



Solana Beach School District

County of San Diego
Solana Beach, California

Audit Report

June 30, 2021



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



Solana Beach School District

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June 30, 2021

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Solana Beach School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
Discretely Presented Component Unit	Unmodified
General Fund	Qualified
Building Fund	Qualified
Special Reserve Fund for Capital Outlay	Qualified
Capital Project Fund for Blended Component Units	Qualified
Self-Insurance Fund	Qualified
Aggregate Remaining Fund Information	Qualified

Basis for Qualified Opinions

As discussed in the schedule of findings and questioned costs as item 2021-001, the District was unable to provide a detail of accounts receivable which agreed with the financial statements. Additionally, the District has been accumulating work in progress over the past five years without tracking the expenditures by project resulting in no depreciation being calculated on potentially completed projects.

Qualified Opinions

In our opinion, except for the possible effects of the matters discussed in the “Basis for Qualified Opinions” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Solana Beach District as of June 30, 2021, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit of the Solana Beach School District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Requires Supplementary Information

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

Other Information

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

The accompanying combining statements as supplementary information and additional supplementary information identified in the table of contents, as required by the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022, on our consideration of Solana Beach School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co LLP

El Cajon, California
March 31, 2022

Solana Beach School District
Management's Discussion and Analysis
June 30, 2021
(Unaudited)

The discussion and analysis of Solana Beach School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report, the District's financial statements and notes to the basic financial statements.

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

FINANCIAL HIGHLIGHTS

- The increase in Local Control Funding Formula (LCFF) sources from 2019-20 to 2020-21 was \$2.4 million. The increase is due to rising property tax values.
- The general fund expenditures increased by \$1.7 million over the previous year amount.
- General fund expenses and other uses exceeded revenues and other sources by \$0.9 million.

Overview of the Financial Statements

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

The Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using methods similar to those used by private-sector companies. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. This basis of accounting takes in account all the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2020-2021?"

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS

The School District as a Whole

The District's governmental activities net position was \$99.7 million at June 30, 2021. Of this amount, unrestricted net position was (\$55.6) million, net investment in capital assets was \$89.9 million, and restricted net position was \$65.4 million. A comparative analysis of government-wide statement of net position is presented in Table 1.

The District's governmental activities net position increased \$6.6 million this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 70% of governmental expenses. The administrative activities of the District accounted for just 7% of governmental costs. The remaining 23% was spent in the areas of plant services and other expenses. (See Figure 2)

Table 1
Comparative Statement of Net Position

	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>June 30, 2021</u>	<u>June 30, 2020</u> <u>(As Adjusted)</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Assets				
Cash	\$ 90,082,739	111,524,816	43,577	981,044
Accounts receivable	2,324,441	2,624,735	15,983	9,354
Internal Balances	(115,876)	(62,172)	115,876	62,172
Inventory	14,610	26,047	-	-
Prepaid expenses	39,485	138,316	-	-
Capital assets, net	206,350,245	178,724,871	78,776	94,832
Total Assets	<u>\$ 298,695,644</u>	<u>\$ 292,976,613</u>	<u>\$ 254,212</u>	<u>\$ 1,147,402</u>
Deferred Outflows of Resources				
Deferred outflows of resources - pensions	\$ 11,993,115	13,796,948	751,094	1,027,212
Deferred outflows of resources - OPEB	578,666	107,603	30,701	1,572
Deferred outflows of resources - other	161,619	171,130	-	-
Total Deferred Outflows of Resources	<u>\$ 12,733,400</u>	<u>\$ 14,075,681</u>	<u>\$ 781,795</u>	<u>\$ 1,028,784</u>
Liabilities				
Accounts payable and other current liabilities	6,740,659	5,851,049	96,468	40,306
Unearned revenue	306,704	2,976	-	-
Long-term liabilities	200,281,332	201,801,814	4,651,480	4,469,767
Total Liabilities	<u>207,328,695</u>	<u>207,655,839</u>	<u>4,747,948</u>	<u>4,510,073</u>
Deferred Inflows of Resources				
Deferred inflows of resources - pensions	\$ 3,955,539	6,206,221	52,144	178,657
Deferred inflows of resources - OPEB	491,601	150,203	126,930	10,059
Total Deferred Inflows of Resources	<u>\$ 4,447,140</u>	<u>\$ 6,356,424</u>	<u>\$ 179,074</u>	<u>\$ 188,716</u>
Net Position				
Net investment in capital assets	89,869,768	86,478,935	78,776	94,832
Restricted	65,396,393	87,254,667	-	-
Unrestricted	(55,612,952)	(80,693,571)	(3,969,791)	(2,617,435)
Total Net Position	<u>\$ 99,653,209</u>	<u>\$ 93,040,031</u>	<u>\$ (3,891,015)</u>	<u>\$ (2,522,603)</u>

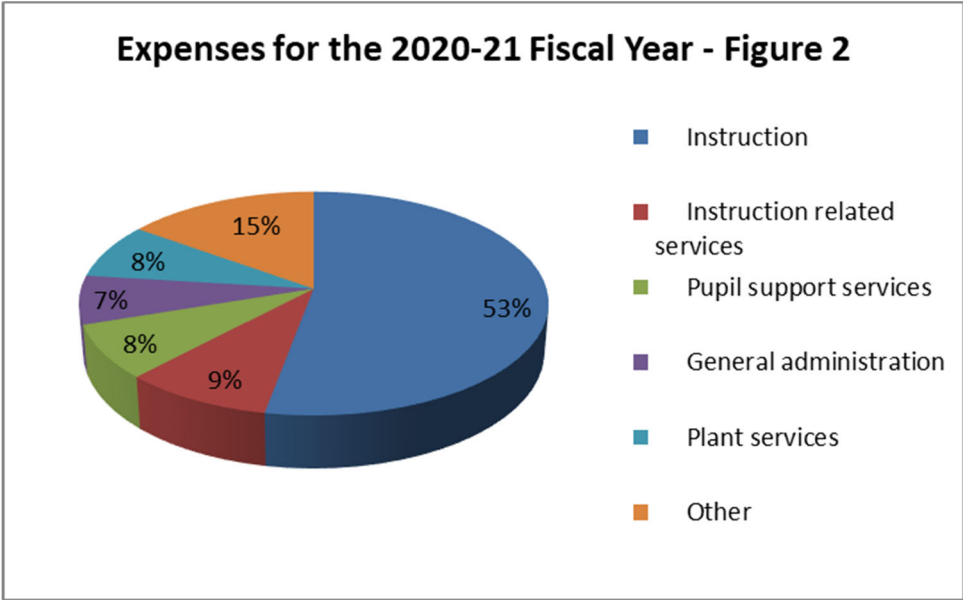
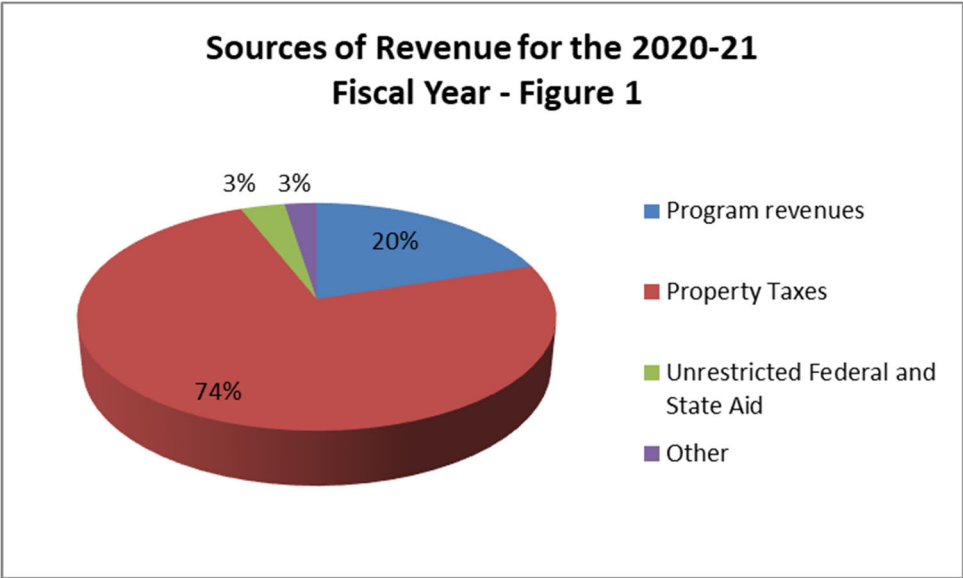
Table 2
Comparative Statement of Activities
Year Ended,

	Governmental Activities		Business Type Activities	
	Year Ended	Year Ended	Year Ended	Year Ended
	June 30, 2021	June 30, 2020	June 30, 2020	June 30, 2019
Revenues				
Program revenues				
Charges for services	\$ 204,659	\$ 748,458	\$ 1,730,725	\$ 2,895,694
Operating grants and contributions	12,240,232	5,662,726	2,081	-
Capital grants and contributions	16,536	189,316	-	-
General revenues				
Taxes levied for general purposes	44,001,024	41,200,093	-	-
Taxes levied for debt service	4,830,488	4,794,549	-	-
Taxes levied for other specific purposes	4,890,306	4,279,253	-	-
Federal and state aid not restricted to specific purposes	2,511,862	3,005,057	-	-
Interest and investment earnings	1,501,378	1,851,013	4,856	45,293
Internal transfers	(200,000)	-	200,000	-
Miscellaneous	179,299	102,890	-	-
Total Revenues	<u>70,175,784</u>	<u>61,833,355</u>	<u>1,937,662</u>	<u>2,940,987</u>
Expenses				
Instruction	35,394,794	34,380,904	-	-
Instruction related services	6,102,711	5,446,846	-	-
Pupil support services	5,242,004	5,141,282	-	-
General administration	4,695,933	4,534,176	-	-
Plant services	5,347,456	5,014,606	-	-
Other	6,779,708	6,952,213	3,306,074	4,053,986
Total Expenses	<u>63,562,606</u>	<u>61,470,027</u>	<u>3,306,074</u>	<u>4,053,986</u>
Increase (Decrease) in Net Position	6,613,178	363,328	(1,368,412)	(1,112,999)
Net Position - Beginning Balance	92,867,918	91,556,576	(2,522,603)	(1,472,815)
Adjustment to Beginning Balance**	172,113	948,014	-	63,211
Net Position - Ending Balance	<u>\$ 99,653,209</u>	<u>\$ 92,867,918</u>	<u>\$ (3,891,015)</u>	<u>\$ (2,522,603)</u>

**There were adjustments made to beginning balance for the fiscal year ended June 30, 2020 to correct for a change in actuarial amounts for total OPEB liability and for the fiscal year ended June 30, 2021 to correct for early payments on special tax bonds that were not accounted for in prior years and to account for beginning balances for associated student body accounts resulting from the implementation of GASB Statement 84.

GOVERNMENTAL ACTIVITIES

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$63.6 million and the cost of business type activities was \$3.3 million. The amount that our local taxpayers financed for these activities through property taxes was \$53.7 million. (See Figure 1).



FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District’s operations in more detail than the government-wide statements. The District’s individual fund statements provide information on inflows and outflows and balances of spendable resources. The District’s Governmental Funds reported a combined fund balance of \$86 million, a decrease of \$23.1 million from the previous fiscal year’s combined ending balance of \$109.1 million.

General Fund Budgetary Highlights

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

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

The final revised budget for the General Fund reflected a net decrease to the ending balance of \$5.3 million.

The District ended the year with a \$0.2 million decrease to the general fund ending balance. The State recommends available reserves of 3% of District general fund expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

Table 3
Comparative Schedule of Capital Assets
June 30,

	<u>2021</u>	<u>2020</u>	<u>Net \$ Change</u>	<u>Net % Change</u>
Land	\$ 70,609,117	\$ 70,609,117	\$ 0	0.0%
Work in Progress	83,238,711	54,156,756	29,081,955	53.7%
Land Improvements	673,884	673,884	0	0.0%
Buildings & Improvements	79,951,529	79,633,758	317,771	0.4%
Equipment	6,057,081	6,057,081	0	0.0%
Less Accumulated Depreciation for				
Land Improvements	(658,682)	(657,837)	(845)	0.1%
Buildings & Improvements	(27,843,993)	(26,129,437)	(1,714,556)	6.6%
Equipment	(5,598,626)	(5,523,619)	(75,007)	1.4%
Total	<u>\$ 206,429,021</u>	<u>\$ 178,819,703</u>	<u>\$ 27,609,318</u>	<u>15.4%</u>

Long-Term Debt

At June 30, 2021 the District had \$137.3 million in long-term debt outstanding. Table 4 shows a comparative schedule of long-term debt items.

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

	<u>2021</u>	<u>2020</u> <u>(As Restated)</u>	<u>Net \$ Change</u>	<u>Net %</u> <u>Change</u>
General Obligation Bonds	\$ 100,076,541	\$ 103,426,752	\$ (3,350,211)	-3.2%
Special Tax Bonds	30,758,287	31,577,865	(819,578)	-2.6%
Capital Leases	<u>6,444,733</u>	<u>6,635,641</u>	<u>(190,908)</u>	<u>-2.9%</u>
Total Long-Term Debt	<u>\$ 137,279,561</u>	<u>\$ 141,640,258</u>	<u>\$ (4,360,697)</u>	<u>-3.1%</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

The financial well-being of the District is tied in large measure to property taxes. If an economic downturn in property values reduces property taxes, the District may be affected. No such downturn is expected at this time.

