, 2022, as identified below.

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 the applicable state programs for the year ended June 30, 2022.

Basis for Opinion on State Compliance

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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Solana Beach School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Solana Beach School District's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Solana Beach School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Solana Beach School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Solana Beach School District's internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine Solana Beach School District's compliance with the state laws and regulations related to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable

Auditor’s Responsibilities for the Audit of State Compliance (continued)

PROGRAM NAME	PROCEDURES PERFORMED
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
In-Person Instruction Grant	Yes
Charter Schools	
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Finding #2022-002. Our opinion on state compliance is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
February 13, 2023

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**SOLANA BEACH SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D, 84.425U	Education Stabilization Fund Discretionary Grants
10.553, 10.555	Child Nutrition Cluster

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

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2021-22 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**SOLANA BEACH SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

FINDING #2022-001: JOURNAL ENTRIES (30000)

Criteria: Proper internal accounting controls include segregation of duties that require journal entries to be reviewed by someone other than the person creating the entry, knowledgeable about accounting principles, and prior to entry into the general ledger.

Condition: During our testing of the journal entry process, we noted that accounting personnel have the ability to create and post journal entries without any approval.

Cause: Turnover in the business office.

Effect: Without a review and approval for each journal entry, there is an increased risk that an inappropriate entry may be recorded to the District's general ledger either by mistake or intentionally.

Repeat Finding: This is a repeat finding.

Recommendation: The review of each entry by a second knowledgeable person should be documented and all supporting documentation should be retained.

Corrective Action Plan: Journal entries are prepared electronically by staff through the District's online financial system, PeopleSoft. The addition of online workflow approval requires approval and posting by a knowledgeable management staff. Including a workflow approval process reduces the risk that an inappropriate entry may be recorded to the District's general ledger.

**SOLANA BEACH SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2022.

**SOLANA BEACH SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related and Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

FINDING #2022-002: INDEPENDENT STUDY (10000)

Criteria: For attendance generated through independence study, all independent study written agreements must contain the signature of the pupil, pupil’s parents, and certificated employee, affixed no later than 30 days after the first day of independent study instruction or October 15, whichever date comes later (Education Code Section 51747(g)(9)(F)).

Condition: Auditor determined that 7 out of 7 independent study agreements tested did not contain all the required elements outlined in Education Code Section 51747(g)(9)(F) in regard to signatures and dates. In each case, the pupil did not sign and date the master agreements, which is a requirement in the aforementioned education code.

Effect: The District is out of compliance with Education Code Section 51747(g)(9)(F).

Cause: Clerical oversight.

Questioned Costs: None. Since the District is a Basic Aid district, funded fully by property taxes, the finding does not result in any financial penalty for the District.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District implement adequate procedures to ensure that independent study contracts are being completed with all the necessary information required by Education Code.

Corrective Action Plan: The District’s Independent Study Program Master Contract has been updated to include a signature line for the pupil’s signature and date, as outlined in Education Code Section 51747(g)(9)(F). The independent study program will be monitored periodically by Administration in coordination with all parties involved to ensure compliance to all requirements of the program.

**SOLANA BEACH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING #2021-001: ACCOUNTING PROCESSES AND INTERNAL CONTROLS – 30000

Criteria: Determine whether the District has accounting processes and internal controls that would allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis, whether due to error or fraud.

Condition: During our audit we identified the following conditions which indicate that management or employees, in the normal course of performing their assigned functions, would not be able to prevent or detect and correct misstatements on a timely basis:

