



# Vallecitos School District

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"A community school where we learn to achieve our dreams"

**MEETING DATE:** January 13, 2026

**DISCUSSION/ACTION:** 11.1

**SUBJECT:** VALLECITOS SCHOOL DISTRICT 2024/2025 ANNUAL AUDIT REPORT

**BACKGROUND:** As a requirement by Education Code 41020, school districts and charter schools are required to have their financial records audited by a State Controller approved independent certified public accountant. Wilkinson Hadley King & Co. LLP has completed the Vallecitos School District annual audit for the fiscal year ending June 30, 2025. The audit included, but was not limited to finance, payroll, attendance, Federal and State funding, student body fund, purchasing, payables, receivables, grant programs and Board minutes. The 2024/2025 Audit report is presented for review.

**FISCAL IMPACT:** Audit and Reporting Purposes

**RECOMMENDATIONS:** It is respectfully recommended that the Governing Board approve the Vallecitos District audit for the fiscal year ending June 30, 2025.



# Vallecitos School District

County of San Diego  
Fallbrook, California

Audit Report  
June 30, 2025



# Vallecitos School District

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June 30, 2025

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## Independent Auditor's Report

To the Board of Education  
Vallecitos School District

### Report on the Audit of the Financial Statements

#### Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2025, 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.

#### Emphasis of Matter – Change in Accounting Principle

As described in Note A to the financial statements, in the fiscal year ended June 30, 2025 the District adopted new accounting guidance, GASB Statement No. 101 *Compensated Absences* which had a material effect on the financial statements. Our opinion is not modified with respect to this matter.

#### Basis for Opinions

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

#### Responsibilities of Management for the Financial Statements

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying additional supplementary information, identified in the table of contents, as required by the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations, Section 19810* are presented for purposes of additional analysis and are 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the accompanying combining and individual nonmajor fund financial statements, and the additional supplementary information as identified in the table of contents, are fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Information

Management is responsible for the other information included in the audit report. The other information comprises the Other Information section of the audit report as identified on the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



El Cajon, California  
December 15, 2025

**VALLECITOS ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2025**  
**(Unaudited)**

The discussion and analysis of Vallecitos Elementary School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2025. 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**

- General fund revenues were \$4,050,640, while expenditures totaled \$4,224,300, resulting in a net decrease in fund balance of \$173,660 and an ending fund balance of \$2,466,816 (excluding Fund 17).
- The government-wide net position increased to \$3,137,696 after a restatement for the implementation of GASB 101, which reduced the opening balance by \$223,573 to account for compensated absences.
- Total assets reached \$5,702,523, with cash and investments of \$2,765,843 and capital assets net of depreciation of \$2,025,780.
- Available reserves were 29.66% of total general fund outgo, significantly above the state minimum requirement, reflecting strong fiscal stability.

**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 Vallecitos Elementary School District as a financial whole, as 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 combined financial statements, the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the whole School District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's more significant funds with all other non-major funds presented in total in one column.

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

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

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

These two statements provide information about the District as a whole using methods similar to those used by private-sector companies. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. This basis of accounting takes in account all the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2024-25?"

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

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

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

### *Fund Financial Statements*

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

### *Governmental Funds*

Most of the School District's activities are reported in governmental funds. The only major governmental funds of the District is the General Fund. 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.

## FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS

### Comparative Statement of Net Position

The comparative statement of net position for the years ended June 30, 2025, and June 30, 2024, highlights several significant changes in the District's financial position. Total assets increased by 2.6% to \$5.7 million, primarily due to a substantial 35.6% rise in capital assets, net, which offset decreases in cash and investments (down 8.3%) and accounts receivable (down 13.1%).

On the liabilities side, total liabilities grew by 8.5% to \$3.4 million, driven by a sharp 45% increase in accounts payable and other current liabilities, as well as a 4.9% increase in long-term liabilities. Unearned revenue also more than doubled during the year. Deferred outflows and inflows of resources both decreased, with deferred inflows dropping by 42.9%.

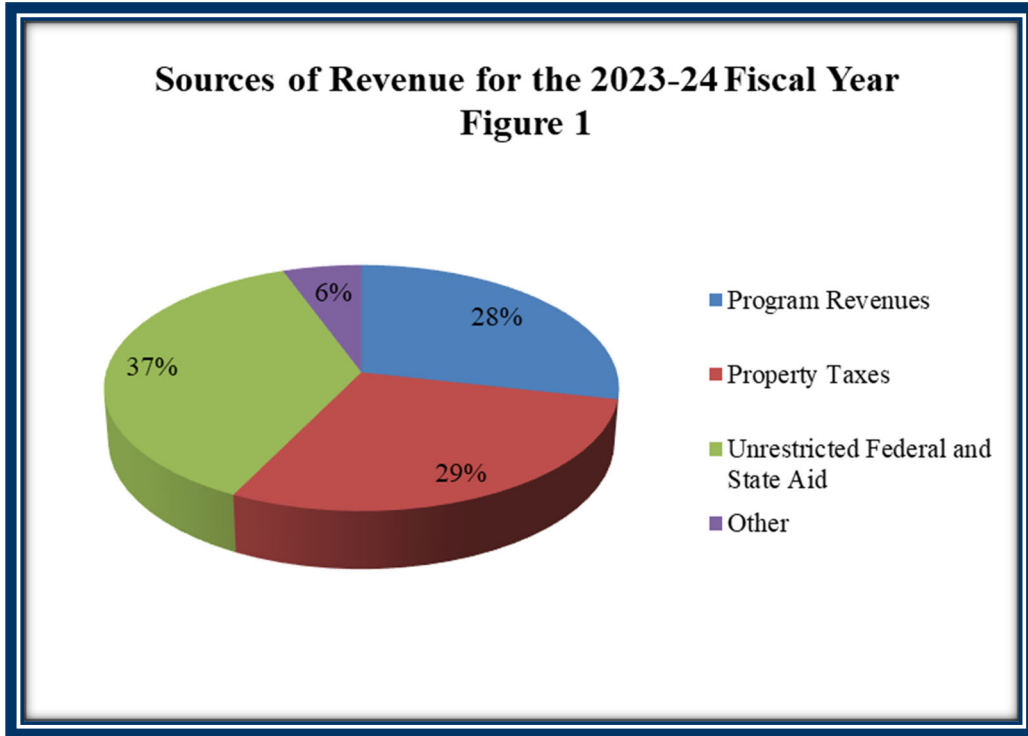
The District's net position reflected these changes: net investment in capital assets increased by 44.1%, while restricted net position declined by 36.3%. Unrestricted net position improved slightly but remained negative. Overall, total net position decreased by 4.1% to \$3.1 million, reflecting the combined impact of increased capital investment, higher liabilities, and the use of restricted resources during the year.