Predicting the future requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District currently maximizes restricted funds prior to utilizing unrestricted revenues in the budget development process.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Solana Beach School District

Statement of Net Position

June 30, 2021

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash	\$ 90,082,739	\$ 43,577	\$ 90,126,316	\$ 487,045
Investments	-	-	-	128,871
Accounts Receivable	2,324,441	15,983	2,340,424	-
Internal Balances	(115,876)	115,876	-	-
Inventory	14,610	-	14,610	-
Prepaid Expenses	39,485	-	39,485	-
Capital Assets:				
Land	70,609,117	-	70,609,117	-
Land Improvements	673,884	-	673,884	-
Buildings & Improvements	79,867,261	84,268	79,951,529	-
Equipment	5,780,223	276,858	6,057,081	-
Work in Progress	83,238,711	-	83,238,711	-
Less Accumulated Depreciation	(33,818,951)	(282,350)	(34,101,301)	-
Total Assets	<u>298,695,644</u>	<u>254,212</u>	<u>298,949,856</u>	<u>615,916</u>
Deferred Outflows of Resources	<u>12,733,400</u>	<u>781,795</u>	<u>13,515,195</u>	<u>-</u>
Liabilities				
Accounts Payable	6,740,659	96,468	6,837,127	52,708
Unearned Revenue	306,704	-	306,704	5,000
Long-Term Liabilities:				
Due Within One Year	4,940,435	79,340	5,019,775	-
Due In More Than One Year	195,340,897	4,572,140	199,913,037	-
Total Liabilities	<u>207,328,695</u>	<u>4,747,948</u>	<u>212,076,643</u>	<u>57,708</u>
Deferred Inflows of Resources	<u>4,447,140</u>	<u>179,074</u>	<u>4,626,214</u>	<u>-</u>
Net Position				
Net Investment in Capital Assets	89,869,768	78,776	89,948,544	-
Restricted For:				
Capital Projects	55,098,343	-	55,098,343	-
Debt Service	4,646,323	-	4,646,323	-
Educational Programs	1,682,195	-	1,682,195	225,468
Other Purposes (Expendable)	3,842,876	-	3,842,876	-
Other Purposes (Nonexpendable)	126,656	-	126,656	128,871
Unrestricted	(55,612,952)	(3,969,791)	(59,582,743)	203,869
Total Net Position	<u>\$ 99,653,209</u>	<u>\$ (3,891,015)</u>	<u>\$ 95,762,194</u>	<u>\$ 558,208</u>

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

Solana Beach School District
Statement of Activities
For the Year Ended June 30, 2021

Functions	Primary Government							Discretely Presented Component Unit
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities		
Governmental Activities								
Instruction	\$ 35,394,794	\$ 3,240	\$ 4,634,132	\$ 16,536	\$ (30,740,886)		\$ (30,740,886)	
Instruction-Related Services:								
Instructional Supervision and Administration	2,363,810	1	716,125	-	(1,647,684)		(1,647,684)	
Instructional Library, Media and Technology	550,290	-	-	-	(550,290)		(550,290)	
School Site Administration	3,188,611	1	284,476	-	(2,904,134)		(2,904,134)	
Pupil Services:								
Home-to-School Transportation	120,104	-	30,986	-	(89,118)		(89,118)	
Food Services	776,400	7,349	204,190	-	(564,861)		(564,861)	
All Other Pupil Services	4,345,500	-	1,238,238	-	(3,107,262)		(3,107,262)	
General Administration:								
Centralized Data Processing	1,564,265	1,910	43,970	-	(1,518,385)		(1,518,385)	
All Other General Administration	3,131,668	39	357,971	-	(2,773,658)		(2,773,658)	
Plant Services	5,347,456	(9,446)	3,276,797	-	(2,080,105)		(2,080,105)	
Ancillary Services	64,620	39	3,195	-	(61,386)		(61,386)	
Enterprise Activities	14,310	-	1,683	-	(12,627)		(12,627)	
Interest on Long-Term Debt	4,891,956	-	-	-	(4,891,956)		(4,891,956)	
Transfers Between Agencies	11,959	201,526	1,448,469	-	1,638,036		1,638,036	
Debt Issuance Costs	22,511	-	-	-	(22,511)		(22,511)	
Depreciation (Unallocated)	1,774,352	-	-	-	(1,774,352)		(1,774,352)	
Total Governmental Activities	<u>63,562,606</u>	<u>204,659</u>	<u>12,240,232</u>	<u>16,536</u>	<u>(51,101,179)</u>		<u>(51,101,179)</u>	
Business-Type Activities								
Childcare Program	3,290,018	1,730,725	2,081	-		(1,557,212)	(1,557,212)	
Depreciation (Unallocated)	16,056	-	-	-		(16,056)	(16,056)	
Total Business-Type Activities	<u>3,306,074</u>	<u>1,730,725</u>	<u>2,081</u>	<u>-</u>		<u>(1,573,268)</u>	<u>(1,573,268)</u>	
Discretely Presented Component Unit								
Educational Programs	520,997	-	54,927	-				(466,070)
Management and General	100,249	-	-	-				(100,249)
Fundraising	9,839	-	622,131	-				612,292
Total Discretely Presented Component Unit	<u>631,085</u>	<u>-</u>	<u>677,058</u>	<u>-</u>				<u>45,973</u>
Total	<u>\$ 67,499,765</u>	<u>\$ 1,935,384</u>	<u>\$ 12,919,371</u>	<u>\$ 16,536</u>	<u>\$ (51,101,179)</u>	<u>\$ (1,573,268)</u>	<u>\$ (52,674,447)</u>	<u>\$ 45,973</u>
General Revenues								
Taxes and Subventions:								
Property Taxes, Levied for General Purposes					\$ 44,001,024	\$ -	\$ 44,001,024	\$ -
Property Taxes, Levied for Debt Service					4,830,488	-	4,830,488	-
Property Taxes, Levied for Other Specific Purposes					4,890,306	-	4,890,306	-
Federal and State Aid Not Restricted for Specific Purposes					2,511,862	-	2,511,862	-
Interest and Investment Earnings					1,501,378	4,856	1,506,234	27,224
Miscellaneous					179,299	-	179,299	-
Internal Transfers					(200,000)	200,000	-	-
Total General Revenues					<u>57,714,357</u>	<u>204,856</u>	<u>57,919,213</u>	<u>27,224</u>
Change in Net Position					6,613,178	(1,368,412)	5,244,766	73,197
Net Position - Beginning of Year, As Restated (See Note T)					93,040,031	(2,522,603)	90,517,428	485,011
Net Position - Ending					<u>\$ 99,653,209</u>	<u>\$ (3,891,015)</u>	<u>\$ 95,762,194</u>	<u>\$ 558,208</u>

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

Solana Beach School District
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Nonmajor Governmental Funds	Total
Assets						
Cash and Cash Equivalents	\$ 23,648,068	\$ 23,299,492	\$ 10,862,438	\$ 22,702,347	\$ 8,267,692	\$ 88,780,037
Accounts Receivable	1,879,764	44,976	18,675	26,178	304,354	2,273,947
Due from Other Funds	884,544	-	-	-	21,763	906,307
Stores Inventories	-	-	-	-	14,610	14,610
Prepaid Expenditures	1,596	-	-	-	-	1,596
Total Assets	<u>\$ 26,413,972</u>	<u>\$ 23,344,468</u>	<u>\$ 10,881,113</u>	<u>\$ 22,728,525</u>	<u>\$ 8,608,419</u>	<u>\$ 91,976,497</u>
Liabilities and Fund Balance:						
Liabilities:						
Accounts Payable	\$ 1,915,573	\$ 2,545,384	\$ 11,272	\$ 95,782	\$ 30,678	\$ 4,598,689
Due to Other Funds	1,019,877	-	-	349	1,957	1,022,183
Unearned Revenue	158,925	-	-	-	147,779	306,704
Total Liabilities	<u>3,094,375</u>	<u>2,545,384</u>	<u>11,272</u>	<u>96,131</u>	<u>180,414</u>	<u>5,927,576</u>
Fund Balance:						
Nonspendable	111,596	-	-	-	15,060	126,656
Restricted	3,021,554	20,799,084	9,028,038	22,632,394	8,408,797	63,889,867
Assigned	12,788,860	-	1,841,803	-	4,148	14,634,811
Unassigned	7,397,587	-	-	-	-	7,397,587
Total Fund Balance	<u>23,319,597</u>	<u>20,799,084</u>	<u>10,869,841</u>	<u>22,632,394</u>	<u>8,428,005</u>	<u>86,048,921</u>
Total Liabilities and Fund Balances	<u>\$ 26,413,972</u>	<u>\$ 23,344,468</u>	<u>\$ 10,881,113</u>	<u>\$ 22,728,525</u>	<u>\$ 8,608,419</u>	<u>\$ 91,976,497</u>

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

Solana Beach School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2021

Total fund balances, governmental funds: \$ 86,048,921

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

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

Capital assets relating to governmental activities, at historical cost	240,169,196	
Accumulated depreciation	<u>(33,818,951)</u>	
	Net	206,350,245

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 (2,130,756)

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

General obligation bonds payable	100,076,541	
Special tax bonds payable	30,758,287	
Capital leases payable	6,444,733	
Net pension liability	52,256,176	
Total OPEB liability	10,509,134	
Compensated absences	<u>236,461</u>	
	Total	(200,281,332)

Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or a deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was: 161,619

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

Solana Beach School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position, Continued
June 30, 2021

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

Deferred outflows of resources relating to pensions	11,993,115	
Deferred inflows of resources relating to pensions	<u>(3,955,539)</u>	
Net		8,037,576

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

Deferred outflows of resources relating to OPEB	578,666	
Deferred inflows of resources relating to OPEB	<u>(491,601)</u>	
Net		87,065

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:

1,379,871

Total net position, governmental activities:

\$ 99,653,209

Solana Beach School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Year Ended June 30, 2021

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Nonmajor Governmental Funds	Total
Revenues						
State Apportionment	\$ 1,240,272	\$ -	\$ -	\$ -	\$ -	\$ 1,240,272
Education Protection Account Funds	574,504	-	-	-	-	574,504
Property Taxes	44,001,024	-	-	4,890,306	4,830,488	53,721,818
Federal Revenue	1,900,333	-	-	-	190,975	2,091,308
Other State Revenue	5,422,299	-	-	-	13,072	5,435,371
Interest and Investment Earnings	343,056	482,130	126,318	733,315	122,594	1,807,413
Other Local Revenue	1,868,704	5	3,707,288	-	646,902	6,222,899
Total Revenues	<u>\$ 55,350,192</u>	<u>\$ 482,135</u>	<u>\$ 3,833,606</u>	<u>\$ 5,623,621</u>	<u>\$ 5,804,031</u>	<u>\$ 71,093,585</u>
Expenditures						
Current Expenditures:						
Instruction	33,897,341	-	-	-	540,248	34,437,589
Instruction - Related Services	5,812,548	-	-	-	-	5,812,548
Pupil Services	4,257,558	-	-	-	741,556	4,999,114
Ancillary Services	61,561	-	-	-	-	61,561
Community Services	-	-	-	-	-	-
Enterprise Activities	40,787	-	-	-	-	40,787
General Administration	4,773,737	-	-	-	-	4,773,737
Plant Services	4,807,977	106,516	21,342	233,311	56,138	5,225,284
Other Outgo	11,959	-	-	22,511	-	34,470
Capital Outlay	-	28,975,440	276,744	147,542	-	29,399,726
Debt Service:						
Principal	-	-	-	-	4,075,908	4,075,908
Interest	-	-	-	80,559	5,092,443	5,173,002
Total Expenditures	<u>53,663,468</u>	<u>29,081,956</u>	<u>298,086</u>	<u>483,923</u>	<u>10,506,293</u>	<u>94,033,726</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,686,724</u>	<u>(28,599,821)</u>	<u>3,535,520</u>	<u>5,139,698</u>	<u>(4,702,262)</u>	<u>(22,940,141)</u>
Other Financing Sources (Uses):						
Transfers In	-	-	-	1,678	5,796,065	5,797,743
Transfers Out	(742,698)	-	-	(2,405,528)	(2,849,516)	(5,997,742)
Total Other Financing Sources (Uses)	<u>(742,698)</u>	<u>-</u>	<u>-</u>	<u>(2,403,850)</u>	<u>2,946,549</u>	<u>(199,999)</u>
Net Change in Fund Balance	944,026	(28,599,821)	3,535,520	2,735,848	(1,755,713)	(23,140,140)
Fund Balance, Beginning of Year	<u>22,375,571</u>	<u>49,398,905</u>	<u>7,334,321</u>	<u>19,896,546</u>	<u>10,183,718</u>	<u>109,189,061</u>
Fund Balance, End of Year	<u>\$ 23,319,597</u>	<u>\$ 20,799,084</u>	<u>\$ 10,869,841</u>	<u>\$ 22,632,394</u>	<u>\$ 8,428,005</u>	<u>\$ 86,048,921</u>

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

Solana Beach School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Total change in fund balances, governmental funds: \$ (23,140,140)

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	29,399,726	
Depreciation expense	<u>(1,774,352)</u>	
	Net	27,625,374

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: 4,075,908

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: 5,806

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding for the period was: 275,278

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: 130,815

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

Solana Beach School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities, Continued
For the Year Ended June 30, 2021

Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (1,257,286)

Other postemployment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (1,137,230)

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: 34,653

Change in net position of governmental activities: \$ 6,613,178

Solana Beach School District

Statement of Net Position – Proprietary Funds

June 30, 2021

	Enterprise Fund	Internal Service Fund
	Childcare Services	Self-Insurance Fund
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 43,577	\$ 1,302,702
Accounts Receivable	15,983	50,494
Due from Other Funds	200,000	-
Prepaid Expenses	-	37,889
Total Current Assets	<u>259,560</u>	<u>1,391,085</u>
Noncurrent Assets:		
Buildings and Improvements	84,268	-
Equipment	276,858	-
Less Accumulated Depreciation	<u>(282,350)</u>	<u>-</u>
Total Noncurrent Assets	<u>78,776</u>	<u>-</u>
Total Assets	<u>338,336</u>	<u>1,391,085</u>
Deferred Outflows of Resources		
Deferred Outflows of Resources Related to Pension	751,094	-
Deferred Outflows of Resources Related to OPEB	<u>30,701</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>781,795</u>	<u>-</u>
Liabilities		
Current Liabilities:		
Accounts Payable	96,468	11,214
Due to Other Funds	84,124	-
Compensated Absences	<u>79,340</u>	<u>-</u>
Total Current Liabilities	<u>259,932</u>	<u>11,214</u>
Noncurrent Liabilities:		
Net Pension Liability	4,005,456	-
Total OPEB Liability	<u>566,684</u>	<u>-</u>
Total Noncurrent Liabilities	<u>4,572,140</u>	<u>-</u>
Total Liabilities	<u>4,832,072</u>	<u>11,214</u>
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pension	52,144	-
Deferred Inflows of Resources Related to OPEB	<u>126,930</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>179,074</u>	<u>-</u>
Net Position		
Net Investment in Capital Assets	78,776	-
Restricted for Self-Insured Activities	-	1,379,871
Unrestricted (Deficit)	<u>(3,969,791)</u>	<u>-</u>
Total Net Position	<u>\$ (3,891,015)</u>	<u>\$ 1,379,871</u>

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

Solana Beach School District

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds For the Year Ended June 30, 2021

	Enterprise Fund	Internal Service Fund
	Childcare Services	Self-Insurance Fund
Operating Revenue		
Childcare Service Fees	\$ 1,730,725	\$ -
State Grant	2,081	-
In-District Premiums/Contributions	-	97,203
Total Operating Revenue	<u>1,732,806</u>	<u>97,203</u>
Operating Expenses		
Salaries and Benefits	3,159,345	-
Supplies and Materials	82,059	-
Professional Services	48,614	79,691
Depreciation	16,056	-
Total Operating Expenses	<u>3,306,074</u>	<u>79,691</u>
Operating Income/(Loss)	<u>(1,573,268)</u>	<u>17,512</u>
Non-Operating Revenues		
Interest and Investment Income	4,856	17,141
Interfund Transfers In	200,000	-
Total Non-Operating Revenues	<u>204,856</u>	<u>17,141</u>
Change in Net Position	(1,368,412)	34,653
Net Position - Beginning of Year	<u>(2,522,603)</u>	<u>1,345,218</u>
Net Position - End of Year	<u>\$ (3,891,015)</u>	<u>\$ 1,379,871</u>

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

Solana Beach School District

Statement of Cash Flows – Proprietary Funds

For the Year Ended June 30, 2021

	Enterprise Fund	Internal Service Fund
	Childcare Services	Self-Insurance Fund
Cash Flows from Operating Activities:		
Cash Received from Grants and Customers	\$ 1,735,873	\$ -
Cash Received from Other Funds		
For Interfund Services Provided	62,172	147,879
Cash Payments for Salaries and Benefits	(2,601,709)	-
Cash Payments to Vendors	(128,963)	(110,258)
Net Cash Provided (Used) by Operating Activities	<u>(932,627)</u>	<u>37,621</u>
Cash Flows from Investing Activities:		
Cash Received from Interest Earnings	(4,840)	17,141
Net Cash Provided (Used) by Investment Activities	<u>(4,840)</u>	<u>17,141</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(937,467)	54,762
Cash and Cash Equivalents - Beginning of Year	981,044	1,247,940
Cash and Cash Equivalents - End of Year	<u>\$ 43,577</u>	<u>\$ 1,302,702</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (1,573,268)	\$ 17,512
Adjustments to reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	16,056	-
(Increase)/Decrease in Assets & Deferred Outflows		
Operating Accounts Receivable	3,067	49,466
Due From Other Funds	62,172	1,210
Prepaid Expenses	-	(37,889)
Deferred Outflows of Resources	246,989	-
Increase/(Decrease) in Liabilities & Deferred Inflows		
Accounts Payable	56,162	7,322
Due to Other Funds	84,124	-
Net Pension Liability	240,694	-
Total OPEB Liability	(55,075)	-
Compensated Absences	(3,906)	-
Deferred Inflows of Resources	(9,642)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (932,627)</u>	<u>\$ 37,621</u>

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

Solana Beach School District

Notes to the Financial Statements

For the Year Ended June 30, 2021

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

Manifestation of Oversight

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

Accounting for Fiscal Matters

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

Scope of Public Service and Financial Presentation

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

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

The Foundation, a California non-profit public benefit corporation, was created to support and enrich the educational programs provided to the students in the District. Total amounts expended by the Foundation during the fiscal year ending June 30, 2021 for the sole benefit of the District totaled \$520,997 approximating 1% of general fund revenues for the District. Separate financial statements can be obtained by contacting the Solana Beach Schools Foundation directly.