- The District held an associated student body bank account which was not accounted for on the financial statements as a governmental fund as required by Governmental Accounting Standards Board (GASB) Statement No. 84. Audit adjustments were required to account for the activities of the associated student body accounts.
- The District prepared a Schedule for Categoricals (CAT Form) which is intended to reconcile restricted revenue; however, there were a significant number of errors on the CAT form such as current year awards not matching amounts as reported on the California Department of Education website.
- Amounts reported on the District's financial statements for restricted revenues were not in agreement with the CAT form as prepared by the District, indicating that the form prepared to reconcile revenue was not utilized in verifying amounts being recorded correctly.
- The District established several locally defined restricted accounts for items that appear to be board designations rather than restrictions. Additionally, these items were not included on the CAT form reconciliation of restricted revenues. Some of these accounts have deficit ending balances.
- The District transferred expenditures between restricted resources, but did not track which expenditures were being transferred. It could not be determined if allowability was considered upon the transfer of expenditures.
- Journal entries can be posted and reversed by a budget analyst without review and approval by a supervisor.
- Accounts receivable detail provided by the District for the audit was not in agreement with amounts recorded in the financial statements. It appears that the detail of information is incomplete as it only includes information from the general fund. Additionally, it does not appear that there is a reconciliation between the detail and the financial statements to ensure amounts are reported correctly.
- Accounts payable detail provided by the District for the audit was separated into four different spreadsheets. It does not appear that there was a reconciliation process to bridge the information together and compare to what is recorded in the financial statements.
- The District did not post prior year audit adjusting journal entries to the enterprise fund and in addition did not post full accrual entries for net pension liability and OPEB liability for the current year in the enterprise fund. Audit adjustments were required in order to bring the account to the correct full accrual balances.
- Capital asset additions appear to be primarily increasing work in progress. When reviewing the work in progress account we noted that there have been additions of more than \$80 million over the last five years with no indication of any projects being completed. In addition, it does not appear that work in progress is being tracked by project. It is likely that some projects have been completed and should have been included on the depreciation schedule. With no depreciation being calculated for completed projects, it is likely that the accumulated depreciation is misstated; however, we cannot determine an amount it is misstated by.
- Community Facility District cash with fiscal agent accounts do not agree with the financial statements. The District has included amounts that were utilized to refund prior debt service for the community facility districts.

Questioned Costs: None.

**SOLANA BEACH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING #2021-001: ACCOUNTING PROCESSES AND INTERNAL CONTROLS – 30000 (continued)

Cause: The District does not appear to be following an established set of internal control policies and procedures as it relates to the accounting process. There appears to have been a significant reliance on the budget analyst for the accounting process without sufficient oversight and review processes in place. Additionally, it appears that communication between management and accounting personnel was not sufficient to ensure newly implemented accounting requirements were followed.

Effect: The District is exposed to risk of material misstatements, whether due to error or fraud, that would not be detected by management or employees in the normal course of performing their duties. Additionally, we were not able to obtain sufficient and appropriate audit evidence over accounts receivable for funds outside of the general fund.

Recommendation: We recommend the District take the following steps to remedy the material weaknesses in internal control:

- Formally adopt the most recent California School Accounting Manual as the official accounting manual for the District.
- Evaluate rights in the accounting system to ensure that there is an appropriate segregation of duties and that no journal entries can be posted or reversed without supporting documentation and approval by supervisors.
- Establish reconciliation procedures for all balance sheet accounts on the financial statements.
- Ensure that the CAT form is completed properly, includes all restricted accounts, and reconciles with amounts reported on the financial statements.
- Post all audit adjusting journal entries and establish a closing process that includes posting full accrual journal entries to the enterprise fund.
- Establish review procedures over the accounting processes.
- Establish communication channels within the accounting department to ensure all accounting personnel have sufficient information to record all required items, including items that are newly required as a result of implementation of GASB accounting standards.
- Ensure accounting personnel receive training on GASB Statement No. 87 Leases, which is due to be implemented in the 2021-22 fiscal year. Establish processes over leases that are consistent with GASB Statement No. 87 requirements.
- Perform a detailed review of capital assets and evaluate completeness of depreciation schedules. Consider purchasing a capital asset system rather than relying upon an Excel spreadsheet to track capital assets. If sufficient information is not available to determine completeness, consider having a full appraisal and inventory of District capital assets to bring balances to correct amounts.
- Perform a detailed review of all cash with fiscal agent accounts and reconcile to what is recorded in the financial statements. Determine if adjustments need to be posted to the financial statements for cash with fiscal agent.
- Consider obtaining a more detailed evaluation of internal control systems by independent sources such as the Fiscal Crisis Management Team.

**SOLANA BEACH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING #2021-001: ACCOUNTING PROCESSES AND INTERNAL CONTROLS – 30000 (continued)

District Response: The District intends to take a holistic approach to the causes identified above. Since the end of the reporting period, the District’s Fiscal Department has experienced a change in 80% of personnel. Reconstructing the department is in progress which will include a new “Lead Budget and Payroll Analyst” position; support from financial advisors from SDCOE; and consulting with an external consultant to assist in technical fiscal support. We are actively reviewing every fiscal process from budgeting through the processing of payments of commercial warrants. The District recognizes without processes and procedures in place, there are associated risks. Therefore, the District will provide accounting personnel the appropriate training to ensure staff have the knowledge and skills required to properly record all required items.

Current Status: Partially Implemented. See Finding #2022-001.

FINDING #2021-002: ALLOWABLE COSTS/COST PRINCIPLES – EXPENDITURES OF FEDERAL AWARDS– 50000

Criteria: Determine whether the District has accounting processes and internal controls that would allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance for federal programs.