(Table 1)  
Comparative Statement of Net Position

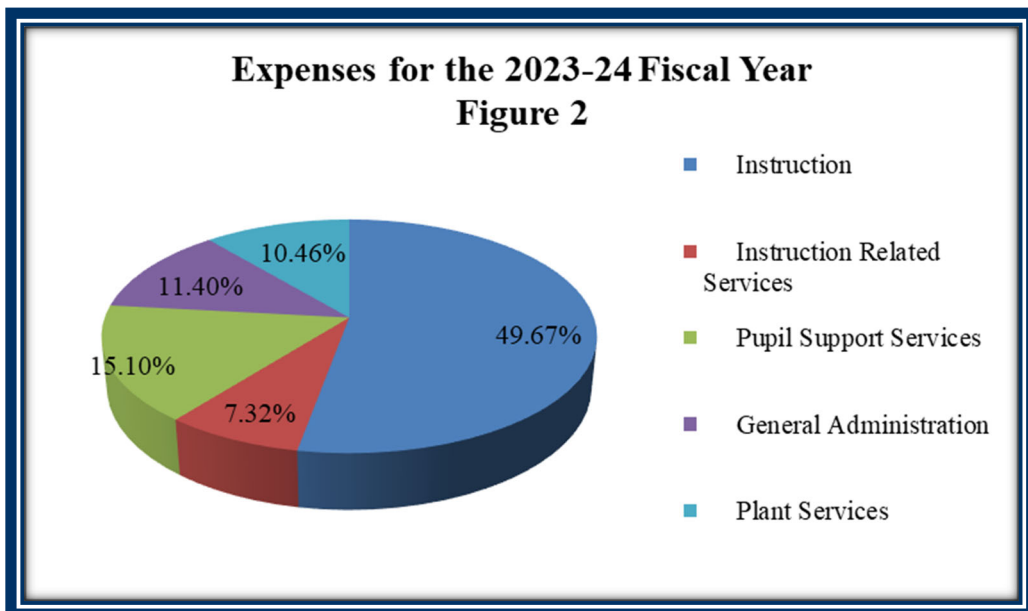
|  | Governmental Activities |                     |                     |                |
|--|-------------------------|---------------------|---------------------|----------------|
|  | 6/30/2025               | 6/30/2024           | Change              | % Change       |
| <b>Assets</b>                                  |                         |                     |                     |                |
| Cash and Investments                           | \$ 2,765,743            | \$ 3,015,281        | \$ (249,538)        | -8.28%         |
| Accounts receivable                            | 909,858                 | 1,047,572           | (137,714)           | -13.15%        |
| Inventory                                      | 1,042                   | 1,368               | (326)               | -23.83%        |
| Capital assets, net                            | 2,025,780               | 1,494,002           | 531,778             | 35.59%         |
| <b>Total Assets</b>                            | <b>5,702,423</b>        | <b>5,558,223</b>    | <b>144,200</b>      | <b>2.59%</b>   |
| <b>Deferred Outflows of Resources</b>          |                         |                     |                     |                |
| Deferred outflows of resources                 | 996,177                 | 1,124,307           | (128,130)           | -11.40%        |
| <b>Total Deferred Outflows of Resources</b>    | <b>996,177</b>          | <b>1,124,307</b>    | <b>(128,130)</b>    | <b>-11.40%</b> |
| <b>Liabilities</b>                             |                         |                     |                     |                |
| Accounts payable and other current liabilities | 330,834                 | 228,206             | 102,628             | 44.97%         |
| Unearned revenue                               | 39,192                  | 17,353              | 21,839              | 100%           |
| Long-term liabilities                          | 3,037,353               | 2,895,748           | 141,605             | 4.89%          |
| <b>Total Liabilities</b>                       | <b>3,407,379</b>        | <b>3,141,307</b>    | <b>266,072</b>      | <b>8.47%</b>   |
| <b>Deferred Inflows of Resources</b>           |                         |                     |                     |                |
| Deferred inflows of resources                  | 153,625                 | 268,995             | (115,370)           | -42.89%        |
| <b>Total Deferred Inflows of Resources</b>     | <b>153,625</b>          | <b>268,995</b>      | <b>(115,370)</b>    | <b>-42.89%</b> |
| <b>Net Position</b>                            |                         |                     |                     |                |
| Net investment in capital assets               | 2,152,393               | 1,494,002           | 658,391             | 44.07%         |
| Restricted                                     | 1,454,764               | 2,282,302           | (827,538)           | -36.26%        |
| Unrestricted                                   | (469,461)               | (504,076)           | 34,615              | -6.87%         |
| <b>Total Net Position</b>                      | <b>\$ 3,137,696</b>     | <b>\$ 3,272,228</b> | <b>\$ (134,532)</b> | <b>-4.11%</b>  |

*Comparative Statement of Activities*

The comparative statement of activities for the years ended June 30, 2025, and June 30, 2024, reveals several notable trends in the District’s financial operations. Total revenues decreased by \$311,519 (6.9%) to \$4,225,807 in 2025, primarily due to significant declines in charges for services (down 36.2%) and miscellaneous revenues (down 67.3%). These decreases were partially offset by increases in federal and state aid not restricted to specific programs (up 6.2%) and property taxes (up 3.9%).



On the expense side, total expenses declined by \$427,230 (9.4%) to \$4,136,766, with the most substantial reductions in instruction (down 13.3%), instruction related services (down 26.9%), and general administration (down 22.7%). However, pupil support services expenses increased significantly by 56.1%, reflecting a shift in resource allocation or increased needs in that area.



As a result, the District reported an increase in net position of \$89,041 for 2025, a turnaround from the prior year's decrease of \$26,670. After accounting for a prior period adjustment of -\$223,573, the ending net position declined by \$134,532 (4.1%) to \$3,137,696, reflecting the combined impact of reduced revenues, lower expenses, and the adjustment to beginning net position for the year.

|   | <b>Governmental Activities</b>  |                                 |                     |                 |
|---|---------------------------------|---------------------------------|---------------------|-----------------|
|   | <b>Year Ended<br/>6/30/2025</b> | <b>Year Ended<br/>6/30/2024</b> | <b>Change</b>       | <b>% Change</b> |
| <b>Revenues</b>   |                                 |                                 |                     |                 |
| Program revenues  |                                 |                                 |                     |                 |
| Charges for services  | \$ 212,053                      | \$ 332,115                      | \$ (120,062)        | -36.15%         |
| Operating grants and contributions  | 972,207                         | 1,109,772                       | (137,565)           | -12.40%         |
| Capital grants and contributions  | 19,308                          | 17,260                          | 2,048               | 11.87%          |
| General revenues  |                                 |                                 |                     |                 |
| Taxes levied for general purposes   | 1,218,623                       | 1,172,556                       | 46,067              | 3.93%           |
| Federal and state aid not restricted  | 1,567,224                       | 1,476,378                       | 90,846              | 6.15%           |
| Interest and investment earnings  | 139,529                         | 133,137                         | 6,392               | 4.80%           |
| Miscellaneous   | 96,863                          | 296,108                         | (199,245)           | -67.29%         |
| Total Revenues  | <u>4,225,807</u>                | <u>4,537,326</u>                | <u>(311,519)</u>    | <u>-6.87%</u>   |
| <b>Expenses</b>   |                                 |                                 |                     |                 |
| Instruction   | 2,054,709                       | 2,370,384                       | (315,675)           | -13.32%         |
| Instruction Related Services  | 302,867                         | 414,491                         | (111,624)           | -26.93%         |
| Pupil Support Services  | 624,714                         | 400,268                         | 224,446             | 56.07%          |
| General Administration  | 471,729                         | 609,939                         | (138,210)           | -22.66%         |
| Plant Services  | 432,606                         | 472,122                         | (39,516)            | -8.37%          |
| Other Expenses  | 250,141                         | 296,792                         | (46,651)            | -15.72%         |
| Total Expenses  | <u>4,136,766</u>                | <u>4,563,996</u>                | <u>(427,230)</u>    | <u>-9.36%</u>   |
| Increase (Decrease) in Net Position   | 89,041                          | (26,670)                        | 115,711             | -433.86%        |
| Net Position - Beginning Balance  | 3,272,228                       | 3,298,898                       | (26,670)            | -0.81%          |
| Adjustment to Beginning Net Position  | (223,573)                       | -                               | (223,573)           | -100%           |
| Net Position - Ending Balance   | <u>\$ 3,137,696</u>             | <u>\$ 3,272,228</u>             | <u>\$ (134,532)</u> | <u>-4.11%</u>   |
| *Beginning net position for 2024-25 is updated to reflect implementation of GASB Statement No. 101. |                                 |                                 |                     |                 |

## FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The financial analysis of the fund statements for the year ended June 30, 2025, demonstrates the District's continued fiscal strength and prudent management of resources. The General Fund, which serves as the primary operating fund, closed the year with an ending fund balance of \$3,065,976, and reserves representing 29.66% of total outgo—well above the state-recommended minimum. General Fund revenues totaled \$4,050,640, while expenditures were \$4,224,300, resulting in a net decrease in fund balance. Despite this decrease, the District's financial position remains stable, supported by a strong reserve level and effective expenditure control. The implementation of GASB Statement No. 101, Compensated Absences, led to a restatement of the beginning net position, providing more accurate reporting of employee leave liabilities. Additionally, the District's net pension liability decreased, and average daily attendance increased, both of which contribute to ongoing financial stability. No deficit fund balances or violations of finance-related legal or contractual provisions were reported, further underscoring the District's sound financial management practices for the year.

## General Fund Budgetary Highlights

Actual results for the year showed General Fund revenues of \$3,597,317 and expenditures of \$4,339,518, anticipating a net decrease in fund balance of \$(742,201). During the year, the budget was revised to reflect updated information, resulting in a final budget with revenues of \$3,592,508 and expenditures of \$4,773,689, and a larger projected net decrease in fund balance of \$(1,181,181).