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

Nature and Significance of Relationship

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

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

2. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

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

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

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

Major Governmental Funds

The District reports the following major governmental funds:

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

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

Non-Major Governmental Funds

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

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

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

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

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

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

County School Facilities Fund: The County School Facilities fund is established pursuant to *Education Code §17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State School Facilities Fund (Proposition 1D) or the 2016 State School Facilities Fund (Proposition 51). The fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code §17070.10 et seq.*).

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

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

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

Proprietary Funds

The District reports the following proprietary funds:

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

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

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

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

3. Basis of Accounting – Measurement Focus

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

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

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

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

4. Encumbrances

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

5. Budgets and Budgetary Accounting

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

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

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

6. Revenues and Expenses

a. Revenues – Exchange and Non-Exchange

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

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

b. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide financial statements.

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

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

c. Capital Assets

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

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

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

d. Compensated Absences

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

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

e. Unearned Revenue

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

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

g. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

h. Minimum Fund Balance Policy

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

i. Deferred Inflows and Deferred Outflows of Resources

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

j. Postemployment Benefits Other than Pensions (OPEB)

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

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

Valuation Date	July 1, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

k. Pensions

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

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

l. Premiums and Discounts

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

8. Property Taxes

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

9. GASB 54 Fund Presentation

GASB Statement No. 54 defines a special revenue fund as a fund that has a special revenue source that is either restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. The Deferred Maintenance Fund (Fund 14), the Special Reserve Fund for Other than Capital Outlay (Fund 17), and the Special Reserve Fund for Other Post Employment Benefits (Fund 20) do not have continuing revenue sources that are either restricted or committed in nature. As such these funds do not meet the definition of special revenue funds under the provisions of GASB Statement No. 54. These funds have been combined with the general fund for reporting purposes.

10. Use of Estimates

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

11. Fair Value Measurements

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

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

12. New Accounting Pronouncements

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2021. Those newly implemented pronouncements are as follows:

Description	Date Issued
GASB Statement 84, Fiduciary Activities	01/2017
GASB Statement 90, Majority Equity Interest – an amendment of GASB Statements 14 and 61	08/2018
GASB Statement 93, Replacement of Interbank Offered Rates	03/2020
GASB Implementation Guide No. 2019-1, Implementation Guidance Update – 2019	04/2019
GASB Implementation Guide No. 2019-2, Fiduciary Activities	06/2019

The implementation of new accounting guidelines resulted in the following changes during the fiscal year ended June 30, 2021:

- Associated Student Body Funds were previously accounted for as fiduciary funds. It was determined by the District, as a result of applying definitions in GASB Statement No. 84, that the funds are governmental rather than fiduciary. The associated student body fund is accounted for in the general fund.

Implementation of these standards did not result in any additional changes to financial accounting or reporting for the District.

B. Compliance and Accountability

1. Finance Related Legal and Contractual Provisions

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

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Childcare Enterprise Fund	\$ 3,891,015	The childcare enterprise fund is in a deficit as a result of recording net OPEB liability in accordance with GASB Statement No. 75 and net pension liability in accordance with GASB Statement No. 68.

C. Fair Value Measurements

The District's investments at June 30, 2021, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	<u>Amount</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
External investment pools measured at fair value				
San Diego County Treasury	\$ 82,981,119	\$ -	\$ 82,981,119	\$ -
Total investments by fair value level	<u>\$ 82,981,119</u>	<u>\$ -</u>	<u>\$ 82,981,119</u>	<u>\$ -</u>

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

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

Solana Beach School District
Notes to the Financial Statements, Continued
June 30, 2021

D. Cash and Investments

As of June 30, 2021, the District held the following cash and cash equivalents:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Nonmajor Governmental Funds	Total
Cash in County Treasury	\$ 23,352,470	\$ 23,202,602	\$ 10,817,268	\$ 15,690,162	\$ 8,232,864	\$ 81,295,366
Cash in County Treasury - FMV Adjustment	97,517	96,890	45,170	65,519	34,378	339,474
Cash in Bank and in Revolving Fund	198,081	-	-	-	450	198,531
Cash with Fiscal Agent	-	-	-	6,946,666	-	6,946,666
Total Cash and Cash Equivalents	<u>\$ 23,648,068</u>	<u>\$ 23,299,492</u>	<u>\$ 10,862,438</u>	<u>\$ 22,702,347</u>	<u>\$ 8,267,692</u>	<u>\$ 88,780,037</u>

	Childcare Enterprise Fund	Self-Insurance Fund
Cash in County Treasury	\$ 43,396	\$ 1,297,285
Cash in County Treasury - FMV Adjustment	181	5,417
Total Cash and Cash Equivalents	<u>\$ 43,577</u>	<u>\$ 1,302,702</u>

1. Cash in County Treasury

In accordance with Education Code §41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$82,636,047 as of June 30, 2021). The fair value of the District’s portion of this pool as of that date, as provided by the pool sponsor, was \$82,981,119. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks (\$88,081 as of June 30, 2021) and in the revolving fund (\$110,450 as of June 30, 2021) are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). All amounts are fully insured as of June 30, 2021.

3. Cash with Fiscal Agent

Cash with fiscal agent (\$6,946,666 as of June 30, 2021) represents cash held by the Bank of New York Mellon Trust Company for the Capital Projects Fund for Blended Component Units as reserve amounts associated with special tax bonds along with project funds provided by lease leaseback entered into June 2020. The cash with fiscal agent are held in highly liquid cash accounts with original maturities less than ninety days.

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

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

5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

At June 30, 2021, credit risk for the District's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer's Investment Pool	Unrated	Not Applicable	\$ 82,981,119

b. Custodial Credit Risk

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

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

At June 30, 2021, the District's bank balances (including revolving cash) were fully insured or collateralized and were therefore not exposed to custodial credit risk.

c. Concentration of Credit Risk

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

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District maintains a pooled investment with the San Diego County Treasury with a fair value of \$82,981,119. The average weighted maturity for this pool was 613 days at June 30, 2021.

e. Foreign Currency Risk

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

6. Investment Accounting Policy

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

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

E. **Accounts Receivable**

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable balances as of June 30, 2021, consisted of:

	Major Governmental Funds					Total
	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Nonmajor Governmental Funds	
Federal Government:						
Special Education	\$ 542,569	\$ -	\$ -	\$ -	\$ -	\$ 542,569
Child Nutrition Program	-	-	-	-	167,288	167,288
Other Federal Programs	-	-	-	-	-	-
State Government:						
Lottery	209,248	-	-	-	-	209,248
Special Education	593,082	-	-	-	-	593,082
Other State Programs	446,199	-	-	-	-	446,199
Local Sources						
Interest	47,975	44,976	18,675	26,178	23,945	143,074
Other Local Sources	40,691	-	-	-	113,121	153,812
Total Accounts Receivable	\$ 1,879,764	\$ 44,976	\$ 18,675	\$ 26,178	\$ 304,354	\$ 2,255,272
	Childcare Enterprise Fund	Self Insurance Fund				
Local Sources						
Interest	\$ 15,983	\$ -				
Other Local Sources	-	50,494				
Total Accounts Receivable	\$ 15,983	\$ 50,494				

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

F. Capital Assets:

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 70,609,117	\$ -	\$ -	\$ 70,609,117
Work in progress	54,156,756	29,081,955	-	83,238,711
Total capital assets not being depreciated	<u>124,765,873</u>	<u>29,081,955</u>	<u>-</u>	<u>153,847,828</u>
Capital assets being depreciated:				
Land improvements	673,884	-	-	673,884
Buildings and improvements	79,549,490	317,771	-	79,867,261
Equipment	5,780,223	-	-	5,780,223
Total capital assets being depreciated	<u>86,003,597</u>	<u>317,771</u>	<u>-</u>	<u>86,321,368</u>
Less accumulated depreciation for:				
Land improvements	(657,837)	(845)	-	(658,682)
Buildings and improvements	(26,089,112)	(1,710,343)	-	(27,799,455)
Equipment	(5,297,650)	(63,164)	-	(5,360,814)
Total accumulated depreciation	<u>(32,044,599)</u>	<u>(1,774,352)</u>	<u>-</u>	<u>(33,818,951)</u>
Total capital assets being depreciated, net	<u>53,958,998</u>	<u>(1,456,581)</u>	<u>-</u>	<u>52,502,417</u>
Governmental activities capital assets, net	<u>\$ 178,724,871</u>	<u>\$ 27,625,374</u>	<u>\$ -</u>	<u>\$ 206,350,245</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 84,268	\$ -	\$ -	\$ 84,268
Equipment	276,858	-	-	276,858
Total capital assets being depreciated	<u>361,126</u>	<u>-</u>	<u>-</u>	<u>361,126</u>
Less accumulated depreciation for:				
Buildings and improvements	(40,325)	(4,213)	-	(44,538)
Equipment	(225,969)	(11,843)	-	(237,812)
Total accumulated depreciation	<u>(266,294)</u>	<u>(16,056)</u>	<u>-</u>	<u>(282,350)</u>
Total capital assets being depreciated, net	<u>94,832</u>	<u>(16,056)</u>	<u>-</u>	<u>78,776</u>
Business-type activities capital assets, net	<u>\$ 94,832</u>	<u>\$ (16,056)</u>	<u>\$ -</u>	<u>\$ 78,776</u>

Depreciation of \$1,774,352 in governmental activities and \$16,056 in business-type activities were not allocated to any functions.

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

G. Interfund Balances and Activities

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

Balances due to and due from other funds at June 30, 2021, consisted of the following:

<u>Interfund Receivable (Due From Other Funds)</u>	<u>Interfund Payable (Due To Other Funds)</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	General Fund	\$ 798,114	Deferred Maintenance
General Fund	Capital Projects Component Unit	349	Reimburse Expenditures
General Fund	Nonmajor Governmental Funds	1,957	Reimburse Expenditures
General Fund	Childcare Enterprise Fund	84,124	Reimburse Expenditures
Nonmajor Governmental Funds	General Fund	21,763	Program Contribution
Childcare Enterprise Fund	General Fund	200,000	Program Contribution
	Total	<u>\$ 1,106,307</u>	

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

2. Interfund Transfers Between Funds

Interfund transfers in and out between funds at June 30, 2021, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor Governmental Funds	General Fund	\$ 542,698	Program Contribution
Childcare Enterprise Fund	General Fund	200,000	Program Contribution
Capital Projects Component Unit	Nonmajor Governmental Funds	1,678	Reimbursement
Nonmajor Governmental Funds	Capital Projects Component Unit	2,405,528	Debt Service
Nonmajor Governmental Funds	Nonmajor Governmental Funds	2,847,838	Debt Service
	Total	<u>\$ 5,997,742</u>	

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

H. Accounts Payable

Accounts payable balances as of June 30, 2021, consisted of:

	Major Governmental Funds					Total
	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Nonmajor Governmental Funds	
Vendors payable	\$ 529,230	\$ 2,545,384	\$ 11,272	\$ 93,457	\$ 3,899	\$ 3,183,242
Payroll and benefits	894,697	-	-	1,684	16,492	912,873
Pension related	491,646	-	-	641	10,287	502,574
Total accounts payable	<u>\$ 1,915,573</u>	<u>\$ 2,545,384</u>	<u>\$ 11,272</u>	<u>\$ 95,782</u>	<u>\$ 30,678</u>	<u>\$ 4,598,689</u>
	Childcare Enterprise Fund					
Vendors payable	\$ 8,249					
Payroll and benefits	53,787					
Pension related	34,432					
Total accounts payable	<u>\$ 96,468</u>					

I. Prepaid Expenditures

Prepaid expenditures as of June 30, 2021, consisted of:

	General Fund	Self Insurance Fund
Prepaid service contracts	\$ 1,596	\$ 37,889
Total prepaid expenses	<u>\$ 1,596</u>	<u>\$ 37,889</u>

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

J. Unearned Revenue

Unearned revenue balances as of June 30, 2021, consisted of:

	General Fund	Nonmajor Governmental Funds	Total
Federal Programs			
Title I	\$ 21,511	\$ -	\$ 21,511
ESSER	74,283	-	74,283
GEER	20,742	-	20,742
Title II	36,015	-	36,015
Title IV	6,374	-	6,374
Local Programs			
Child Nutrition Accounts	-	147,779	147,779
Total unearned revenue	<u>\$ 158,925</u>	<u>\$ 147,779</u>	<u>\$ 306,704</u>

K. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. During the year ended June 30, 2021, the District did not enter into any short-term debt agreements.