Condition: In our review of expenditures charged to major federal programs, we determined that the District moved expenditures into the program through journal entry from other restricted accounts but did not track which expenditures were moved. We could not determine whether consideration of allowable costs occurred before performing the journal entry.

Questioned Costs: None.

Cause: It appears that the District based journal entries on received revenue rather than evaluating whether the costs were expended on the federal program for allowable purposes.

Effect: The District is exposed to risk of noncompliance in allowable costs/cost principles for federal awards that would not be prevented or detected and corrected by management or employees in the normal course of performing their assigned functions.

Recommendation: When transferring expenditures between restricted resources, identify the specific expenditures being transferred and perform an evaluation of allowability of the expenditure in the program it is being transferred to. In addition, ensure that all federal procurement processes have been followed, including requirements to obtain comparable costs and or bids when the expenditure is sufficient to cross those thresholds.

District Response: We are already incorporating processes to correct this deficiency. As we prepare for our own closing of the current year, we see the challenges when transfers are not well documented with clear audit trails. Future changes will include both narrative and numeric explanations of the intentions and purposes of the transferring expenditures.

Current Status: Implemented.

**SOLANA BEACH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING #2021-003: ALLOWABLE COSTS/COST PRINCIPLES – FEDERAL TIME ACCOUNTING – FEDERAL COMPLIANCE – 50000

Criteria: Federal regulation 2 CFR §200.430 states that “charges to Federal awards for salaries and wages must comply with the established accounting policies and practices of the non-Federal entity and budget estimates determined before the services are performed alone do not qualify as support for charges to Federal awards.” District policy states that “All employees who are paid in full or in part with federal funds, including employees whose salary is paid with state or local funds but is used to meet a required match or in-kind contribution to a federal program, shall document the amount of time they spend on grant activities (AR 3230)”.

Condition: In our review of employees charged to the Special Education cluster we noted the District was unable to provide federal time certifications for two employees charged to the program.

Questioned Costs: Actual questioned costs represent salaries for November 2020 for the 2 employees identified above, totaling \$11,672. Likely questioned costs include the same two employees annualized for 10-month positions, estimated at \$116,720.

Cause: The District put some of the federal time certifications in storage and were unable to retrieve those documents for audit purposes. In addition, the District misunderstood the requirements and believed that time certification was not required if an employee charged less than 10% of their time to the program.

Effect: The District is out of compliance with 2 CFR §200.430.

Recommendation: Provide training to all employees funded from federal programs and their supervisors to the requirements for federal time accounting under 2 CFR §200.430. Identify an individual responsible to monitor documentation to ensure it meets requirements.

District Response: The District will provide personnel the appropriate training to ensure staff understand the importance of proper accounting of time certification and will keep documentation in storage easily accessible.

Current Status: Implemented.

**SOLANA BEACH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING #2021-004: ATTENDANCE AND DISTANCE LEARNING – STATE COMPLIANCE – 40000

Criteria: Education Code Section 43504(e) requires the District to complete a weekly engagement record that documents synchronous or asynchronous instruction for each whole or partial day of distance learning verifying daily participation and tracking assignments. Education Code Section 43504(d) requires the District to document daily participation for each student on each school day for which distance learning was provided.

Condition: In our review of the District’s distance learning documentation for the 71 students selected for testing, record keeping for 28 of the students was not in compliance, resulting in a total of 196 days of noncompliance. Noncompliance is broken down into grade span as follows:

<u>Grade Span</u>	<u>Days of Noncompliance Identified</u>
Grades K-3	35
Grades 4-6	<u>161</u>
Total Noncompliance Identified	<u>196</u>

Questioned Costs: None.

Cause: The Distance Learning program was a new program established only for the 2020-21 fiscal year only. The documentation requirements for the program were significant in comparison to attendance reporting in previous years. Some teachers at school sites did not document in compliance with the requirements as established in Education Code Section 43504(d) and 43504(e).

Effect: The District is out of compliance with Education Code Section 43504(d) and Education Code Section 43504(e). Since the District is a Basic Aid district, funded fully by property taxes, the calculation performed pursuant to Education Code Section 43504(i)(2) did not result in any penalty for the District.

Recommendation: Establish a system of communication and training for employees when new regulations require compliance with a quick turnaround. Ensure that the District is receiving communications from the California Department of Education in order to have information necessary to comply with new regulations.

District Response: While the program is no longer in effect, we acknowledge that training and review processes need improvement.

Current Status: Implemented.