As a result, the actual results were significantly more favorable than anticipated. General Fund revenues totaled \$4,050,640, exceeding the final budget by \$458,132, primarily due to higher-than-expected other state revenue, other local revenue, and interest income. Expenditures were \$4,224,300, which was \$549,389 less than the final budget, with the most notable savings in books and supplies, services and other operating costs, and capital outlay. As a result, the actual net decrease in fund balance was only \$(173,660), which is \$1,007,521 less than the final budgeted decrease. The ending fund balance for the General Fund was \$2,466,816, exceeding the final budget projection by \$568,541.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets and Lease Assets

The comparative schedule of capital and lease assets for the years ended June 30, 2025, and 2024, reveals substantial growth in the District's capital asset base. The most significant increases were seen in Work in Progress, which rose by \$153,978 (100%), and Buildings & Improvements, which increased by \$459,454 (40.38%). These changes reflect major ongoing construction projects and significant investments in facility improvements. Land Improvements and Equipment also experienced moderate increases of 4.13% and 6.79%, respectively. Accumulated depreciation increased across all depreciable asset categories, with the largest dollar increase in Buildings & Improvements, consistent with both the addition of new assets and the continued use of existing ones. Notably, there were no lease or subscription assets reported in either year, and no related accumulated amortization. Overall, total net capital assets increased by \$531,778, or 35.59%, year-over-year, driven primarily by the growth in Work in Progress and Buildings & Improvements, underscoring the District's commitment to enhancing its infrastructure and long-term asset base.

**(Table 3)**  
**Comparative Schedule of Capital Assets**  
**June 30, 2024 and 2023**

|                                   | <u>2025</u>         | <u>2024</u>         | <u>Change</u>     | <u>% Change</u> |
|-----------------------------------|---------------------|---------------------|-------------------|-----------------|
| Land                              | \$ 6,161            | \$ 6,161            | \$ -              | 0.0%            |
| Work in Progress                  | 184,152             | 30,174              | 153,978           | 100%            |
| Land Improvements                 | 886,727             | 851,527             | 35,200            | 4.1%            |
| Buildings & Improvements          | 1,597,288           | 1,137,834           | 459,454           | 40.4%           |
| Equipment                         | 466,246             | 436,582             | 29,664            | 6.8%            |
| Less Accumulated Depreciation for |                     |                     |                   |                 |
| Land Improvements                 | (228,767)           | (189,774)           | (38,993)          | 20.5%           |
| Buildings & Improvements          | (683,498)           | (606,375)           | (77,123)          | 12.7%           |
| Equipment                         | (202,529)           | (172,127)           | (30,402)          | 17.7%           |
| <b>Total</b>                      | <u>\$ 2,025,780</u> | <u>\$ 1,494,002</u> | <u>\$ 531,778</u> | <u>35.6%</u>    |

## Long-Term Obligations

The comparative statement of long-term obligations for the years ended June 30, 2025, and June 30, 2024, shows a modest but positive trend in the District’s long-term financial commitments. Total long-term obligations decreased by \$81,968, or 2.63%, from \$3,119,321 in 2024 to \$3,037,353 in 2025. This reduction was driven primarily by a \$80,992 (2.87%) decrease in the District’s net pension liability, which remains the largest component of long-term debt. Compensated absences also declined slightly by \$976 over the year. Notably, the District had no outstanding balances for bonds (including certificates of participation and special tax bonds) or leases payable in either year, and no other long-term obligations were reported. This overall decrease in long-term liabilities reflects the District’s ongoing efforts to manage its obligations prudently and maintain a stable financial position.

|                       | <u>2025</u>         | <u>2024</u>         | <u>Change</u>      | <u>%<br/>Change</u> |
|-----------------------|---------------------|---------------------|--------------------|---------------------|
| Net Pension Liability | \$ 2,743,573        | \$ 2,824,565        | \$ (80,992)        | -2.87%              |
| Compensated Absences  | <u>293,780</u>      | <u>294,756</u>      | <u>(976)</u>       | <u>100%</u>         |
| Total Long-Term Debt  | <u>\$ 3,037,353</u> | <u>\$ 3,119,321</u> | <u>\$ (81,968)</u> | <u>-2.63%</u>       |

## FACTORS BEARING ON THE DISTRICT’S FUTURE

The 2025-26 California enacted budget, and requisite trailer bills approved new and or augmented funding streams for transitional kindergarten add-on in the Local Control Funding Formula, the Student Support and Professional Development Discretionary Block Grant, the Learning Recovery Emergency Block Grant and additional appropriations for local education agencies (LEA) participating in the Expanded Learning Opportunities Program Tier 2.

Funded average daily attendance (ADA) has changed drastically in recent years as the Governor and Legislature provided additional relief to combat the significant declining enrollment. Those policies provided an off-ramp rather than a fiscal cliff, which ended last year. The 2024-25 fiscal year was the final year for LEAs to benefit from the positive impact of the 2021-22 hold harmless policies; however, moving forward, LEAs will continue to be able to claim ADA based on current-year, prior-year, or a three-year average, whichever is greater.

Beginning in 2025-26, LEAs are allowed to recover up to ten absences per year through the inaugural Attendance Recovery program. This program is available to LEAs serving classroom-based student populations and can be offered before and after school, as well as during weekends and intersessions.

Cash deferrals are back for a second consecutive year with \$1.9 billion scheduled to be deferred from June 2026 to July 2026. Although state revenues are trending ahead of projections, it is still prudent to plan as if the deferrals will occur as planned.

Despite positive outlooks for school funding, costs of salaries, pensions, and other employee benefits continue to rise. The District is monitoring the budget closely to ensure all financial obligations are met and the District remains fiscally strong.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager at Vallecitos School District, 5211 Fifth St., Rainbow, CA 92028.

## Basic Financial Statements

# Vallecitos School District

## Statement of Net Position

June 30, 2025

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|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                                  |                                    |
| Cash   | \$ 2,765,843                       |
| Accounts Receivable                            | 909,858                            |
| Inventory                                      | 1,042                              |
| Capital Assets:                                |                                    |
| Land   | 6,161                              |
| Land Improvements                              | 886,727                            |
| Buildings & Improvements                       | 1,597,288                          |
| Equipment                                      | 466,246                            |
| Work in Progress                               | 184,152                            |
| Less Accumulated Depreciation                  | <u>(1,114,794)</u>                 |
| Total Assets                                   | <u>5,702,523</u>                   |
| <br>   |                                    |
| <b>Deferred Outflows of Resources</b>          | <u>996,177</u>                     |
| <br>   |                                    |
| <b>Liabilities</b>                             |                                    |
| Accounts Payable and Other Current Liabilities | 330,834                            |
| Unearned Revenue                               | 39,192                             |
| Long-Term Liabilities:                         |                                    |
| Due Within One Year                            | 163,940                            |
| Due In More Than One Year                      | <u>2,873,413</u>                   |
| Total Liabilities                              | <u>3,407,379</u>                   |
| <br>   |                                    |
| <b>Deferred Inflows of Resources</b>           | <u>153,625</u>                     |
| <br>   |                                    |
| <b>Net Position</b>                            |                                    |
| Net Investment in Capital Assets               | 2,152,393                          |
| Restricted For:                                |                                    |
| Capital Projects                               | 115,181                            |
| Educational Programs                           | 996,392                            |
| Other Purposes (Expendable)                    | 332,149                            |
| Other Purposes (Nonexpendable)                 | 11,042                             |
| Unrestricted                                   | <u>(469,461)</u>                   |
| Total Net Position                             | <u>\$ 3,137,696</u>                |