Solana Beach School District
Notes to the Financial Statements, Continued
June 30, 2021

L. Fund Balance Classifications of the Governmental Funds

Ending fund balance classifications of the governmental funds for the year ended June 30, 2021, consisted of:

	Major Governmental Funds					Total
	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Nonmajor Governmental Funds	
Nonspendable Fund Balance						
Revolving Cash	\$ 110,000	\$ -	\$ -	\$ -	\$ 450	\$ 110,450
Inventory	-	-	-	-	14,610	14,610
Prepaid Expenditures	1,596	-	-	-	-	1,596
Total Nonspendable Fund Balance	111,596	-	-	-	15,060	126,656
Restricted Fund Balance						
Capital Projects	-	20,799,084	9,028,038	22,632,394	2,638,828	55,098,344
Debt Service	-	-	-	-	4,646,323	4,646,323
Educational Programs	1,682,195	-	-	-	1,095,361	2,777,556
Other Purposes	1,339,359	-	-	-	28,285	1,367,644
Total Restricted Fund Balance	3,021,554	20,799,084	9,028,038	22,632,394	8,408,797	63,889,867
Assigned Fund Balance						
Capital Projects	-	-	1,841,803	-	-	1,841,803
Educational Programs	3,530,780	-	-	-	4,148	3,534,928
Cash Flow	4,664,664	-	-	-	-	4,664,664
Deferred Maintenance	1,380,360	-	-	-	-	1,380,360
OPEB	3,213,056	-	-	-	-	3,213,056
Total Assigned Fund Balance	12,788,860	-	1,841,803	-	4,148	14,634,811
Unassigned Fund Balance						
For Economic Uncertainties	7,397,587	-	-	-	-	7,397,587
Other Unassigned	-	-	-	-	-	-
Total Unassigned Fund Balance	7,397,587	-	-	-	-	7,397,587
Total Fund Balance	\$ 23,319,597	\$ 20,799,084	\$ 10,869,841	\$ 22,632,394	\$ 8,428,005	\$ 86,048,921

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

M. Long Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2021, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds					
Principal Balance	\$ 96,215,000	\$ -	\$ 3,120,000	\$ 93,095,000	\$ 3,300,000
Bond Premium	7,211,752	-	230,211	6,981,541	243,374
Total GO Bonds	<u>103,426,752</u>	<u>-</u>	<u>3,350,211</u>	<u>100,076,541</u>	<u>3,543,374</u>
Special Tax Bonds - CFD					
Principal Balance	29,475,000	-	765,000	28,710,000	795,000
Bond Premium	2,102,865	-	54,578	2,048,287	56,718
Total Special Tax Bonds	<u>31,577,865</u>	<u>-</u>	<u>819,578</u>	<u>30,758,287</u>	<u>851,718</u>
Capital Leases - CFD	6,635,641	-	190,908	6,444,733	308,882
Net Pension Liability*	50,552,041	1,704,135	-	52,256,176	-
Total OPEB Liability*	9,242,239	1,266,895	-	10,509,134	-
Compensated Absences*	367,276	-	130,815	236,461	236,461
Total Governmental Activities	<u>\$ 201,801,814</u>	<u>\$ 2,971,030</u>	<u>\$ 4,491,512</u>	<u>\$ 200,281,332</u>	<u>\$ 4,940,435</u>
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<u>Business Type Activities:</u>					
Net Pension Liability*	\$ 3,764,762	\$ 240,694	\$ -	\$ 4,005,456	\$ -
Total OPEB Liability*	621,759	-	55,075	566,684	-
Compensated Absences*	83,246	-	3,906	79,340	79,340
Total Business Type Activities	<u>\$ 4,469,767</u>	<u>\$ 240,694</u>	<u>\$ 58,981</u>	<u>\$ 4,651,480</u>	<u>\$ 79,340</u>

*Other long-term liabilities

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

2. General Obligation Bonds

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

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

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

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

General obligation bonds payable as of June 30, 2021 are as follows:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
2016 Election Series A	05/03/17	2.0 - 5.0%	08/01/46	\$ 50,000,000
2016 Election Series B	03/26/19	3.0 - 5.0%	08/01/41	55,000,000
Total GO Bonds				<u>\$ 105,000,000</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2016 Election Series A					
Principal	\$ 41,215,000	\$ -	\$ 870,000	\$ 40,345,000	\$ 905,000
Premium	3,273,422	-	69,098	3,204,324	71,878
Total 2016-A	<u>44,488,422</u>	<u>-</u>	<u>939,098</u>	<u>43,549,324</u>	<u>976,878</u>
2016 Election Series B					
Principal	55,000,000	-	2,250,000	52,750,000	2,395,000
Premium	3,938,330	-	161,113	3,777,217	171,496
Total 2016-B	<u>58,938,330</u>	<u>-</u>	<u>2,411,113</u>	<u>56,527,217</u>	<u>2,566,496</u>
Total GO Bonds	<u>\$ 103,426,752</u>	<u>\$ -</u>	<u>\$ 3,350,211</u>	<u>\$ 100,076,541</u>	<u>\$ 3,543,374</u>

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

The annual requirements to amortize the bonds outstanding at June 30, 2021 are as follows:

Year Ended June 30,	Principal	Interest	Total
2022	\$ 3,300,000	\$ 3,811,500	\$ 7,111,500
2023	2,400,000	3,708,425	6,108,425
2024	1,540,000	3,637,900	5,177,900
2025	1,720,000	3,570,500	5,290,500
2026	1,935,000	3,479,125	5,414,125
2027-2031	13,505,000	15,602,375	29,107,375
2032-2036	21,380,000	11,461,950	32,841,950
2037-2041	30,940,000	6,159,400	37,099,400
2042-2046	13,920,000	1,664,100	15,584,100
2047-2051	2,455,000	49,100	2,504,100
Total	<u>\$ 93,095,000</u>	<u>\$ 53,144,375</u>	<u>\$ 146,239,375</u>

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

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

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

3. Special Tax Bonds

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

On July 13, 2012 special tax bonds were issued through the Solana Beach School District Public Financing Authority to finance the acquisition and construction of certain school facilities serving the property within the Community Facilities Districts, to fund a portion of the reserve fund for the bonds, and to fund a portion of the costs of issuing the bonds and special tax assessments. The bonds were issued for \$3,560,000 bearing interest ranging from 1.0% to 4.375% and maturing on September 1, 2032. The bonds were fully refunded in 2019-20 with issuance of lease/leaseback as noted in capital leases. The bonds were fully refunded by capital lease issued in the 2019-20 fiscal year.

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

Special tax bonds outstanding as of June 30, 2021, were as follows:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue</u>
2012-B Special Tax Bonds	11/15/12	2.0 - 5.0%	09/01/42	<u>\$ 34,450,000</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2012-B Special Tax Bonds					
Principal	\$ 29,475,000	\$ -	\$ 765,000	\$ 28,710,000	\$ 795,000
Premium	2,102,865	-	54,578	2,048,287	56,718
Total Special Tax Bonds	<u>\$ 31,577,865</u>	<u>\$ -</u>	<u>\$ 819,578</u>	<u>\$ 30,758,287</u>	<u>\$ 851,718</u>

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

The annual requirements to amortize the bonds outstanding at June 30, 2021 are as follows:

Year Ended June 30,	Principal	Interest	Total
2022	\$ 795,000	\$ 1,375,131	\$ 2,170,131
2023	825,000	1,342,731	2,167,731
2024	855,000	1,304,856	2,159,856
2025	900,000	1,260,981	2,160,981
2026	945,000	1,221,944	2,166,944
2027-2031	5,360,000	5,431,109	10,791,109
2032-2036	6,805,000	3,939,625	10,744,625
2037-2041	8,690,000	2,010,500	10,700,500
2042-2046	3,535,000	178,875	3,713,875
Total	<u>\$ 28,710,000</u>	<u>\$ 18,065,753</u>	<u>\$ 46,775,753</u>

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

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

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

	2012-B
Total Interest Payments on Bonds	\$ 30,469,511
Plus Bond Discount	-
Less Bond Premium	(2,457,801)
Net Interest Payments	<u>\$ 28,011,710</u>
Par Amount of Bonds	34,450,000
Periods	30
Effective Interest Rate	2.71%

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

4. Capital Lease

On June 4, 2020 the District CFDs entered into a lease-leaseback arrangement with Capital One Financing to finance Solana Santa Fe Projects, to refinance the 2012 Special Tax Refunding Bonds and to pay the costs of issuance. The capital lease for \$6,635,641 consisted of \$2,448,852 in refunding of 2012 Special Tax Refunding Bonds and \$4,186,789 of project funds for the Solana Santa Fe Projects. The lease bears interest at 2.5% with interest payments due semi-annually on March 1 and September 1 and principal payments due annually on September 1, through September 1, 2037. The lease contains an optional redemption on September 1, 2029 at par. The lease payments will be made from the debt service fund for blended component units.

The annual requirements to repay the capital lease as of June 30, 2021 are as follows:

Year Ended June 30,	Principal	Interest	Total
2022	\$ 308,882	\$ 157,257	\$ 466,139
2023	316,604	149,439	466,042
2024	324,519	141,425	465,944
2025	332,632	133,210	465,842
2026	340,948	124,791	465,738
2027-2031	1,836,936	490,103	2,327,038
2032-2036	2,078,324	245,697	2,324,021
2037-2041	905,889	22,787	928,676
Total	<u>\$ 6,444,733</u>	<u>\$ 1,464,708</u>	<u>\$ 7,909,441</u>

5. Net Pension Liability

The District's combined beginning net pension liability was \$54,316,803 and increased by \$1,944,829 during the year ended June 30, 2021 for a combined ending net pension liability of \$56,261,632. See Note N for additional information regarding the net pension liability.

6. Total OPEB Liability

The District's combined beginning total OPEB liability was \$9,863,998 and increased by \$1,211,820 during the year ended June 30, 2021 for a combined ending total OPEB liability of \$11,075,818. See Note O for additional information regarding the total OPEB liability.

7. Compensated Absences

Total combined unpaid employee compensated absences as of June 30, 2021 was \$315,801. This amount is included as part of long-term liabilities in the government-wide financial statements.

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

N. Pension Plans

1. General Information about the Pension Plans

a. Plan Descriptions

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

b. Benefits Paid

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

The Plan's provisions and benefits in effect at June 30, 2021 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55-60	55-62
Monthly Benefits as a % of Eligible Compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (2020-21)	10.250%	10.205%
Required Employer Contribution Rates (2020-21)	16.150%	16.150%
Required State Contribution Rates (2020-21)	10.328%	10.328%

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

**The contribution rate for CalSTRS 2% at 62 members is based, in part, on the normal cost of benefits and may increase or decrease in future years.

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

	CalPERS	
	Before Jan. 1, 2013	After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1 - 2.5%	1.0 - 2.5%*
Required Employee Contribution Rates (2020-21)	7.000%	7.000%
Required State Contribution Rates (2020-21)	20.700%	20.700%

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

c. Contributions

CalSTRS

For the fiscal year ended June 30, 2021, California Education Code §22950 requires members to contribute monthly to the system 10.205% (if hired on or after January 1, 2013) or 10.25% (if hired before January 1, 2013) of the creditable compensation upon which members’ contributions under this part are based. In addition, the employer required rates established by the CalSTRS board have been established at 16.15% of creditable compensation for the fiscal year ended June 30, 2021. Rates are defined in Education Code §22950.5 through the fiscal year ending June 30, 2021. Beginning in the fiscal year ending on June 30, 2022, and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary. Those adjustments are limited to 1% annually, not to exceed 20.25% of creditable compensation. For 2020-21, the employer rate reflects a 2.95% reduction from the rate that was originally required in the funding plan.

CalPERS

California Public Employees’ Retirement Law §20814(c) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. For the fiscal year ended June 30, 2021, the employee contribution rate was 7.00% and the employer contribution rate was 20.700% of covered payroll. For 2020-21, the employer rate reflects a 1.98% reduction from the rate originally adopted by the board on April 21, 2020, due to an amendment of Government Code §20825.2.

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

On Behalf Payments

Consistent with California Education Code §22955.1, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the fiscal year ended June 30, 2021 the State contributed 10.328% of salaries creditable to CalSTRS. Consistent with the requirements of generally accepted accounting principles, the District has recorded these contributions as revenue and expense in the fund financial statements (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). Contributions reported for on behalf payments are based on the District's proportionate share of the State's contribution for the fiscal year. Contributions made by the state on behalf of the District and the State's pension expense associated with District employees for the past three fiscal years are as follows:

CalSTRS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	9.828%	\$ 3,159,703	\$ (612,269)
2020	10.328%	2,689,068	740,049
2021	10.328%	2,428,567	1,705,529

CalPERS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	N/A	\$ 729,115	N/A

The contributions made by the State during the fiscal year ended June 30, 2019, included amounts resulting from Senate Bill (SB) 90 settlement in which the State contributed an additional \$2.2 Billion to CalSTRS and \$904 Million to CalPERS during the 2018-19 fiscal year in order to reduce employer contribution rates in 2019-20 and 2020-21. In addition, the State contributed an additional \$1.1 Billion to CalSTRS during the 2019-20 fiscal year and \$297 Million to CalSTRS during the 2020-21 fiscal year as a continuing settlement associated with SB90.

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

d. Contributions Recognized

For the fiscal year ended June 30, 2021 (measurement period June 30, 2020), the contributions recognized for each plan were:

	<u>Governmental Fund Financial Statements</u> <u>(Current Financial Resources Measurement Focus)</u>		
	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
Contributions - Employer	\$ 3,948,009	\$ 1,508,013	\$ 5,456,022
Contributions - State On Behalf Payments	<u>2,428,567</u>	<u>-</u>	<u>2,428,567</u>
Total Governmental Funds	<u>\$ 6,376,576</u>	<u>\$ 1,508,013</u>	<u>\$ 7,884,589</u>
	<u>Enterprise Fund Financial Statements</u> <u>(Economic Resources Measurement Focus)</u>		
	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
Contributions - Employer	\$ 4,834	\$ 369,981	\$ 374,815
Contributions - State On Behalf Payments	<u>3,277</u>	<u>-</u>	<u>3,277</u>
Total Enterprise Funds	<u>\$ 8,111</u>	<u>\$ 369,981</u>	<u>\$ 378,092</u>
	<u>Government-Wide Financial Statements</u> <u>(Economic Resources Measurement Focus)</u>		
	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
Contributions - Employer	\$ 3,876,153	\$ 1,480,939	\$ 5,357,092
Contributions - State On Behalf Payments	<u>2,685,791</u>	<u>-</u>	<u>2,685,791</u>
Total Governmental Activities	<u>6,561,944</u>	<u>1,480,939</u>	<u>8,042,883</u>
Contributions - Employer	4,834	369,981	374,815
Contributions - State On Behalf Payments	<u>3,277</u>	<u>-</u>	<u>3,277</u>
Total Business-Type Activities	<u>8,111</u>	<u>369,981</u>	<u>378,092</u>
Total Government-Wide	<u>\$ 6,570,055</u>	<u>\$ 1,850,920</u>	<u>\$ 8,420,975</u>

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

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

As of June 30, 2020 (measurement date) the District reported net pension liabilities for its proportionate share of the net pension liability of each plan as follows:

	Proportionate Share of the Net Pension Liability		
	CalSTRS	CalPERS	Total
Governmental Activities	\$ 36,468,813	\$ 15,787,363	\$ 52,256,176
Business-Type Activities	44,578	3,960,878	4,005,456
Total	<u>\$ 36,513,391</u>	<u>\$ 19,748,241</u>	<u>\$ 56,261,632</u>

The District's net pension liability for each Plan is measured as the proportionate share of the total net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to measurement date June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, as actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2020 and June 30, 2021 were as follows:

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share*	Total For District Employees	District's Proportionate Share
<u>Governmental Activities</u>				
Proportion June 30, 2020	0.0391%	0.0305%	0.0696%	0.0523%
Proportion June 30, 2021	0.0376%	0.0248%	0.0624%	0.0515%
Change in Proportion	<u>-0.0015%</u>	<u>-0.0057%</u>	<u>-0.0072%</u>	<u>-0.0008%</u>
<u>Business-Type Activities</u>				
Proportion June 30, 2020	0.0000%	0.0002%	0.0002%	0.0129%
Proportion June 30, 2021	0.0000%	0.0000%	0.0000%	0.0129%
Change in Proportion	<u>0.0000%</u>	<u>-0.0002%</u>	<u>-0.0002%</u>	<u>0.0000%</u>

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

a. Pension Expense

	Governmental Activities		
	CaSTRS	CaPERS	Total
Change in Net Pension Liability (Asset)	\$ 1,151,929	\$ 552,206	\$ 1,704,135
State On Behalf Pension Expense	1,705,309	-	1,705,309
Employer Contributions to Pension Expense	3,948,009	1,508,013	5,456,022
Change in Contributions Subsequent to Measurement Date	(71,856)	(27,074)	(98,930)
Change in Other Deferred Outflows/Inflows of Resources	(1,687,600)	1,339,681	(347,919)
Total Pension Expense - Governmental	<u>\$ 5,045,791</u>	<u>\$ 3,372,826</u>	<u>\$ 8,418,617</u>

	Business-Type Activities		
	CaSTRS	CaPERS	Total
Change in Net Pension Liability (Asset)	\$ 29,224	\$ 211,470	\$ 240,694
State On Behalf Pension Expense	902	-	902
Employer Contributions to Pension Expense	509	350,035	350,544
Change in Deferred Outflows/Inflows of Resources	(82,704)	244,592	161,888
Total Pension Expense - Business-Type	<u>\$ (52,069)</u>	<u>\$ 806,097</u>	<u>\$ 754,028</u>

b. Deferred Outflows and Inflows of Resources

At June 30, 2021, The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CaSTRS	CaPERS	Total
<u>Governmental Activities</u>			
Pension contributions subsequent to measurement date	\$ 3,948,009	\$ 1,508,013	\$ 5,456,022
Differences between actual and expected experience	61,882	850,789	912,671
Changes in assumptions	2,915,223	67,644	2,982,867
Changes in employer's proportionate share	1,026,079	529,927	1,556,006
Net difference between projected and actual earnings	747,040	338,509	1,085,549
Total Governmental Activities	<u>8,698,233</u>	<u>3,294,882</u>	<u>11,993,115</u>
<u>Business-Type Activities</u>			
Pension contributions subsequent to measurement date	509	350,035	350,544
Differences between actual and expected experience	193	212,831	213,024
Changes in assumptions	8,440	17,281	25,721
Changes in employer's proportionate share	30,328	35,315	65,643
Net difference between projected and actual earnings	-	83,879	83,879
Total Business-Type Activities	<u>39,470</u>	<u>699,341</u>	<u>738,811</u>
Total Deferred Outflows of Resources	<u>\$ 8,737,703</u>	<u>\$ 3,994,223</u>	<u>\$ 12,731,926</u>

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
<u>Governmental Activities</u>			
Differences between actual and expected experience	\$ 846,218	\$ -	\$ 846,218
Changes in employer's proportionate share	2,866,963	242,358	3,109,321
Total Governmental Activities	3,713,181	242,358	3,955,539
<u>Business-Type Activities</u>			
Differences between actual and expected experience	608	-	608
Changes in employer's proportionate share	51,208	-	51,208
Net difference between projected and actual earnings	328	-	328
Total Business-Type Activities	52,144	-	52,144
Total Deferred Inflows of Resources	\$ 3,765,325	\$ 242,358	\$ 4,007,683

Pension contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2022. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five-year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30,	Governmental Activities				
	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2022	\$ 4,931,483	\$ 2,281,082	\$ (1,327,955)	\$ (73,266)	\$ 5,811,344
2023	1,395,840	473,925	(1,327,611)	(73,265)	468,889
2024	1,694,137	382,942	(425,451)	(47,913)	1,603,715
2025	566,135	156,933	(425,447)	(47,914)	249,707
2026	55,319	-	(154,947)	-	(99,628)
Thereafter	55,319	-	(51,770)	-	3,549
Total	\$ 8,698,233	\$ 3,294,882	\$ (3,713,181)	\$ (242,358)	\$ 8,037,576

Year Ended June 30,	Business-Type Activities				
	Deferred Outflows		Deferred Inflows		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2022	\$ 11,683	\$ 482,986	\$ (28,808)	\$ -	\$ 465,861
2023	11,174	101,642	(24,232)	-	88,584
2024	11,175	72,779	553	-	84,507
2025	5,305	41,934	515	-	47,754
2026	68	-	(107)	-	(39)
Thereafter	65	-	(65)	-	-
Total	\$ 39,470	\$ 699,341	\$ (52,144)	\$ -	\$ 686,667

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2021, were based on actuarial valuations determined using the following actuarial assumptions:

	<u>CalSTRS</u>	<u>CalPERS</u>
Fiscal Year	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2020	June 30, 2020
Valuation Date	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Experience Study Period	2015 - 2018	1997 - 2015
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.50%
Wage Growth	3.50%	(3)
Investment Rate of Return	7.10%	7.15%
Post Retirement Benefit Increase	(1)	(4)
Mortality	(2)	(5)

- (1) CalSTRS post-retirement benefit increases assumed at 2% simple (annually) maintaining 85% purchasing power level.
- (2) CalSTRS base mortality tables are custom tables derived to best fit the patterns of mortality among CalSTRS members. The projection scale was set to equal 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.
- (3) Varies by entry age and service.
- (4) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.
- (5) CalPERS mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

a. Discount Rate

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

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

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

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

CalSTRS and CalPERS are scheduled to review actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. CalSTRS completed their ALM November 2019 with new policies in effect on July 1, 2021. CalPERS completed their ALM in 2018 with new policies in effect on July 1, 2018. Both CalSTRS and CalPERS conduct new ALM's every 4 years.

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

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

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

CalSTRS		
<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Public Equity	42.00%	4.80%
Real Estate	15.00%	3.60%
Private Equity	13.00%	6.30%
Fixed Income	12.00%	1.30%
Risk Mitigating Strategies	10.00%	1.80%
Inflation Sensitive	6.00%	3.30%
Cash/Liquidity	2.00%	-0.40%
*20 year average		

CalPERS			
<u>Asset Class⁽¹⁾</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10⁽²⁾</u>	<u>Real Return Years 11+⁽³⁾</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

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

(2) An expected inflation of 2.00% is used for this period.

(3) An expected inflation of 2.92% is used for this period

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

	CalSTRS		
	Governmental Activities	Business-Type Activities	Total
1% Decrease	6.10%	6.10%	6.10%
Net Pension Liability	\$ 55,099,297	\$ 67,351	\$ 55,166,648
Current Discount Rate	7.10%	7.10%	7.10%
Net Pension Liability	\$ 36,468,813	\$ 44,578	\$ 36,513,391
1% Increase	8.10%	8.10%	8.10%
Net Pension Liability	\$ 21,086,726	\$ 25,776	\$ 21,112,502

	CalPERS		
	Governmental Activities	Business-Type Activities	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 22,697,213	\$ 5,694,485	\$ 28,391,698
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 15,787,363	\$ 3,960,878	\$ 19,748,241
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 10,052,534	\$ 2,522,072	\$ 12,574,606

Solana Beach School District
Notes to the Financial Statements, Continued
June 30, 2021

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

CalSTRS – Governmental Activities

	Increase (Decrease)				
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	State's Share of Net Pension Liability	District's Share of Net Pension Liability
	(a)	(b)	(a) - (b)	(c)	(a) - (b) - (c)
Balance at June 30, 2020					
(Previously Reported)	\$ 228,987,115	\$ 166,159,495	\$ 62,827,620	\$ 27,510,736	\$ 35,316,884
Changes for the year					
CalSTRS auditor adjustment	(1,249)	-	(1,249)	(495)	(754)
Change in proportionate share	(23,544,638)	(17,084,652)	(6,459,986)	(5,131,414)	(1,328,572)
Service cost	4,580,929	-	4,580,929	1,818,740	2,762,189
Interest	14,562,861	-	14,562,861	5,781,810	8,781,051
Difference between expected and actual experience	(601,013)	-	(601,013)	(238,617)	(362,396)
Change in assumptions	642,204	-	642,204	254,971	387,233
Change in benefits	-	-	-	-	-
Contributions:					
Employer	-	3,794,594	(3,794,594)	(1,506,546)	(2,288,048)
Employee	-	2,331,058	(2,331,058)	(925,487)	(1,405,571)
State on oehalf	-	2,775,291	(2,775,291)	(1,101,858)	(1,673,433)
Net investment income	-	6,305,379	(6,305,379)	(2,503,389)	(3,801,990)
Other income	-	63,299	(63,299)	(25,131)	(38,168)
Benefit payments ⁽¹⁾	(10,001,077)	(10,001,077)	-	-	-
Administrative expenses	-	(136,597)	136,597	54,232	82,365
Borrowing costs	-	(59,096)	59,096	23,462	35,634
Other expenses	-	(3,962)	3,962	1,573	2,389
Net changes	(14,361,983)	(12,015,763)	(2,346,220)	(3,498,149)	1,151,929
Balance at June 30, 2021	<u>\$ 214,625,132</u>	<u>\$ 154,143,732</u>	<u>\$ 60,481,400</u>	<u>\$ 24,012,587</u>	<u>\$ 36,468,813</u>

(1) – Includes refunds of employee contributions

Solana Beach School District
Notes to the Financial Statements, Continued
June 30, 2021

CalSTRS – Business Type Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2020 (Previously Reported)	\$ 635,316	\$ 461,003	\$ 174,313	\$ 158,959	\$ 15,354
Changes for the year					
CalSTRS auditor adjustment	(2)	-	(2)	(1)	(1)
Change in proportionate share	(385,140)	(279,468)	(105,672)	(131,864)	26,192
Service cost	5,578	-	5,578	2,202	3,376
Interest	17,734	-	17,734	7,000	10,734
Difference between expected and actual experience	(732)	-	(732)	(289)	(443)
Change in assumptions	782	-	782	309	473
Change in benefits	-	-	-	-	-
Contributions:					
Employer	-	4,621	(4,621)	(1,824)	(2,797)
Employee	-	2,839	(2,839)	(1,121)	(1,718)
State on behalf	-	3,380	(3,380)	(1,334)	(2,046)
Net investment income	-	7,678	(7,678)	(3,031)	(4,647)
Other income	-	77	(77)	(30)	(47)
Benefit payments ⁽¹⁾	(12,179)	(12,179)	-	-	-
Administrative expenses	-	(166)	166	66	100
Borrowing costs	-	(72)	72	28	44
Other expenses	-	(5)	5	1	4
Net changes	(373,959)	(273,295)	(100,664)	(129,888)	29,224
Balance at June 30, 2021	\$ 261,357	\$ 187,708	\$ 73,649	\$ 29,071	\$ 44,578

(1) – Includes refunds of employee contributions

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

CalPERS – Governmental Activities

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2020			
(Previously Reported)	\$ 50,864,093	\$ 35,628,936	\$ 15,235,157
Changes for the year			
Change in proportionate share	(799,814)	(560,248)	(239,566)
Service cost	1,184,899	-	1,184,899
Interest	3,552,675	-	3,552,675
Difference between expected and actual experience	232,805	-	232,805
Change in assumptions	-	-	-
Change in benefits	-	-	-
Contributions:			
Employer	-	1,474,717	(1,474,717)
Employee	-	539,219	(539,219)
Nonemployer	-	465,135	(465,135)
Net plan to plan resource movement	-	84	(84)
Net investment income	-	1,748,648	(1,748,648)
Benefit payments ⁽¹⁾	(2,403,553)	(2,403,553)	-
Administrative expenses	-	(49,196)	49,196
Other expenses	-	-	-
Net changes	1,767,012	1,214,806	552,206
Balance at June 30, 2021	\$ 52,631,105	\$ 36,843,742	\$ 15,787,363

(1) – Includes refunds of employee contributions

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

CalPERS – Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2020			
(Previously Reported)	\$ 12,517,773	\$ 8,768,365	\$ 3,749,408
Changes for the year			
Change in proportionate share	42,812	29,989	12,823
Service cost	297,278	-	297,278
Interest	891,328	-	891,328
Difference between expected and actual experience	58,408	-	58,408
Change in assumptions	-	-	-
Change in benefits	-	-	-
Contributions:			
Employer	-	369,991	(369,991)
Employee	-	135,284	(135,284)
Nonemployer	-	116,697	(116,697)
Net plan to plan resource movement	-	21	(21)
Net investment income	-	438,717	(438,717)
Benefit payments ⁽¹⁾	(603,025)	(603,025)	-
Administrative expenses	-	(12,343)	12,343
Other expenses	-	-	-
Net changes	686,801	475,331	211,470
Balance at June 30, 2021	\$ 13,204,574	\$ 9,243,696	\$ 3,960,878

(1) – Includes refunds of employee contributions

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

O. Post-Employment Benefits Other than Pension (OPEB)

1. Plan Description

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

2. 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 CalSTRS/CalPERS 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 \$8,260, 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.

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 CalSTRS/CalPERS 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 \$8,260, 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.

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

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 CalSTRS/CalPERS 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 \$8,260, 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%. 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.

3. Contributions

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

4. Plan Membership

Membership of the plan consisted of the following as of the July 1, 2019 valuation date, measured as of June 30, 2020 for fiscal year June 30, 2021:

Inactive plan members or beneficiaries currently receiving benefits	6
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>502</u>
	<u><u>508</u></u>

5. Total OPEB Liability

The Solana Beach School District's total OPEB liability of \$11,075,818 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

6. Actuarial Assumptions and Other Inputs

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

Economic assumptions:

Inflation	2.75%
Salary increases	3.00%
Discount rate	2.66%
Healthcare cost trend rates	6.25% decreasing to 4.50%

Non-economic assumptions:

Mortality

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

Termination Rates:

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

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

7. Changes in Total OPEB Liability

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
Service cost	\$ 932,099	\$ 50,262	\$ 982,361
Interest	322,162	17,372	339,534
Change in proportionate shares	117,077	(117,077)	-
Differences between expected and actual experience	(398,021)	(21,463)	(419,484)
Changes of assumptions	422,673	22,792	445,465
Benefit payments, including refunds of member contributions	(129,095)	(6,961)	(136,056)
Net change in Total OPEB Liability	1,266,895	(55,075)	1,211,820
Total OPEB Liability - Beginning	9,242,239	621,759	9,863,998
Total OPEB Liability - Ending	<u>\$ 10,509,134</u>	<u>\$ 566,684</u>	<u>\$ 11,075,818</u>

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

	<u>1% Decrease</u> <u>(1.66%)</u>	<u>Valuation</u> <u>Discount Rate</u> <u>(2.66%)</u>	<u>1% Increase</u> <u>(3.66%)</u>
Total OPEB Liability - Governmental Activities	\$ 11,408,139	\$ 10,509,134	\$ 9,659,928
Total OPEB Liability - Business Type Activities	615,161	566,684	520,892
Total OPEB Liability	<u>\$ 12,023,300</u>	<u>\$ 11,075,818</u>	<u>\$ 10,180,820</u>

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

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

	<u>1% Decrease</u> <u>5.25%</u> <u>Decreasing to</u> <u>3.50%</u>	<u>Current</u> <u>Healthcare Cost</u> <u>Trend Rates</u> <u>6.25%</u> <u>Decreasing to</u> <u>4.50%</u>	<u>1% Increase</u> <u>7.25%</u> <u>Decreasing to</u> <u>5.50%</u>
Total OPEB Liability - Governmental Activities	\$ 9,091,109	\$ 10,509,134	\$ 12,207,713
Total OPEB Liability - Business Type Activities	490,220	566,684	658,276
Total OPEB Liability	<u>\$ 9,581,329</u>	<u>\$ 11,075,818</u>	<u>\$ 12,865,989</u>

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

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

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$1,310,011. At June 30, 2021 the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Governmental Activities:		
Contributions subsequent to measurement date	\$ 80,394	\$ -
Changes of assumptions and other inputs	404,610	51,581
Changes in proportionate share	93,662	-
Differences between expected and actual experience	-	440,020
Total Governmental Activities	<u>578,666</u>	<u>491,601</u>
Business Type Activities:		
Contributions subsequent to measurement date	7,874	-
Changes of assumptions and other inputs	22,827	5,667
Changes in proportionate share	-	93,662
Differences between expected and actual experience	-	27,601
Total Business Type Activities	<u>30,701</u>	<u>126,930</u>
Total	<u>\$ 609,367</u>	<u>\$ 618,531</u>

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

OPEB contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of OPEB expense in the year ended June 30, 2021. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to OPEB expense over an eleven-year period. OPEB expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Governmental Activities			
Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Effect on OPEB Expense
2022	\$ 144,496	\$ (51,319)	\$ 93,177
2023	64,102	(51,319)	12,783
2024	64,103	(51,319)	12,784
2025	64,103	(51,319)	12,784
2026	40,687	(51,319)	(10,632)
Thereafter	201,175	(235,006)	(33,831)
Total	\$ 578,666	\$ (491,601)	\$ 87,065

Business Type Activities			
Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Effect on OPEB Expense
2022	\$ 10,180	\$ (26,973)	\$ (16,793)
2023	2,306	(26,973)	(24,667)
2024	2,306	(26,974)	(24,668)
2025	2,306	(26,974)	(24,668)
2026	2,306	(3,558)	(1,252)
Thereafter	11,297	(15,478)	(4,181)
Total	\$ 30,701	\$ (126,930)	\$ (96,229)

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

P. Risk Management

The District is exposed to risk of losses due to:

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

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

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

Q. Participation in Joint Powers Authorities

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

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

R. Commitments and Contingencies

1. State and Federal Allowances, Awards, and Grants

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

2. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending, is not expected to have a material adverse effect on the overall financial position of the District as of June 30, 2021.