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

# Vallecitos School District

## Statement of Activities

For the Year Ended June 30, 2025

| Functions  | Expenses            | Program Revenues     |                                    |                                  | Net (Expense)                       |
|--|---------------------|----------------------|------------------------------------|----------------------------------|-------------------------------------|
|  |                     | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
| <b>Governmental Activities</b>                             |                     |                      |                                    |                                  | <b>Governmental Activities</b>      |
| Instruction  | \$ 2,054,709        | \$ 16,248            | \$ 458,605                         | \$ 19,308                        | \$ (1,560,548)                      |
| Instruction-Related Services:                              |                     |                      |                                    |                                  |                                     |
| Instructional Supervision and Administration               | 18,585              | -                    | 4,080                              | -                                | (14,505)                            |
| Instructional Library, Media and Technology                | 92                  | -                    | 92                                 | -                                | -                                   |
| School Site Administration                                 | 284,190             | -                    | 254                                | -                                | (283,936)                           |
| Pupil Services:  |                     |                      |                                    |                                  |                                     |
| Home-to-School Transportation                              | 12,272              | -                    | 3,718                              | -                                | (8,554)                             |
| Food Services  | 317,028             | 8,186                | 263,855                            | -                                | (44,987)                            |
| All Other Pupil Services                                   | 295,414             | -                    | 95,916                             | -                                | (199,498)                           |
| General Administration:                                    |                     |                      |                                    |                                  |                                     |
| Centralized Data Processing                                | 13,039              | -                    | -                                  | -                                | (13,039)                            |
| All Other General Administration                           | 458,690             | -                    | 1,809                              | -                                | (456,881)                           |
| Plant Services   | 432,606             | 22,432               | 33,575                             | -                                | (376,599)                           |
| Ancillary Services   | 250,141             | 165,187              | 110,303                            |                                  | 25,349                              |
| Total Governmental Activities                              | <u>\$ 4,136,766</u> | <u>\$ 212,053</u>    | <u>\$ 972,207</u>                  | <u>\$ 19,308</u>                 | <u>(2,933,198)</u>                  |
| <b>General Revenues</b>                                    |                     |                      |                                    |                                  |                                     |
| Taxes and Subventions:                                     |                     |                      |                                    |                                  |                                     |
| Property Taxes, Levied for General Purposes                |                     |                      |                                    |                                  |                                     |
|  |                     |                      |                                    | \$ 1,218,623                     | \$ 1,218,623                        |
| Federal and State Aid Not Restricted for Specific Purposes |                     |                      |                                    |                                  |                                     |
|  |                     |                      |                                    | 1,567,224                        | 1,567,224                           |
| Interest and Investment Earnings                           |                     |                      |                                    |                                  |                                     |
|  |                     |                      |                                    | 139,529                          | 139,529                             |
| Miscellaneous  |                     |                      |                                    |                                  |                                     |
|  |                     |                      |                                    | 96,863                           | 96,863                              |
| Total General Revenues                                     |                     |                      |                                    |                                  |                                     |
|  |                     |                      |                                    | <u>3,022,239</u>                 | <u>3,022,239</u>                    |
| Change in Net Position                                     |                     |                      |                                    |                                  |                                     |
|  |                     |                      |                                    |                                  | 89,041                              |
| Net Position - 7/1/2024, as Previously Stated              |                     |                      |                                    |                                  |                                     |
|  |                     |                      |                                    |                                  | 3,272,228                           |
| Adjustment for GASB 101 Implementation (Note A)            |                     |                      |                                    |                                  |                                     |
|  |                     |                      |                                    | <u>(223,573)</u>                 | <u>(223,573)</u>                    |
| Net Position - 7/1/2024, as Restated                       |                     |                      |                                    |                                  |                                     |
|  |                     |                      |                                    |                                  | <u>3,048,655</u>                    |
| Net Position - Ending                                      |                     |                      |                                    |                                  |                                     |
|  |                     |                      |                                    |                                  | <u>\$ 3,137,696</u>                 |

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

# Vallecitos School District

## Balance Sheet – Governmental Funds

June 30, 2025

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|  | General<br>Fund     | Nonmajor<br>Governmental<br>Funds | Total               |
|--|---------------------|-----------------------------------|---------------------|
| <b>Assets</b>                              |                     |                                   |                     |
| Cash and Cash Equivalents                  | \$ 2,552,740        | \$ 213,103                        | \$ 2,765,843        |
| Accounts Receivable                        | 873,454             | 36,404                            | 909,858             |
| Due from Other Funds                       | 29,664              | 30,726                            | 60,390              |
| Stores Inventories                         | -                   | 1,042                             | 1,042               |
| <b>Total Assets</b>                        | <u>\$ 3,455,858</u> | <u>\$ 281,275</u>                 | <u>\$ 3,737,133</u> |
| <b>Liabilities and Fund Balance:</b>       |                     |                                   |                     |
| Liabilities:                               |                     |                                   |                     |
| Accounts Payable                           | \$ 319,964          | \$ 10,870                         | \$ 330,834          |
| Due to Other Funds                         | 30,726              | 29,664                            | 60,390              |
| Unearned Revenue                           | 39,192              | -                                 | 39,192              |
| <b>Total Liabilities</b>                   | <u>389,882</u>      | <u>40,534</u>                     | <u>430,416</u>      |
| Fund Balance:                              |                     |                                   |                     |
| Nonspendable                               | 10,000              | 1,042                             | 11,042              |
| Restricted                                 | 1,204,023           | 239,699                           | 1,443,722           |
| Unassigned                                 | 1,851,953           | -                                 | 1,851,953           |
| <b>Total Fund Balance</b>                  | <u>3,065,976</u>    | <u>240,741</u>                    | <u>3,306,717</u>    |
| <b>Total Liabilities and Fund Balances</b> | <u>\$ 3,455,858</u> | <u>\$ 281,275</u>                 | <u>\$ 3,737,133</u> |

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

# Vallecitos School District

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2025

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**Total fund balances governmental funds:** \$ 3,306,717

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 | 3,140,574          |           |
| Accumulated depreciation   | <u>(1,114,794)</u> |           |
| Net  |                    | 2,025,780 |

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:

|                       |                |             |
|-----------------------|----------------|-------------|
| Net pension liability | 2,743,573      |             |
| Compensated absences  | <u>293,780</u> |             |
| Total                 |                | (3,037,353) |

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 | 996,177          |                |
| Deferred inflows of resources relating to pensions  | <u>(153,625)</u> |                |
| Net   |                  | <u>842,552</u> |

**Total net position governmental activities:** \$ 3,137,696

# Vallecitos School District

## Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Year Ended June 30, 2025

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|  | General<br>Fund     | Nonmajor<br>Governmental<br>Funds | Total               |
|--|---------------------|-----------------------------------|---------------------|
| <b>Revenues</b>  |                     |                                   |                     |
| State Apportionment  | \$ 1,449,606        | \$ -                              | \$ 1,449,606        |
| Education Protection Account Funds                           | 54,729              | -                                 | 54,729              |
| Property Taxes   | 1,236,245           | -                                 | 1,236,245           |
| Federal Revenue  | 147,943             | 218,256                           | 366,199             |
| Other State Revenue  | 596,876             | 42,932                            | 639,808             |
| Interest   | 100,724             | 18,690                            | 119,414             |
| FMV Adjustment   | 38,805              | 8,349                             | 47,154              |
| Other Local Revenue  | 455,599             | 25,513                            | 481,112             |
| Total Revenues   | <u>\$ 4,080,527</u> | <u>\$ 313,740</u>                 | <u>\$ 4,394,267</u> |
| <b>Expenditures</b>  |                     |                                   |                     |
| Current Expenditures:  |                     |                                   |                     |
| Instruction  | 2,185,418           | -                                 | 2,185,418           |
| Instruction - Related Services                               | 327,296             | -                                 | 327,296             |
| Pupil Services   | 332,243             | 285,990                           | 618,233             |
| Ancillary Services   | 250,646             | -                                 | 250,646             |
| General Administration                                       | 490,875             | -                                 | 490,875             |
| Plant Services   | 355,449             | -                                 | 355,449             |
| Capital Outlay   | 282,373             | 395,923                           | 678,296             |
| Total Expenditures   | <u>4,224,300</u>    | <u>681,913</u>                    | <u>4,906,213</u>    |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(143,773)</u>    | <u>(368,173)</u>                  | <u>(511,946)</u>    |
| Net Change in Fund Balance                                   | (143,773)           | (368,173)                         | (511,946)           |
| Fund Balance, Beginning of Year                              | <u>3,209,749</u>    | <u>608,914</u>                    | <u>3,818,663</u>    |
| Fund Balance, End of Year                                    | <u>\$ 3,065,976</u> | <u>\$ 240,741</u>                 | <u>\$ 3,306,717</u> |

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

# Vallecitos 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, 2025

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**Total change in fund balances, governmental funds:** \$ (511,946)

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 | 678,296          |         |
| Depreciation expense            | <u>(146,518)</u> |         |
|                                 | Net              | 531,778 |

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: 976

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: 68,233

**Change in net position of governmental activities:** \$ 89,041

# Vallecitos School District

Notes to the Financial Statements  
For the Year Ended June 30, 2025

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## A. Summary of Significant Accounting Policies

Vallecitos 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-8 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, special revenue funds, capital projects funds, and debt service funds.