3. Construction Commitments

As of June 30, 2021, the District had outstanding commitments with respect to unfinished capital projects in the amount of \$20,799,084. Of this amount, \$20,799,084 is related to the Measure JJ bond program.

S. Deferred Outflows of Resources

On June 4, 2020 the District refunded the 2012 special tax refunding bonds resulting in an accounting loss of \$171,130. In accordance with GASB pronouncements, this loss is recorded as a deferred outflow of resources and amortized over the life of the debt using the straight line method.

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

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

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

A summary of the deferred outflows of resources as of June 30, 2021, is as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Loss on Refunding Pension Related	\$ 171,130	\$ -	\$ 9,511	\$ 161,619
CalSTRS	6,669,820	6,889,326	4,860,913	8,698,233
CalPERS	4,506,045	2,497,098	3,708,261	3,294,882
OPEB related	107,603	620,144	149,081	578,666
Total governmental activities	11,454,598	10,006,568	8,727,766	12,733,400
Business type activities				
Pension related				
CalSTRS	28,303	42,528	19,078	51,753
CalPERS	964,654	611,008	876,321	699,341
OPEB related	1,572	30,666	1,537	30,701
Total business type activities	994,529	684,202	896,936	781,795
Total Deferred Outflows of Resources	\$ 12,449,127	\$ 10,690,770	\$ 9,624,702	\$ 13,515,195

Future amortization of deferred outflows is as follows:

Governmental Activities				
Year Ending June 30,	Refunding Loss	Pension Related	OPEB Related	Total
2022	\$ 9,507	\$ 7,212,565	\$ 144,496	\$ 7,366,568
2023	9,507	1,869,765	64,102	1,943,374
2024	9,507	2,077,079	64,103	2,150,689
2025	9,507	723,068	64,103	796,678
2026	9,507	55,319	40,687	105,513
Thereafter	114,084	55,319	201,175	370,578
Total	\$ 161,619	\$ 11,993,115	\$ 578,666	\$ 12,733,400

Business Type Activities			
Year Ending June 30,	Pension Related	OPEB Related	Total
2022	\$ 497,739	\$ 10,180	\$ 507,919
2023	115,886	2,306	118,192
2024	87,024	2,306	89,330
2025	50,312	2,306	52,618
2026	68	2,306	2,374
Thereafter	65	11,297	11,362
Total	\$ 751,094	\$ 30,701	\$ 781,795

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

T. Deferred Inflows of Resources

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

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

A summary of the deferred inflows of resources as of June 30, 2021, is as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Pension related				
CalSTRS	\$ 3,444,224	\$ 1,690,968	\$ 1,422,011	\$ 3,713,181
CalPERS	140,914	239,566	138,122	242,358
OPEB related	150,203	398,021	56,623	491,601
Total governmental activities	3,735,341	2,328,555	1,616,756	4,447,140
Business type activities				
Pension related				
CalSTRS	123,681	(2,679)	68,858	52,144
CalPERS	20,721	-	20,721	-
OPEB related	10,059	138,540	21,669	126,930
Total business type activities	154,461	135,861	111,248	179,074
Total Deferred Outflows of Resources	\$ 3,889,802	\$ 2,464,416	\$ 1,728,004	\$ 4,626,214

Future amortization of deferred inflows is as follows:

Year Ending June 30,	Governmental Activities			Year Ending June 30,	Business Type Activities		
	Pension Related	OPEB Related	Total		Pension Related	OPEB Related	Total
2022	\$ 1,401,221	\$ 51,319	\$ 1,452,540	2022	\$ 28,808	\$ 26,973	\$ 55,781
2023	1,400,876	51,319	1,452,195	2023	24,232	26,973	51,205
2024	473,364	51,319	524,683	2024	(553)	26,974	26,421
2025	473,361	51,319	524,680	2025	(515)	26,974	26,459
2026	154,947	51,319	206,266	2026	107	3,558	3,665
Thereafter	51,770	235,006	286,776	Thereafter	65	15,478	15,543
Total	\$ 3,955,539	\$ 491,601	\$ 4,447,140	Total	\$ 52,144	\$ 126,930	\$ 179,074

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

U. Restatement of Beginning Net Position

The beginning net position for the governmental activities and the beginning fund balance for the general fund have been restated to account for the following:

- Inclusion of associated student body accounts with the implementation of GASB Statement No. 84
- Correct an error in prior years where early payments were not accounted for on the financial statements.

The table below presents the adjustments to beginning net position:

	<u>Governmental Activities</u>
Prior Year Audit Report Ending Net Position	\$ 92,867,918
Adjustments for:	
Implementation of GASB 84	70,336
Correction to Special Tax Bonds	<u>101,777</u>
Total Adjustments	<u>172,113</u>
Beginning Net Position, As Restated	<u><u>\$ 93,040,031</u></u>
	<u>General Fund</u>
Prior Year Audit Report Ending Fund Balance	\$ 22,305,235
Adjustments for:	
Implementation of GASB 84	70,336
Total Adjustments	<u>70,336</u>
Beginning Fund Balance, As Restated	<u><u>\$ 22,375,571</u></u>

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

V. Upcoming Accounting Guidance

The Governmental Accounting Standards Board (GASB) issues pronouncements and additional guidance for governmental agencies to establish consistent accounting across all governments in the United States. The following table represents items that have been issued by GASB that will become effective in future periods:

Description	Date Issued	Fiscal Year Effective
GASB Statement 87, Leases	06/2017	2021-22
GASB Statement 89, Accounting for Interest Cost Incurred before the End of a Construction Period	06/2018	2021-22
GASB Statement 91, Conduit Debt Obligations	05/2019	2022-23
GASB Statement 92, Omnibus 2020	01/2020	2021-22
GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements	03/2020	2022-23
GASB Statement 96, Subscription-Based Information Technology Arrangements	05/2020	2022-23
GASB Statement 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements 14, 84 and supersession of GASB Statement 32	06/2020	2021-22
GASB Statement 98, The Annual Comprehensive Financial Report	10/2021	2021-22
GASB Implementation Guide No. 2019-3, Leases	08/2019	2021-22
GASB Implementation Guide No. 2020-1, Implementation Guidance Update – 2020	04/2020	2021-22
GASB Implementation Guide No. 2021-1, Implementation Guidance Update – 2021	05/2021	2021-22 Thru 2023-24

The effects of the upcoming guidance and pronouncements on the District's financial statements has not yet been determined.

Solana Beach School District

Notes to the Financial Statements, Continued

June 30, 2021

W. COVID-19 Considerations

In March 2020 the World Health Organization declared the outbreak of the novel coronavirus COVID-19 a global pandemic. The nature of the pandemic resulted in a mandatory school property closure affecting the Solana Beach School District from March 16, 2020 and continuing into the Fall of the 2020-21 school year. California Governor Gavin Newsom issued a state-wide executive order mandating that schools remain closed until the county in which the school is located is off the COVID-19 watch list for fourteen consecutive days. The 2020-21 fiscal year began in a fully distance learning model, until such time as campuses were reopened for in-person instruction on September 8, 2020. The district provided flexibility to families by offering both in-person and distance learning options.

In addition to school closures, new regulations and safety measures were required to be put in place by all schools in California as part of a re-opening plan. The Solana Beach School District established and followed a re-opening plan that providing a safe environment for the students and teachers.

The federal and state government have established temporary funding to assist in the additional costs that resulted from the COVID-19 pandemic. All California school districts are eligible for these funds. Some funding provided as a result of COVID-19 is intended to be spent over multiple years. The District has taken all of the requirements of each funding source into consideration in preparation of budgets for upcoming years.

Required Supplementary Information

Solana Beach School District

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2021

	Budgeted Amounts			Variance to Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
LCFF Sources				
State Apportionment	\$ 1,497,591	\$ 1,663,990	\$ 1,240,272	\$ (423,718)
Education Protection Account	581,126	577,994	574,504	(3,490)
Property Taxes	41,911,928	42,675,472	43,001,024	325,552
Federal Revenue	711,470	1,938,539	1,900,333	(38,206)
Other State Revenue	2,717,320	2,921,966	5,422,299	2,500,333
Interest & Investment Income	310,000	310,125	213,541	(96,584)
Other Local Revenue	1,540,690	1,777,655	1,868,703	91,048
Total Revenues	<u>49,270,125</u>	<u>51,865,741</u>	<u>54,220,676</u>	<u>2,354,935</u>
Expenditures				
Current Expenditures:				
Certificated Salaries	23,933,798	24,853,140	25,204,812	(351,672)
Classified Salaries	6,804,515	7,020,207	6,866,391	153,816
Employee Benefits	13,794,029	14,101,830	14,580,229	(478,399)
Books and Supplies	1,813,461	3,293,061	1,555,610	1,737,451
Services and Other Operating	6,062,242	6,673,127	5,444,467	1,228,660
Other Outgo	-	-	11,959	(11,959)
Capital Outlay	-	2,258	-	2,258
Total Expenditures	<u>52,408,045</u>	<u>55,943,623</u>	<u>53,663,468</u>	<u>2,280,155</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,137,920)</u>	<u>(4,077,882)</u>	<u>557,208</u>	<u>4,635,090</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(150,000)</u>	<u>(1,174,071)</u>	<u>(742,698)</u>	<u>(431,373)</u>
Net Financing Sources (Uses)	<u>(150,000)</u>	<u>(1,174,071)</u>	<u>(742,698)</u>	<u>(431,373)</u>
Net Change in Fund Balance	<u>(3,287,920)</u>	<u>(5,251,953)</u>	<u>(185,490)</u>	<u>5,066,463</u>
Fund Balance - Beginning of Year	<u>13,146,889</u>	<u>13,146,889</u>	<u>13,146,889</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 9,858,969</u>	<u>\$ 7,894,936</u>	<u>\$ 12,961,399</u>	<u>\$ 5,066,463</u>

See Accompanying Notes to Required Supplementary Information

Solana Beach School District

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

Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability (asset)	0.0377%	0.0391%	0.0382%	0.0431%	0.0398%	0.0405%	0.0392%	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 36,513,391	\$ 35,332,238	\$ 35,112,149	\$ 39,965,339	\$ 32,309,341	\$ 27,564,208	\$ 23,224,027	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	24,041,659	20,751,368	20,177,262	23,733,206	18,482,164	14,676,613	14,140,544	N/A	N/A	N/A
Total	\$ 60,555,050	\$ 56,083,606	\$ 55,289,411	\$ 63,698,545	\$ 50,791,505	\$ 42,240,821	\$ 37,364,571	N/A	N/A	N/A
District's covered payroll**	\$ 23,194,971	\$ 21,029,533	\$ 20,289,134	\$ 22,778,553	\$ 19,775,312	\$ 18,716,295	\$ 17,391,830	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	157.42%	168.01%	173.06%	175.45%	163.38%	147.27%	133.53%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	71.82%	72.56%	70.99%	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A

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

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

See Accompanying Notes to Required Supplementary Information

Solana Beach School District

Schedule of the District's Contributions - CalSTRS

Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 3,948,518	\$ 3,966,340	\$ 3,423,608	\$ 2,927,722	\$ 2,874,486	\$ 2,129,575	\$ 1,680,128	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	<u>(3,948,518)</u>	<u>(3,966,340)</u>	<u>(3,423,608)</u>	<u>(2,927,722)</u>	<u>(2,874,486)</u>	<u>(2,129,575)</u>	<u>(1,680,128)</u>	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	N/A	N/A	N/A
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	N/A	N/A	N/A
Contributions as a percentage of covered payroll	16.15%	17.10%	16.28%	14.43%	12.62%	10.77%	8.98%	N/A	N/A	N/A

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

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

Solana Beach School District

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

Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability (asset)	0.0644%	0.0651%	0.0629%	0.0633%	0.0587%	0.0616%	0.0591%	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 19,748,241	\$ 18,984,565	\$ 16,770,853	\$ 15,106,367	\$ 11,587,365	\$ 9,075,909	\$ 6,710,724	N/A	N/A	N/A
District's covered payroll**	\$ 9,354,039	\$ 9,116,178	\$ 8,386,691	\$ 8,127,362	\$ 7,104,743	\$ 6,847,311	\$ 4,754,947	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	211.12%	208.25%	199.97%	185.87%	163.09%	132.55%	141.13%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.00%	70.05%	70.85%	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A

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

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

See Accompanying Notes to Required Supplementary Information

Solana Beach School District

Schedule of the District's Contributions - CalPERS

Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,858,048	\$ 1,844,710	\$ 1,646,564	\$ 1,302,537	\$ 1,128,728	\$ 841,699	\$ 805,997	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	<u>(1,858,048)</u>	<u>(1,844,710)</u>	<u>(1,646,564)</u>	<u>(1,302,537)</u>	<u>(1,128,728)</u>	<u>(841,699)</u>	<u>(805,997)</u>	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	N/A	N/A	N/A
District's covered payroll**	\$ 8,976,077	\$ 9,354,039	\$ 9,116,178	\$ 8,386,691	\$ 8,127,362	\$ 7,104,743	\$ 6,847,311	N/A	N/A	N/A
Contributions as a percentage of covered payroll	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%	11.77%	N/A	N/A	N/A

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

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

See Accompanying Notes to Required Supplementary Information

Solana Beach School District

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total OPEB liability:										
Service cost	\$ 982,361	\$ 583,530	\$ 673,195	\$ 651,059	N/A	N/A	N/A	N/A	N/A	N/A
Interest	339,534	303,106	308,980	283,363	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	1,098,297	(1,019,657)	-	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	(419,484)	(105,444)	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	445,465	27,461	(78,716)	-	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(136,056)	(239,199)	(204,023)	(202,200)	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	1,211,820	1,667,751	(320,221)	732,222	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	9,863,998	8,196,247	8,516,468	7,784,246	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	<u>\$ 11,075,818</u>	<u>\$ 9,863,998</u>	<u>\$ 8,196,247</u>	<u>\$ 8,516,468</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered payroll**	33,918,300	32,930,388	18,860,000	\$ 23,581,000	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a percentage of covered payroll	32.65%	29.95%	43.46%	\$ 0	N/A	N/A	N/A	N/A	N/A	N/A

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

**During the 2018-19 fiscal year, active Classified employees were ineligible for retiree healthcare benefits and were excluded from covered payroll.

Solana Beach School District

Notes to Required Supplementary Information
For the Year Ended June 30, 2021

Budgetary Comparison Schedule – General Fund

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

General Fund - Basic Financial Statements Ending Fund Balance	\$ 23,319,597
Less Fund 14 Fund Balance	(1,380,360)
Less Fund 17 Fund Balance	(5,764,782)
Less Fund 20 Fund Balance	<u>(3,213,056)</u>
General Fund - Budgetary Comparison Schedule Ending Fund Balance	<u>\$ 12,961,399</u>
General Fund - Basic Financial Statements Net Change in Fund Balance	\$ 944,026
Less Fund 14 Net Change in Fund Balance	(1,007,185)
Less Fund 17 Net Change in Fund Balance	(78,550)
Less Fund 20 Net Change in Fund Balance	<u>(43,781)</u>
General Fund - Budgetary Comparison Schedule Net Change in Fund Balance	<u>\$ (185,490)</u>

Excess of Expenditures Over Appropriations

As of June 30, 2021, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Certificated Salaries	\$ 351,672	The District underestimated salary increases due to hiring new staff in excess of anticipation.
Employee Benefits	\$ 478,399	The District underestimated state on behalf payments to CalSTRS as a result of an end of year one time increase provided by the state.
Other Outgo	\$ 11,959	The District did not anticipate any expenditures in other outgo.

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

Solana Beach School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2021

Schedule of District's Proportionate Share – CalSTRS

1. Benefit Changes: There were no changes to benefits during the periods being reported.
2. Changes in Assumptions: Assumptions used in determining the total pension liability of the CalSTRS Plan changed due to actuarial experience studies. Changes in assumptions effective in fiscal year 2020-21 (measured as of June 30, 2020) were to termination rates and service retirement rates based on the experience study for the period July 1, 2015, through June 30, 2018. Changes in assumptions effective in fiscal year 2017-18 (measured as of June 30, 2017) were to price inflation, wage growth, discount rate and mortality tables based on the experience study for the period July 1, 2010, through June 30, 2015.

Schedule of District's Contributions – CalSTRS

The total pension liability for California State Teachers' Retirement System (CalSTRS) for measurement date June 30, 2020, was determined with a valuation completed June 30, 2019 (released in May 2020). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Reporting Period	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Measurement Date	06/30/14	06/30/15	06/30/16	06/30/17
Valuation Date	06/30/13	06/30/14	06/30/15	06/30/16
Experience Study	07/01/06 - 06/30/10	07/01/06 - 06/30/10	07/01/06 - 06/30/10	07/01/06 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return ⁽¹⁾	7.60%	7.60%	7.60%	7.10%
Consumer Price Inflation	3.00%	3.00%	3.00%	2.75%
Wage Growth (Average)	3.75%	3.75%	3.75%	3.50%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple	2.00% Simple

Reporting Period	June 30, 2019	June 30, 2020	June 30, 2021
Measurement Date	06/30/18	06/30/19	06/30/20
Valuation Date	06/30/17	06/30/18	06/30/19
Experience Study	07/01/06 - 06/30/15	07/01/06 - 06/30/15	07/01/15 - 06/30/18
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return ⁽¹⁾	7.10%	7.10%	7.10%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.50%	3.50%	3.50%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

(1) – Net of investment expenses but gross of administrative expenses.

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

Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on the CalSTRS website.

Del Mar Union School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2021

Schedule of District's Proportionate Share – CalPERS

1. Benefit Changes: There were no changes to benefits during the periods being reported.
2. Changes in Assumptions. On December 21, 2016, the CalPERS Board lowered the discount rate for funding purposes from 7.50% to 7.00% using a three-year phase-in beginning with the June 30, 2016, actuarial valuations and the June 30, 2017 valuations for the School Pool. The final scheduled decrease from 7.25% to 7.00% for the school pool valuation occurred in the June 30, 2019, valuation. The CalPERS Board adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases, and inflation assumption for the Plan. These new assumptions are incorporated into the June 30, 2018, actuarial valuations.

Schedule of District's Contributions – CalPERS

The total pension liability for California Public Employees Retirement System – School Pool (CalPERS) for measurement date June 30, 2020, was determined with a valuation completed June 30, 2019. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Measurement Date	06/30/14	06/30/15	06/30/16	06/30/17
Valuation Date	06/30/13	06/30/14	06/30/15	06/30/16
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/11	07/01/97 - 06/30/11	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.65%	7.65%	7.15%
Consumer Price Inflation	2.75%	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple	2.00% Simple

<u>Reporting Period</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Measurement Date	06/30/18	06/30/19	06/30/20
Valuation Date	06/30/17	06/30/18	06/30/19
Experience Study	07/01/97 - 06/30/15	07/01/97 - 06/30/15	07/01/97 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.50%	7.15%
Consumer Price Inflation	2.50%	2.50%	2.50%
Wage Growth (Average)	3.00%	3.00%	2.75%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

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

Solana Beach School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2021

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

1. Benefit Changes: For 2019 classified employees were not eligible for benefits. During 2020 classified employees became eligible for benefits. There were no other changes to benefit terms.
2. Changes in Assumptions: The discount rate has been updated annually to be consistent with reporting under GASB 75.
3. No assets are accumulated in a trust that meets the criteria in GASB No. 75 Paragraph 4.
4. The following are the discount rates used for each period:

<u>Year</u>	<u>Discount Rate</u>
2018	3.40%
2019	3.50%
2020	3.15%
2021	2.66%

Combining Statements as Supplementary Information

Solana Beach School District

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2021

	Nonmajor Special Revenue Funds		Nonmajor Capital Projects Funds		Nonmajor Debt Service Funds		Total Nonmajor Governmental Funds
	Cafeteria Fund	Foundation Special Revenue Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	
Assets							
Cash and Cash Equivalents	\$ 8,337	\$ 997,549	\$ 873,446	\$ 1,742,267	\$ 4,646,093	\$ -	\$ 8,267,692
Accounts Receivable	167,288	113,121	20,943	3,002	-	-	304,354
Due from Other Funds	21,533	-	-	-	-	230	21,763
Stores Inventories	14,610	-	-	-	-	-	14,610
Total Assets	<u>\$ 211,768</u>	<u>\$ 1,110,670</u>	<u>\$ 894,389</u>	<u>\$ 1,745,269</u>	<u>\$ 4,646,093</u>	<u>\$ 230</u>	<u>\$ 8,608,419</u>
Liabilities and Fund Balance:							
Liabilities:							
Accounts Payable	\$ 18,687	\$ 11,161	\$ 830	\$ -	\$ -	\$ -	\$ 30,678
Due to Other Funds	1,957	-	-	-	-	-	1,957
Unearned Revenue	147,779	-	-	-	-	-	147,779
Total Liabilities	<u>168,423</u>	<u>11,161</u>	<u>830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,414</u>
Fund Balance:							
Nonspendable	15,060	-	-	-	-	-	15,060
Restricted	28,285	1,095,361	893,559	1,745,269	4,646,093	230	8,408,797
Assigned	-	4,148	-	-	-	-	4,148
Total Fund Balance	<u>43,345</u>	<u>1,099,509</u>	<u>893,559</u>	<u>1,745,269</u>	<u>4,646,093</u>	<u>230</u>	<u>8,428,005</u>
Total Liabilities and Fund Balances	<u>\$ 211,768</u>	<u>\$ 1,110,670</u>	<u>\$ 894,389</u>	<u>\$ 1,745,269</u>	<u>\$ 4,646,093</u>	<u>\$ 230</u>	<u>\$ 8,608,419</u>

Solana Beach School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds For the Year Ended June 30, 2021

	<u>Nonmajor Special Revenue Funds</u>		<u>Nonmajor Capital Projects Funds</u>		<u>Nonmajor Debt Service Funds</u>		Total Nonmajor Governmental Funds
	Cafeteria Fund	Foundation Special Revenue Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	
Revenues							
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 4,830,488	\$ -	\$ 4,830,488
Federal Revenue	190,975	-	-	-	-	-	190,975
Other State Revenue	13,072	-	-	-	-	-	13,072
Interest and Investment Earnings	176	14,237	11,123	23,781	73,277	-	122,594
Other Local Revenue	7,349	442,243	197,310	-	-	-	646,902
Total Revenues	<u>\$ 211,572</u>	<u>\$ 456,480</u>	<u>\$ 208,433</u>	<u>\$ 23,781</u>	<u>\$ 4,903,765</u>	<u>\$ -</u>	<u>\$ 5,804,031</u>
Expenditures							
Current Expenditures:							
Instruction	-	540,248	-	-	-	-	540,248
Pupil Services	741,556	-	-	-	-	-	741,556
Plant Services	-	-	56,138	-	-	-	56,138
Debt Service:							
Principal	-	-	-	-	3,120,000	955,908	4,075,908
Interest	-	-	-	-	3,644,500	1,447,943	5,092,443
Total Expenditures	<u>741,556</u>	<u>540,248</u>	<u>56,138</u>	<u>-</u>	<u>6,764,500</u>	<u>2,403,851</u>	<u>10,506,293</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(529,984)</u>	<u>(83,768)</u>	<u>152,295</u>	<u>23,781</u>	<u>(1,860,735)</u>	<u>(2,403,851)</u>	<u>(4,702,262)</u>
Other Financing Sources (Uses):							
Transfers In	542,698	-	-	-	-	5,253,367	5,796,065
Transfers Out	-	-	-	-	-	(2,849,516)	(2,849,516)
Total Other Financing Sources (Uses)	<u>542,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,403,851</u>	<u>2,946,549</u>
Net Change in Fund Balance	12,714	(83,768)	152,295	23,781	(1,860,735)	-	(1,755,713)
Fund Balance, Beginning of Year	30,631	1,183,277	741,264	1,721,488	6,506,828	230	10,183,718
Fund Balance, End of Year	<u>\$ 43,345</u>	<u>\$ 1,099,509</u>	<u>\$ 893,559</u>	<u>\$ 1,745,269</u>	<u>\$ 4,646,093</u>	<u>\$ 230</u>	<u>\$ 8,428,005</u>

Other Supplementary Information

Solana Beach School District

Local Education Agency Organization Structure

June 30, 2021

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

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
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 2020
Dana King	Member	Four Year Term Expires December 2020

ADMINISTRATION

Jodee Brentlinger
Superintendent

Lisa Davis
Assistant Superintendent
Business Services

Sabrina Lee
Assistant Superintendent
Instructional Services

Dr. Courtney Goode
Assistant Superintendent
Human Resources

Solana Beach School District

Schedule of Instructional Time

Year Ended June 30, 2021

Grade Level	Minimum Daily Minutes Offered	Instructional Days Offered		Status
		Traditional Calendar	J-13A Credited Days	
Transitional Kindergarten	180	180	N/A	Complied
Kindergarten	180	180	N/A	Complied
1st Grade	230	180	N/A	Complied
2nd Grade	230	180	N/A	Complied
3rd Grade	230	180	N/A	Complied
4th Grade	240	180	N/A	Complied
5th Grade	240	180	N/A	Complied
6th Grade	240	180	N/A	Complied

This schedule provides the information necessary to determine if the District has complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code. The requirements are as follows:

- 1) EC §46207: As a condition of apportionment the following annual instructional minutes must be offered:
 - To pupils in Kindergarten 36,000 minutes
 - To pupils in grades 1 to 3 50,400 minutes
 - To pupils in grades 4 to 8 54,000 minutes
 - To pupils in grades 9 to 12 64,800 minutes
- 2) EC §46208: As a condition of apportionment 180 school days must be offered for traditional calendars. In order to qualify as a school day the following minimum daily minutes must be met:
 - EC §46112: Grades 1 to 3 230 minutes
 - EC §46113: Grades 4 to 8 240 minutes
 - EC §46114: Kindergarten 180 minutes
 - EC §46141: Grades 9 to 12 240 minutes

Under Senate Bill 98 and Senate Bill 820, annual instructional minutes requirements were waived for the 2020-21 school year. For school districts and classroom-based charter schools, in order for a day to count as a day of instruction towards meeting the annual instructional day requirement, students must be scheduled to attend for the school day established by the local governing board and the school day must be equivalent to at least a minimum day of instruction as follows:

- 180 instructional minutes in TK/Kindergarten, continuation high schools, opportunity schools, and students concurrently enrolled in a community college.
- 230 instructional minutes in grades 1 to 3
- 240 minutes in grades 4 to 12

As a result of the COVID-19 pandemic, the District operated a portion of the year under distance learning and a portion of the year under in person classroom instruction.

Instructional time for distance learning is calculated based on the time value of synchronous and/or asynchronous instruction and assignments made by and certified by a certificated employee of the LEA. Instructional time for in-person instruction is calculated based on time scheduled under the immediate physical supervision and control of a certificated employee of the LEA

Solana Beach School District

Schedule of Financial Trends and Analysis

Year Ended June 30, 2021

General Fund	Budget 2022 (See Note 1)	2021	2020	2019
Revenues and Other Financing Sources	\$ 55,947,812	\$ 54,220,676	\$ 50,070,045	\$ 49,043,752
Expenditures and Other Financing Uses	57,932,656	54,406,166	51,944,244	52,085,262
Net Change in Fund Balance	(1,984,844)	(185,490)	(1,874,199)	(3,041,510)
Ending Fund Balance	<u>\$ 10,976,555</u>	<u>\$ 12,961,399</u>	<u>\$ 13,076,553</u>	<u>\$ 14,950,752</u>
Available Reserves (See Note 2)	<u>\$ 7,445,828</u>	<u>\$ 7,397,587</u>	<u>\$ 8,110,974</u>	<u>\$ 12,697,611</u>
Available Reserves as a Percentage of Total Outgo	<u>12.85%</u>	<u>13.60%</u>	<u>15.61%</u>	<u>24.38%</u>
Long Term Debt (See Note 3)	<u>\$ 132,575,587</u>	<u>\$ 137,279,561</u>	<u>\$ 141,742,035</u>	<u>\$ 143,163,356</u>
Average Daily Attendance at P2	<u>2,841</u>	<u>N/A</u>	<u>2,879</u>	<u>2,779</u>

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

The general fund balance has decreased by \$1,989,353 (13.31%) over the past two years. The fiscal year 2021-22 budget projects a decrease of \$1,984,844 (15.31%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures and other financing uses (total outgo).

Total long-term debt has decreased by \$5,883,795 over the past two years.

As a result of the COVID-19 pandemic there was no attendance reporting for the 2020-21 fiscal year. Each LEA was funded based on the 2019-20 average daily attendance (ADA) reported.

Notes:

- Budget 2022 is included for analytical purposes only and has not been subjected to audit.
- Available reserves consist of all unassigned fund balances contained within the general fund plus amounts contained in the special reserve fund for other than capital outlay (Fund 17) which are designated as reserved for economic uncertainty.
- Total long-term debt consists of general obligation bonds, special tax bonds and capital leases.
- As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Deferred Maintenance Fund, Special Reserve Fund for Other Than Capital Outlay, and Special Reserve Fund for Other Postemployment Benefits were included with the general fund in the basic financial statements. The above Schedule of Financial Trends and Analysis contains only the financial information of the general fund.
- An adjustment was made to beginning fund balance in the 2020-21 fiscal year of \$70,336 to include associated student body funds with the implementation of GASB 84.