### 2. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by GASB.

### 3. Basis of Presentation

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

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.

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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**Fund Financial Statements.** The fund financial statements provide information about the District's funds. Separate statements for each fund category 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.

### *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.

### *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:

**Associated Student Body Fund:** This fund is used to account separately for the activities of associated student body organizations operated by the District.

**Child Development Fund:** This fund is used to account separately for federal, state, and local revenues to operate child development programs.

**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*).

**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*).

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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**County School Facilities Fund:** This 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), 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. Green School Facilities Act of 1998 (*Education Code §17070.10 et seq.*).

## 4. Basis of Accounting – Measurement Focus

**Government-Wide Financial Statements.** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded 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.

**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.

## 5. 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.

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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## 6. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and district superintendent 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.

## 7. 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.

### 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.

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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## 8. 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.

### 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.

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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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 & Improvements | 20 - 50 Years                |
| Land Improvements        | 10 - 25 Years                |
| Equipment                | 5 - 15 Years                 |

d. Lease Assets & Lease Liabilities

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles and equipment. In accordance with GASB Statement 87, the District records lease assets and lease liabilities with a capitalization threshold of \$5,000. Lease assets are amortized over the shorter of the useful life of the underlying asset (as defined in capital assets policy) or the lease term. Lease liabilities are reduced as principal payments on the lease are made.

e. Subscription Assets & Subscription Liabilities

A subscription based information technology arrangement (SBITA) is a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. SBITAs result in a subscription asset and subscription liability on the date of inception in accordance with GASB Statement 96 which are recorded at present value using an imputed interest rate based on the best available borrowing rate for the District in the year of inception. The District has established a capitalization threshold for subscription assets and liabilities of \$5,000. The subscription assets are amortized over the subscription term. The subscription liabilities are reduced as principal payments on the agreements are paid.

f. Compensated Absences

Employees of the District are granted vacation, sick leave, and other types of compensated absences in accordance with District policy and labor agreements. Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and certain types of sabbatical leave when agreed upon in contracts or labor agreements. Under the District's policies, vacation leave and sick leave may be carried forward from year to year, subject to limits established by policy.

A liability for compensated absences is recognized when earned by employees if (a) the leave is attributable to services already rendered, (b) the leave accumulates and may be carried forward to future periods, and (c) it is more likely than not that the leave will be used for time off or otherwise paid in cash or settled through noncash means. The liability is measured using the pay or salary rates in effect as of the financial statement date, plus salary-related payments that are directly and incrementally associated with payments for compensated absences, as required by GASB Statement No. 101.

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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In accordance with GASB Statement No. 101, unused sick leave that, upon retirement, is converted to provide or enhance a defined benefit pension is excluded from the compensated absences liability. The value of such converted leave is instead included in the measurement of the District's net pension liability in accordance with applicable GASB standards.

In governmental funds, only the portion of the liability that is expected to be liquidated with expendable available financial resources is reported as a fund liability; the remainder is reported in the government-wide financial statements.

The District measured the liability based on a historic look back period of five years with a first-in-first-out flows assumption for use accrued balances.

g. Unearned Revenue

Unearned revenue represents amounts received in advance of the period in which the District is legally entitled to the resources. In the governmental funds, unearned revenue is reported as a liability until the underlying revenue recognition criteria have been met. Typical sources of unearned revenue include advance payments for services and grant proceeds received before all eligibility requirements have been satisfied.

h. 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.

i. 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 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.

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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

j. Minimum Fund Balance Policy

The District has adopted a policy to maintain a minimum economic uncertainty reserve of at least 3% of the total general fund expenditures and other financing uses. The reserve may be increased from time to time in order to address specific anticipated revenue or cash flow shortfalls. The primary purpose of this reserve is to avoid the need for service level reductions in the event of economic downturn. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

k. 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 Special Reserve Fund for Other Than Capital Outlay (Fund 17) does not have continuing revenue sources that are either restricted or committed in nature. As such this fund does not meet the definition of special revenue funds under the provisions of GASB Statement No. 54. The fund has been combined with the general fund for reporting purposes.

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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l. 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.

m. 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, 2023                 |
| Measurement Date   | June 30, 2024                 |
| Measurement Period | July 1, 2023 to June 30, 2024 |

9. 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.

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.

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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## 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 to an asset or liability.

## 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, 2025. Those newly implemented pronouncements are as follows:

| Description  | Date Issued |
|--|-------------|
| GASB Statement No. 99 <i>Omnibus 2022</i><br>(Portions related to financial guarantees and derivative instruments) | Apr-22      |
| GASB Statement No. 100 <i>Accounting Changes and Error Corrections</i><br>(Amendment of GASB Statement No. 62)     | Jun-22      |
| GASB Statement No. 101 <i>Compensated Absences</i>   | Jun-22      |
| GASB Statement No. 102 <i>Certain Risk Disclosures</i>   | Dec-23      |
| GASB Implementation Guide No. 2023-1<br><i>Implementation Guidance Update 2023</i>                                 | Jun-23      |
| GASB Implementation Guide No. 2025-1<br><i>Implementation Guidance Update 2025 (Question 4.16 ONLY)</i>            | Jun-25      |

The adoption of GASB Statement No. 99, GASB Statement No. 102, GASB Implementation Guide No. 2023-1 and GASB Implementation Guide No. 2025-1 did not have a material impact on the District's financial position, results of operations, or disclosures in the financial statements.

The adoption of GASB Statement No. 100 resulted in enhanced note disclosures and financial statement presentation but did not result in a material change to the District's financial position.

The adoption of GASB Statement No. 101 resulted in a material change to the District's net position for inclusion of a portion of sick leave that meets reporting requirements consistent with the requirements of the GASB pronouncement.

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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## 13. Accounting Changes and Error Corrections

Effective for the fiscal year ended June 30, 2025, the District implemented GASB Statement No. 100, *Accounting Changes and Error Corrections*. GASB 100 requires that changes to or within the financial reporting entity, including changes in fund classification, be reported by adjusting the beginning balances of the affected funds as if the change occurred at the start of the reporting period. The statement also requires enhanced disclosures regarding accounting changes and error corrections.

### *Error Corrections*

There were no adjustments for errors.

### *Change in Accounting Principle*

Effective July 1, 2024, the District implemented GASB Statement No. 101, Compensated Absences, which establishes new recognition and measurement criteria for compensated absences. As a result, the District changed its method of accounting for compensated absences to comply with the new standard. The implementation of GASB Statement No. 101 resulted in a restatement of the beginning net position of governmental activities as of July 1, 2024. The affected financial statement line item is "Compensated Absences Payable." The change in accounting principle resulted in the following restatement of beginning net position:

|   | <u>Government-<br/>Wide Financial<br/>Statements</u> |
|---|--|
| Beginning Net Position, as Reported on July 1, 2024 | \$ 3,272,228   |
| Adjustments to Beginning Balance:                   |  |
| GASB 101 Implementation                             | <u>(223,573)</u>                                     |
| Beginning Net Position, as Restated                 | <u>\$ 3,048,655</u>                                  |

## **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      |

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

## 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<br/>Amount</u> | <u>Remarks</u> |
|------------------|---------------------------|----------------|
| None             | Not Applicable            | Not Applicable |

## C. Fair Value Measurements

The District’s investments at June 30, 2025, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

|  | <u>Amount</u>       | <u>Fair Value Measurement</u>   |  |  |
|--|---------------------|---|--|--|
|  |                     | <u>Quoted Prices in<br/>Active Markets<br/>for Identical<br/>Assets (Level 1)</u> | <u>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</u> |
| External investment pools measured at fair value |                     |   |  |  |
| San Diego County Treasury                        | \$ 2,745,257        | \$ -  | \$ 2,745,257   | \$ -   |
| Total investments by fair value level            | <u>\$ 2,745,257</u> | <u>\$ -</u>   | <u>\$ 2,745,257</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.