Solana Beach School District

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements Year Ended June 30, 2021

	General Fund (Fund 01)	Deferred Maintenance Fund (Fund 14)	Special Reserve Fund for Other Than Capital Outlay (Fund 17)	Special Reserve Fund for Other Postemployment Benefits (Fund 20)
June 30, 2021, annual financial and budget report fund balances	\$ 13,048,212	\$ 1,380,360	\$ 5,764,782	\$ 3,213,056
Adjustments and reclassifications:				
Increasing (decreasing) the fund balance:				
Inclusion of ASB under GASB 84	88,081	-	-	-
Overstatement of Accounts Receivable	(174,894)	-	-	-
GASB 54 Fund Presentation (Note 1)	10,358,198	(1,380,360)	(5,764,782)	(3,213,056)
Net adjustments and reclassifications	10,271,385	(1,380,360)	(5,764,782)	(3,213,056)
June 30, 2021, audited financial statement fund balances	\$ 23,319,597	\$ -	\$ -	\$ -
	Special Reserve Fund for Capital Projects (Fund 40)	Capital Projects Fund for Blended Component Units (Fund 49)	Bond Interest & Redemption Fund (Fund 51)	Debt Service Fund for Blended Component Units (Fund 52)
June 30, 2021, annual financial and budget report fund balances	\$ 10,824,671	\$ 24,743,158	\$ 4,626,774	\$ 24,303
Adjustments and reclassifications:				
Increasing (decreasing) the fund balance:				
Fair Market Value Adjustment	45,170	-	19,319	-
Overstatement of cash and cash equivalents	-	(2,110,764)	-	(24,073)
Net adjustments and reclassifications	45,170	(2,110,764)	19,319	(24,073)
June 30, 2021, audited financial statement fund balances	\$ 10,869,841	\$ 22,632,394	\$ 4,646,093	\$ 230
	Childcare Enterprise Fund (Fund 63)	Self Insurance Fund (Fund 67)		
June 30, 2021, annual financial and budget report net position	\$ (1,687,586)	\$ 1,374,454		
Adjustments and reclassifications:				
Increasing (decreasing) the fund balance:				
Fair Market Value Adjustment	-	5,417		
Correction to accumulated depreciation	(70,224)	-		
Correction to deferred outflows of resources	(75,563)	-		
Correction to net pension liability	(1,412,504)	-		
Correction to total OPEB liability	(566,684)	-		
Correction to compensated absences	(79,340)	-		
Correction to deferred inflows of resources	886	-		
Net adjustments and reclassifications	(2,203,429)	5,417		
June 30, 2021, audited financial statement net position	\$ (3,891,015)	\$ 1,379,871		

Solana Beach School District

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

Year Ended June 30, 2021

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

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

Solana Beach School District

Schedule of Charter Schools

Year Ended June 30, 2021

As of June 30, 2021, the District is not a sponsoring local educational agency for any charter schools.

Solana Beach School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2021

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Subrecipient Expenditures	Total Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U.S. Department of Agriculture</u>				
Passed through California Department of Education				
National School Lunch Program	10.555	13523	-	\$ 190,976
Total Child Nutrition Cluster			-	190,976
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U.S. Department of Education</u>				
Passed through California Department of Education				
IDEA Basic Local Assistance	84.027	13379	-	1,585,646
IDEA Local Assistance - Private Schools	84.027	10015	26,046	26,046
IDEA Mental Health	84.027	13430	-	162,617
IDEA Preschool Grants	84.173	15197	-	680,662
IDEA Preschool Staff Development	84.173	13431	-	176
Total Special Education (IDEA) Cluster			26,046	2,455,147
OTHER PROGRAMS:				
<u>U.S. Department of the Treasury</u>				
Passed through California Department of Education				
Coronavirus Relief Fund - Learning Loss Mitigation	21.019	25516	-	901,348
<u>U.S. Department of Education</u>				
Passed through California Department of Education				
Title I	84.010	14329	-	151,676
Title IV Student Support Academic Enrichment	84.424	15396	-	2,898
Title II Supporting Effective Instruction	84.367	14341	-	52,960
Governor's Emergency Education Relief Fund	84.425C	15517	-	124,162
CARES Act - Elementary & Secondary School Emergency Relief	84.425D	15536	-	99,075
Total Other Programs			-	1,332,119
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 26,046	\$ 3,978,242

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Solana Beach School District

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Basis of Presentation

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

Summary of Significant Accounting Policies

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

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 *Direct and Indirect Costs*. The District used an indirect cost rate of 4.43% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 *Indirect Costs*. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

<u>Program</u>	<u>CFDA #</u>	<u>Indirect Cost Rate</u>
National School Lunch Program	10.555	0.00%
Coronavirus Relief Fund - Learning Loss Mitigation	21.019	0.00%
Title I	84.010	0.00%
IDEA Basic Local Assistance	84.027	1.43%
IDEA Mental Health	84.027	1.06%
IDEA Preschool Grants	84.173	0.14%
Title II Supporting Effective Instruction	84.367	5.25%
Governor's Emergency Education Relief Fund	84.425C	0.00%
CARES Act - Elementary & Secondary School Emergency Relief	84.425D	0.00%

Schoolwide Program

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

Solana Beach School District

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Personal Protective Equipment (PPE) (Unaudited)

As a result of the COVID-19 Pandemic the District received personal protective equipment (PPE) valued at \$40,000 from the federal government.

Reconciliation of Revenues

Under grant provisions for CARES Act – Elementary & Secondary School Emergency Relief (CFDA #84.425D) expenditures for the program could begin March 2020; however, revenue was not apportioned until the 2020-21 fiscal year. As a result, the revenue is recognized for expenditures occurring from the start of the grant through June 30, 2021, while the schedule of expenditures of federal awards recognizes only expenditures incurred during the 2020-21 fiscal year.

The Special Education program costs exceed amounts received in revenue. The schedule of expenditures of federal awards accounts for the entire cost of the program.

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

Total Federal Revenues on Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 2,091,308.0
Less: Amounts expended in 2019-20 for Elementary & Secondary School Emergency Relief	(25,645)
Plus: Amounts expended in excess of program revenues for Special Education Cluster	<u>1,912,579</u>
Total Federal Expenditures on Schedule of Expenditures of Federal Awards	<u>\$ 3,978,242</u>

Other Independent Auditors' Reports

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

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

Report on Compliance for Each Major Federal Program

We have audited Solana Beach School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Solana Beach School District's major federal programs for the year ended June 30, 2021. Solana Beach School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Solana Beach School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-003. Our opinion on each major federal program is not modified with respect to this matter.

Solana Beach School District's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. Solana Beach School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We identified a deficiency in internal controls which we consider to be a material weakness which is described in the schedule of findings and questioned costs as item 2021-002.

Solana Beach School District's response to the material weakness identified in our audit is described in the accompanying corrective action plan. Solana Beach School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Wilkinson Hadley King & Co LLP

El Cajon, California
March 31, 2022

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information and the related notes to the financial statements of Solana Beach School District (District), as of and for the year ended June 30, 2021, which collectively comprise the Solana Beach School District's basic financial statements, and have issued our report thereon dated March 31, 2022.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2021-001 to be material weaknesses.

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. We did not identify any significant deficiencies in internal controls.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Solana Beach School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Solana Beach School District's Response to the Findings

Solana Beach School District's response to the findings identified in our audit are described in the accompanying corrective action plan. Solana Beach School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Wilkinson Hadley King & Co LLP

El Cajon, California
March 31, 2022

Independent Auditor's Report on State Compliance

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

Report on State Compliance

We have audited the Solana Beach School District's compliance with the types of compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of the school's state programs identified below for the fiscal year ended June 30, 2021.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit Guide *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*, prescribed in Title 5, *California Code of Regulations*, section 19810. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller General of the United States; and the State's audit guide *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about each school's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Corporation's compliance with those requirements.

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

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

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

Opinion on State Compliance

In our opinion, Solana Beach School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the States audit guide, *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-004.

Solana Beach School District's Response to Findings

Solana Beach School District's responses to the findings identified in our audit is described in the accompanying corrective action plan. Solana Beach School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. This report is an integral part of an audit performed in accordance with *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King & Co LLP

El Cajon, California
March 31, 2022

Auditor's Results, Findings & Recommendations

Solana Beach School District

Schedule of Auditor's Results

Year Ended June 30, 2021

FINANCIAL STATEMENTS

Type of auditor's report issued: Qualified

Internal control over financial reporting:

One or more material weakness(es) identified? X Yes No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

One or more material weakness(es) identified? X Yes No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

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

Compliance supplement utilized for single audit July 2021 with December 2021 Addendum

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? X Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster
84.425C	Governor's Emergency Education Relief Fund
84.425D	CARES Act - Elementary & Secondary School Emergency Relief
21.019	Coronavirus Relief Fund: Learning Loss Mitigation

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? X Yes No

STATE AWARDS

Any audit findings disclosed that are required to be reported in accordance with *2020-21 Guide for Annual Audits of California K-12 Local Education Agencies*? X Yes No

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

Solana Beach School District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are as follows:

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

A. Financial Statement Findings

Finding Number: 2021-001
 Repeat Finding: No
 Program Name: Accounting Processes and Internal Controls
 Questioned Costs: None
 Type of Finding: Internal Controls (30000)

Criteria or Specific Requirements

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.

Solana Beach School District

Schedule of Findings and Questioned Costs, Continued

Year Ended June 30, 2021

- 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.

Solana Beach School District

Schedule of Findings and Questioned Costs, Continued

Year Ended June 30, 2021

- 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.

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.

Context

Internal control deficiencies were identified in multiple areas of the audit that in aggregate represent a material weakness to the District in the internal control processes.

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.

Solana Beach School District

Schedule of Findings and Questioned Costs, Continued

Year Ended June 30, 2021

- 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.

Views of Responsible Officials

See Corrective Action Plan

B. Federal Award Findings

Finding Number: 2021-002
Repeat Finding: No
Program Name: Allowable Costs/Cost Principles – Expenditures of Federal Awards
Questioned Costs: None
Type of Finding: Internal Controls over Federal Awards (50000)

Federal Award Information

Programs: Special Education Cluster (84.027, 84.173)
Coronavirus Relief Fund: Learning Loss Mitigation (LLMF) (21.019)
Elementary and Secondary School Emergency Relief (ESSER) (84.425)

Agency: U.S. Department of Education (Special Education Cluster and ESSER)
U.S. Department of the Treasury (Coronavirus Relief Fund: LLMF)

Pass-Through Agency: California Department of Education

Program Year: 2020-21 Fiscal Year

Solana Beach School District

Schedule of Findings and Questioned Costs, Continued

Year Ended June 30, 2021

Criteria or Specific Requirement

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.

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.

Context

The programs were transferred from other restricted sources that were similar in nature to the major programs being audited. Auditors performed additional procedures and tested 100% of restricted accounts that the expenditures were transferred from and did not identify any unallowable costs; however, the District did not document the specific items being transferred and did not appear to perform an evaluation of allowable costs prior to transferring the expenditures. The risk of noncompliance over allowable costs/cost principles remains without a District evaluation of allowability.

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.

Views of Responsible Officials

See Corrective Action Plan

Solana Beach School District

Schedule of Findings and Questioned Costs, Continued

Year Ended June 30, 2021

Finding Number: 2021-003
Repeat Finding: No
Program Name: Allowable Costs/Cost Principles – Federal Time Accounting
Questioned Costs: Approximately \$116,720
Type of Finding: Federal Compliance (50000)

Federal Award Information

Programs: Special Education Cluster (84.027, 84.173)
Agency: U.S. Department of Education
Pass-Through Agency: California Department of Education
Program Year: 2020-21 Fiscal Year

Criteria or Specific Requirement

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.

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.

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.

Context

During the month of November 2020, the District charged 47 employees to the Special Education Cluster. We reviewed time accounting documentation for 12 of the 47 employees charged to the program. We identified findings in 2 out of 12 that were reviewed.

Solana Beach School District

Schedule of Findings and Questioned Costs, Continued

Year Ended June 30, 2021

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.

Views of Responsible Officials

See Corrective Action Plan

C. State Award Findings

Finding Number: 2021-004
Repeat Finding: No
Program Name: Attendance and Distance Learning
Questioned Costs: None
Type of Finding: State Compliance – Attendance (10000)

Criteria or Specific Requirement

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><u>196</u></u>

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).

Solana Beach School District

Schedule of Findings and Questioned Costs, Continued

Year Ended June 30, 2021

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.

Context

The Distance Learning program was established by State legislature July 2020. The California Department of Education provided guidance and a template for the program August 26, 2020. Compliance with the requirements of the Distance Learning program was required beginning September 1, 2020. The program was in existence for the 2020-21 school year only.

Selection of students was provided to the District in May 2021 for audit testing purposes. After multiple attempts to audit the information between May 2021 and February 2022, it was determined that the District would not be able to provide complete documentation for the students selected.

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.

Views of Responsible Officials

See Corrective Action Plan



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Jodee Brentlinger

March 31, 2022

To Whom it May Concern:

The accompanying Corrective Action Plan has been prepared as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit appeals Panel. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

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

Sincerely,

Michael R. Hodson

Michael R. Hodson (Mar 31, 2022 14:14 PDT)

Michael Hodson
Assistant Superintendent
Business Services

Solana Beach School District

Corrective Action Plan
Year Ended June 30, 2021

Financial Statement Internal Control Finding

Finding Number: 2021-001
Program Name: Accounting Processes and Internal Controls
Contact Person: Michael Hodson
Completion Date: Ongoing

Planned Corrective Action: 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.

Federal Compliance Finding

Finding Number: 2021-002
Program Name: Allowable Costs/Cost Principles – Expenditures of Federal Awards
Contact Person: Michael Hodson
Anticipated Completion Date: Ongoing

Planned Corrective Action: 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.

Finding Number: 2021-003
Program Name: Allowable Costs/Cost Principles – Federal Time Accounting
Contact Person: Michael Hodson
Anticipated Completion Date: Ongoing

Planned Corrective Action: 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.

Solana Beach School District

Corrective Action Plan, Continued

Year Ended June 30, 2021

State Compliance Finding

Finding Number: 2021-004
Program Name: Distance Learning
Contact Person: Michael Hodson
Anticipated Completion Date: N/A

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

Solana Beach School District
 Schedule of Prior Year Audit Findings
 Year Ended June 30, 2021

Finding/Recommendation	Status	Explanation if Not Implemented
<p>Finding 2020-001 School Accountability Report Card</p> <p>In our review of the data reported for safety, cleanliness, and adequacy of school facilities, including any needed maintenance at Solana Santa Fe Elementary School, we noted that the information contained in the school accountability report card was not consistent with the Facility Inspection Tool (FIT) prepared by the District for the school site. The FIT indicated a “poor” ranking for interior surfaces due to multiple rooms having notes about water-stained ceiling tiles, missing ceiling tiles, and loose ceiling tiles while the school accountability report card indicated a “good” ranking.</p> <p>We recommended the District implement a review process over data in the school accountability report cards to ensure accurate reporting of facility information that is consistent with the site’s FIT.</p>	<p>Implemented</p>	
<p>Finding 2020-002 Unduplicated Pupil Counts</p> <p>In our review of eligibility of students reported for unduplicated pupil counts under FRPM, we identified seventeen instances out of twenty-six tested that did not meet the eligibility requirements. The students in question were identified as not qualifying for free or reduced priced meals by the child nutrition department.</p> <p>We recommended the District establish a procedure to ensure that the reporting of unduplicated pupil counts is based on the students who meet current year eligibility requirements for the FRPM program. Include in new procedures a verification of items reported on the form “1.18-FRPM/English Learner/Foster Youth – Student List” to the child nutrition system.</p>	<p>Implemented</p>	