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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## D. Cash and Investments

As of June 30, 2025 the District held the following cash and investments:

|                                  | General<br>Fund     | Nonmajor<br>Governmental<br>Funds | Total               |
|----------------------------------|---------------------|-----------------------------------|---------------------|
| Cash In County Treasury          | \$ 2,535,606        | \$ 208,331                        | \$ 2,743,937        |
| Fair Market Value Adjustment     | 1,210               | 110                               | 1,320               |
| Cash In Banks and Revolving Fund | 15,924              | 4,662                             | 20,586              |
| Total Cash and Cash Equivalents  | <u>\$ 2,552,740</u> | <u>\$ 213,103</u>                 | <u>\$ 2,765,843</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 (\$2,743,937 as of June 30, 2025). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$2,745,257. 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 (\$10,586 as of June 30, 2025) and in revolving fund (\$10,000 as of June 30, 2025) are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

## Vallecitos School District

Notes to the Financial Statements, Continued

For the Year Ended June 30, 2025

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### 3. 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<br/>Remaining<br/>Maturity</u> | <u>Maximum<br/>Percentage of<br/>Portfolio</u> | <u>Maximum<br/>Investment in<br/>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  |

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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## 4. Analysis of Specific Deposit and Investment Risks

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

### a. Credit Risk

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

At June 30, 2025, 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       | \$ 2,745,257  |

### 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, 2025, the District’s bank balances, including revolving cash, did not exceed FDIC insurance limitations and as such were not exposed to custodial credit risk.

## Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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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 pooled investments with the San Diego County Treasury with a fair value of \$2,745,257. The average weighted maturity for this pool was 447 days at June 30, 2025.

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.

5. 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.

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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## 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, 2025, consisted of:

|                               | General<br>Fund   | Nonmajor<br>Governmental<br>Funds | Total             |
|-------------------------------|-------------------|-----------------------------------|-------------------|
| Federal Government:           |                   |                                   |                   |
| Special Education             | \$ 67,256         | \$ -                              | \$ 67,256         |
| Title I                       | 20,808            | -                                 | 20,808            |
| ESSER                         | 11,690            | -                                 | 11,690            |
| Child Nutrition               | -                 | 21,880                            | 21,880            |
| Other Federal Programs        | 29,892            | -                                 | 29,892            |
| State Government:             |                   |                                   |                   |
| Lottery                       | 13,922            | -                                 | 13,922            |
| State Aid                     | 136,929           | -                                 | 136,929           |
| ELOP                          | 20,381            | -                                 | 20,381            |
| Special Education             | 24,845            | -                                 | 24,845            |
| Community Schools Partnership | 500,000           | -                                 | 500,000           |
| Child Nutrition               | -                 | 14,524                            | 14,524            |
| ASES                          | 45,192            | -                                 | 45,192            |
| Other State Programs          | 2,431             | -                                 | 2,431             |
| Local Sources                 |                   |                                   |                   |
| Interest                      | 108               | -                                 | 108               |
| Total Accounts Receivable     | <u>\$ 873,454</u> | <u>\$ 36,404</u>                  | <u>\$ 909,858</u> |

# Vallecitos School District

Notes to the Financial Statements, Continued  
 For the Year Ended June 30, 2025

## F. Capital Assets

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

| Governmental activities:                    | Beginning<br>Balances | Increases  | Decreases | Ending<br>Balances |
|---|-----------------------|------------|-----------|--------------------|
| Capital assets not being depreciated:       |                       |            |           |                    |
| Land  | \$ 6,161              | \$ -       | \$ -      | \$ 6,161           |
| Work in progress                            | 30,174                | 153,978    | -         | 184,152            |
| Total capital assets not being depreciated  | 36,335                | 153,978    | -         | 190,313            |
| Capital assets being depreciated:           |                       |            |           |                    |
| Land improvements                           | 851,527               | 35,200     | -         | 886,727            |
| Buildings and improvements                  | 1,137,834             | 459,454    | -         | 1,597,288          |
| Equipment                                   | 436,582               | 29,664     | -         | 466,246            |
| Total capital assets being depreciated      | 2,425,943             | 524,318    | -         | 2,950,261          |
| Less accumulated depreciation for:          |                       |            |           |                    |
| Land improvements                           | (189,774)             | (38,993)   | -         | (228,767)          |
| Buildings and improvements                  | (606,375)             | (77,123)   | -         | (683,498)          |
| Equipment                                   | (172,127)             | (30,402)   | -         | (202,529)          |
| Total accumulated depreciation              | (968,276)             | (146,518)  | -         | (1,114,794)        |
| Total capital assets being depreciated, net | 1,457,667             | 377,800    | -         | 1,835,467          |
| Governmental activities capital assets, net | \$ 1,494,002          | \$ 531,778 | \$ -      | \$ 2,025,780       |

Depreciation and amortization were charged to functions as follows:

|                               | Depreciation |
|-------------------------------|--------------|
| Instruction                   | \$ 23,933    |
| Pupil Services                |              |
| Home to School Transportation | 2,932        |
| Food Services                 | 20,943       |
| General Administration        |              |
| Centralized Data Processing   | 14,806       |
| Other General Administration  | 1,955        |
| Plant Services                | 81,949       |
| Total                         | \$ 146,518   |

# Vallecito School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

## G. Interfund Balances & Activities

### 1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2025, consisted of the following:

| Interfund Receivable<br>(Due From Other Funds) | Interfund Payable<br>(Due To Other Funds) | Amount           | Purpose                   |
|--|---|------------------|---------------------------|
| General Fund                                   | Nonmajor Funds                            | \$ 29,664        | Reimbursement of expenses |
| Nonmajor Funds                                 | General Fund                              | 26,558           | Child development         |
| Nonmajor Funds                                 | General Fund                              | 4,168            | Nutrition program         |
|  |   | <u>\$ 60,390</u> |                           |

### 2. Interfund Transfers

There were no interfund transfers during the year.

## H. Accounts Payable

Accounts payable balances as of June 30, 2025, consisted of:

|                              | General<br>Fund   | Nonmajor<br>Governmental<br>Funds | Total             |
|------------------------------|-------------------|-----------------------------------|-------------------|
| Vendors payable              | \$ 266,530        | \$ 10,870                         | \$ 277,400        |
| Payroll and related benefits | 53,434            | -                                 | 53,434            |
| Total Accounts Payable       | <u>\$ 319,964</u> | <u>\$ 10,870</u>                  | <u>\$ 330,834</u> |

## I. Unearned Revenue

Unearned revenue balances as of June 30, 2025, consisted of:

|                          | General<br>Fund  |
|--------------------------|------------------|
| Federal Programs:        |                  |
| ESSA                     | \$ 10,934        |
| REAP                     | 9,735            |
| Other Restricted Federal | 121              |
| State Programs:          |                  |
| Universal Pre-K          | 18,402           |
| Total Unearned Revenue   | <u>\$ 39,192</u> |

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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## J. Short Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as other financing sources. During the year ended June 30, 2025, the District did not enter into any short-term debt agreements.

## K. Fund Balance Classifications of the Governmental Funds

Ending fund balance classifications of the governmental funds for the year ended June 30, 2025 consisted of:

|                                 | General<br>Fund     | Nonmajor<br>Governmental<br>Funds | Total               |
|---------------------------------|---------------------|-----------------------------------|---------------------|
| Nonspendable Fund Balance       |                     |                                   |                     |
| Revolving Cash                  | \$ 10,000           | \$ -                              | \$ 10,000           |
| Inventory                       | -                   | 1,042                             | 1,042               |
| Total Nonspendable Fund Balance | <u>10,000</u>       | <u>1,042</u>                      | <u>11,042</u>       |
| Restricted Fund Balance         |                     |                                   |                     |
| Capital Projects                | 28,490              | 86,691                            | 115,181             |
| Educational Programs            | 950,486             | 45,906                            | 996,392             |
| Associated Student Body         | -                   | 4,662                             | 4,662               |
| Child Nutrition                 | -                   | 102,440                           | 102,440             |
| Other Purposes                  | 225,047             | -                                 | 225,047             |
| Total Restricted Fund Balance   | <u>1,204,023</u>    | <u>239,699</u>                    | <u>1,443,722</u>    |
| Unassigned Fund Balance         |                     |                                   |                     |
| Reserve Economic Uncertainties  | 1,252,793           | -                                 | 1,252,793           |
| Other Unassigned                | 599,160             | -                                 | 599,160             |
| Total Unassigned Fund Balance   | <u>1,851,953</u>    | <u>-</u>                          | <u>1,851,953</u>    |
| Total Fund Balance              | <u>\$ 3,065,976</u> | <u>\$ 240,741</u>                 | <u>\$ 3,306,717</u> |

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

## L. Long Term Obligations

### 1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2025, are as follows:

|                                 | Beginning<br>Balance | Increases   | Decreases        | Ending<br>Balance   | Due Within<br>One Year |
|---------------------------------|----------------------|-------------|------------------|---------------------|------------------------|
| <u>Governmental Activities:</u> |                      |             |                  |                     |                        |
| Net Pension Liability*          | \$ 2,824,565         | \$ -        | \$ 80,992        | \$ 2,743,573        | \$ -                   |
| Compensated Absences            | 294,756              | -           | 976              | 293,780             | 163,940                |
| Total Governmental Activities   | <u>\$ 3,119,321</u>  | <u>\$ -</u> | <u>\$ 81,968</u> | <u>\$ 3,037,353</u> | <u>\$ 163,940</u>      |

\*Other long-term liabilities

- Payments for pension contributions are made from the general fund.

### 2. Compensated Absences

As of June 30, 2025 compensated absences consisted of the following:

|                    | Balance<br>July 1, 2024 | Current Year<br>Changes | Balance<br>June 30, 2025 | Amounts Due<br>Within One<br>Year |
|--------------------|-------------------------|-------------------------|--------------------------|-----------------------------------|
| Vacation Liability | \$ 71,183               | \$ (14,137)             | \$ 57,046                | \$ 57,046                         |
| Sick Leave         | 223,573                 | 13,161                  | 236,734                  | 106,894                           |
| Total              | <u>\$ 294,756</u>       | <u>\$ (976)</u>         | <u>\$ 293,780</u>        | <u>\$ 163,940</u>                 |

### 3. Net Pension Liability

The District's beginning net pension liability was \$2,824,565 and decreased by \$80,992 during the year ended June 30, 2025 for an ending net pension liability of \$2,743,573. See Note M for additional information regarding the net pension liability.

# Vallecitos School District

Notes to the Financial Statements, Continued  
 For the Year Ended June 30, 2025

## M. Pension Plans

### 1. General Information about the Pension Plans

#### a. Plan Descriptions

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

#### b. Benefits Paid

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

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

| <u>Hire Date</u>                                 | <u>CalSTRS</u>      |                     |
|--|---------------------|---------------------|
|  | <u>Before</u>       | <u>After</u>        |
|  | <u>Jan. 1, 2013</u> | <u>Jan. 1, 2013</u> |
| 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 (2024-25)   | 10.250%             | 10.205%             |
| Required Employer Contribution Rates (2024-25)   | 19.100%             | 19.100%             |
| Required State Contribution Rates (2024-25)      | 10.828%             | 10.828%             |

\*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.

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

| <u>Hire Date</u>                                 | CalPERS                |                       |
|--|------------------------|-----------------------|
|  | Before<br>Jan. 1, 2013 | After<br>Jan. 1, 2013 |
| 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 (2024-25)   | 7.000%                 | 8.000%                |
| Required Employer Contribution Rates (2024-25)   | 27.050%                | 27.050%               |

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

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

c. Contributions

*CalSTRS*

For the fiscal year ended June 30, 2025, 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 19.10% of creditable compensation for the fiscal year ended June 30, 2025. 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.

*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, 2025, the employee contribution rate was 7.00% for employees hired prior to January 1, 2013 and 8.00% for employees hired on or after January 1, 2013, and the employer contribution rate was 27.05% of covered payroll.

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

## *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, 2025 the State contributed 10.828% 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 States contribution for the fiscal year. Contributions made by the state on behalf of the District and the State’s pension expense associated with District employees for the past three fiscal years are as follows:

| CalSTRS                |                                   |                                     |                                 |
|------------------------|-----------------------------------|-------------------------------------|---------------------------------|
| Year Ended<br>June 30, | On Behalf<br>Contribution<br>Rate | On Behalf<br>Contribution<br>Amount | On Behalf<br>Pension<br>Expense |
| 2023                   | 10.828%                           | \$ 145,468                          | \$ 443,280                      |
| 2024                   | 10.828%                           | 122,756                             | (39,144)                        |
| 2025                   | 10.828%                           | 135,071                             | (22,463)                        |

### d. Contributions Recognized

For the fiscal year ended June 30, 2025 (measurement period June 30, 2024), the contributions recognized for each plan were:

| Governmental Fund Financial Statements<br>(Current Financial Resources Measurement Focus) |            |            |            |
|---|------------|------------|------------|
|   | CalSTRS    | CalPERS    | Total      |
| <i>Governmental Funds</i>   |            |            |            |
| Contributions - Employer  | \$ 197,534 | \$ 146,245 | \$ 343,779 |
| Contributions - State On Behalf Payments  | 145,999    | -          | 145,999    |
| Total Governmental Funds  | \$ 343,533 | \$ 146,245 | \$ 489,778 |
| Government-Wide Financial Statements<br>(Economic Resources Measurement Focus)            |            |            |            |
|   | CalSTRS    | CalPERS    | Total      |
| <i>Governmental Activities</i>  |            |            |            |
| Contributions - Employer  | \$ 294,370 | \$ 171,956 | \$ 466,326 |
| Contributions - State On Behalf Payments  | 135,071    | -          | 135,071    |
| Total Governmental Activities   | \$ 429,441 | \$ 171,956 | \$ 601,397 |

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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

As of June 30, 2024 (measurement date) the District reported net pension liabilities for its proportionate share of the net pension liability of each plan as follows:

|         | Governmental<br>Activities |
|---------|----------------------------|
| CalSTRS | \$ 1,575,629               |
| CalPERS | 1,167,944                  |
| Total   | <u>\$ 2,743,573</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, 2024. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to measurement date June 30, 2024 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, 2024 and June 30, 2025 were as follows:

|                                | CalSTRS                              |   |                                    | CalPERS                              |
|--------------------------------|--------------------------------------|---|------------------------------------|--------------------------------------|
|                                | District's<br>Proportionate<br>Share | State's<br>Proportionate<br>Share for<br>District<br>*Employees | Total for<br>District<br>Employees | District's<br>Proportionate<br>Share |
| <i>Governmental Activities</i> |                                      |   |                                    |                                      |
| Proportion June 30, 2024       | 0.002202%                            | 0.001069%   | 0.003271%                          | 0.003170%                            |
| Proportion June 30, 2025       | 0.002346%                            | 0.001077%   | 0.003423%                          | 0.003268%                            |
| Change in Proportion           | <u>0.000144%</u>                     | <u>0.000008%</u>  | <u>0.000152%</u>                   | <u>0.000098%</u>                     |

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

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

a. Pension Expense

|                                       | <i>Governmental Activities</i> |                   |                   |
|---------------------------------------|--------------------------------|-------------------|-------------------|
|                                       | <u>CalSTRS</u>                 | <u>CalPERS</u>    | <u>Total</u>      |
| Change in Net Pension Liability       | \$ (101,430)                   | \$ 20,439         | \$ (80,991)       |
| State On Behalf Pension Expense       | (22,463)                       | -                 | (22,463)          |
| Employer Contributions                | 197,534                        | 146,245           | 343,779           |
| Change in Deferrals for:              |                                |                   |                   |
| Experience Differences                | (67,208)                       | (65,305)          | (132,513)         |
| Changes in Assumptions                | 2,814                          | 27,050            | 29,864            |
| Changes in Proportionate Share        | (102,653)                      | (36,314)          | (138,967)         |
| Subsequent Contributions              | 121,167                        | 42,476            | 163,643           |
| Earnings Differences                  | 13,532                         | 77,201            | 90,733            |
| Total Pension Expense Government-Wide | <u>\$ 41,293</u>               | <u>\$ 211,792</u> | <u>\$ 253,085</u> |

b. Deferred Outflows and Inflows of Resources

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

|                                      | <u>Deferred Outflows of Resources</u> |                   |                   |
|--------------------------------------|---------------------------------------|-------------------|-------------------|
|                                      | <u>CalSTRS</u>                        | <u>CalPERS</u>    | <u>Total</u>      |
| <i>Governmental Activities</i>       |                                       |                   |                   |
| Subsequent Contributions             | \$ 197,534                            | \$ 146,245        | \$ 343,779        |
| Experience Differences               | 178,246                               | 97,916            | 276,162           |
| Changes in Assumptions               | 6,897                                 | 25,815            | 32,712            |
| Changes in Proportionate Share       | 267,186                               | 30,969            | 298,155           |
| Earnings Differences                 | -                                     | 45,369            | 45,369            |
| Total Deferred Outflows of Resources | <u>\$ 649,863</u>                     | <u>\$ 346,314</u> | <u>\$ 996,177</u> |

|                                     | <u>Deferred Inflows of Resources</u> |                    |                     |
|-------------------------------------|--------------------------------------|--------------------|---------------------|
|                                     | <u>CalSTRS</u>                       | <u>CalPERS</u>     | <u>Total</u>        |
| <i>Governmental Activities</i>      |                                      |                    |                     |
| Experience Differences              | \$ (68,946)                          | \$ (8,359)         | \$ (77,305)         |
| Changes in Proportionate Share      | (31,927)                             | (37,956)           | (69,883)            |
| Earnings Differences                | (6,437)                              | -                  | (6,437)             |
| Total Deferred Inflows of Resources | <u>\$ (107,310)</u>                  | <u>\$ (46,315)</u> | <u>\$ (153,625)</u> |

Pension contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2026. 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.

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

| Year Ended<br>June 30, | <i>Governmental Activities</i> |                   |                               |                    | Net Effect<br>on Expenses |
|------------------------|--------------------------------|-------------------|-------------------------------|--------------------|---------------------------|
|                        | Deferred Outflows of Resources |                   | Deferred Inflows of Resources |                    |                           |
|                        | CalSTRS                        | CalPERS           | CalSTRS                       | CalPERS            |                           |
| 2026                   | \$ 312,642                     | \$ 221,912        | \$ (140,256)                  | \$ (31,885)        | \$ 362,413                |
| 2027                   | 82,414                         | 117,722           | 98,812                        | (14,430)           | 284,518                   |
| 2028                   | 76,128                         | 21,035            | (35,541)                      | -                  | 61,622                    |
| 2029                   | 76,128                         | (14,355)          | (30,325)                      | -                  | 31,448                    |
| 2030                   | 76,130                         | -                 | -                             | -                  | 76,130                    |
| Thereafter             | 26,421                         | -                 | -                             | -                  | 26,421                    |
| Total                  | <u>\$ 649,863</u>              | <u>\$ 346,314</u> | <u>\$ (107,310)</u>           | <u>\$ (46,315)</u> | <u>\$ 842,552</u>         |

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2025, were based on actuarial valuations determined using the following actuarial assumptions:

|                                  |                             |                              |
|----------------------------------|-----------------------------|------------------------------|
| Fiscal Year                      | <u>CalSTRS</u><br>6/30/2025 | <u>CalPERS</u><br>6/30/2025  |
| Measurement Date                 | 6/30/2024                   | 6/30/2024                    |
| Valuation Date                   | 6/30/2023                   | 6/30/2023                    |
| Actuarial Cost Method            | Entry Age Normal            | Entry Age Normal             |
| Experience Study Period          | 2007 - 2022                 | 2000 - 2019                  |
| Actuarial Assumptions:           |                             |                              |
| Discount Rate                    | 7.10%                       | 6.90%                        |
| Inflation                        | 2.75%                       | 2.30%                        |
| Wage Growth                      | 3.50%                       | Varies <sup>(3)</sup>        |
| Payroll Growth                   | 3.25%                       | Varies <sup>(3)</sup>        |
| Investment Rate of Return        | 7.10%                       | 6.90%                        |
| Post Retirement Benefit Increase | 2.00% Simple <sup>(1)</sup> | 2.00% - 2.30% <sup>(4)</sup> |
| Mortality                        | CalSTRS Data <sup>(2)</sup> | CalPERS Data <sup>(5)</sup>  |

- (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 2021 experience study report (based on CalPERS demographic data from 2000 to 2019) that can be found on the CalPERS website.

## Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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### d. Discount Rate

The discount rate used to measure the total pension liability was 7.10% for CalSTRS and 6.90% 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. Finally, the CalPERS discount rate was decreased from 7.15% to 6.90% at measurement date June 30, 2022 (Fiscal year June 30, 2023) resulting from a new actuarial experience study completed.

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 2021 with new policies in effect on July 1, 2022. 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.

## Vallecitos School District

Notes to the Financial Statements, Continued

For the Year Ended June 30, 2025

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

### CalSTRS

| Asset Class                | Assumed Asset Allocation | Long-Term Expected Rate of Return <sup>(1)</sup> | Long-Term Expected Real Rate of Return <sup>(2)</sup> |
|----------------------------|--------------------------|--|---|
| Public Equity              | 38.00%                   | 8.00%  | 5.25%   |
| Real Estate                | 15.00%                   | 6.80%  | 4.05%   |
| Private Equity             | 14.00%                   | 9.50%  | 6.75%   |
| Fixed Income               | 14.00%                   | 5.20%  | 2.45%   |
| Risk Mitigation Strategies | 10.00%                   | 5.00%  | 2.25%   |
| Inflation Sensitive        | 7.00%                    | 6.40%  | 3.65%   |
| Cash/Liquid                | 2.00%                    | 2.80%  | 0.05%   |

<sup>(1)</sup> 20 to 30 year geometric average.

<sup>(2)</sup> Real rates of return are net of assumed 2.75% inflation

### CalPERS

| Asset Class                      | Assumed Asset Allocation | Long-Term Expected Real Rate of Return <sup>(3),(4)</sup> |
|----------------------------------|--------------------------|---|
| Global Equity - cap weighted     | 30.00%                   | 4.54%   |
| Global Equity - non-cap weighted | 12.00%                   | 3.84%   |
| Private Equity                   | 13.00%                   | 7.28%   |
| Treasury                         | 5.00%                    | 0.27%   |
| Mortgage-Backed Securities       | 5.00%                    | 0.50%   |
| Investment Grade Corporates      | 10.00%                   | 1.56%   |
| High Yield                       | 5.00%                    | 2.27%   |
| Emerging Market Debt             | 5.00%                    | 2.48%   |
| Private Debt                     | 5.00%                    | 3.57%   |
| Real Assets                      | 15.00%                   | 3.21%   |
| Leverage                         | -5.00%                   | -0.59%  |

<sup>(3)</sup> An expected price inflation of 2.30% used for this period.

<sup>(4)</sup> Figures are based on the 2021-22 Asset Liability Management Study.

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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

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

|                       | <u>CalSTRS</u> | <u>CalPERS</u> |
|-----------------------|----------------|----------------|
| 1% Decrease           | 6.10%          | 5.90%          |
| Net Pension Liability | \$ 2,802,555   | \$ 1,734,991   |
| Current Discount Rate | 7.10%          | 6.90%          |
| Net Pension Liability | \$ 1,575,629   | \$ 1,167,944   |
| 1% Increase           | 8.10%          | 7.90%          |
| Net Pension Liability | \$ 551,122     | \$ 699,518     |

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

**CalSTRS Governmental Activities**

|  | Increase (Decrease)               |                                       |                                       |   |  |
|--|-----------------------------------|---------------------------------------|---------------------------------------|---|--|
|  | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(a) - (b) | State's Share of<br>Net Pension<br>Liability<br>(c) | District's Share<br>of Net Pension<br>Liability<br>(a) - (b) - (c) |
| <b>Balance at June 30, 2024</b><br>(Previously Reported) | \$ 12,857,647                     | \$ 10,366,430                         | \$ 2,491,217                          | \$ 814,158  | \$ 1,677,059   |
| <b>Changes for the year</b>                              |                                   |                                       |                                       |   |  |
| Change in proportionate share                            | 597,482                           | 481,717                               | 115,765                               | 6,093   | 109,672  |
| Service cost   | 298,006                           | -                                     | 298,006                               | 93,764  | 204,242  |
| Interest   | 953,511                           | -                                     | 953,511                               | 300,009   | 653,502  |
| Experience differences                                   | 104,230                           | -                                     | 104,230                               | 32,795  | 71,435   |
| Change in assumptions                                    | (183,165)                         | -                                     | (183,165)                             | (57,630)  | (125,535)  |
| Change in benefits                                       | 1,130                             | -                                     | 1,130                                 | 355   | 775  |
| Contributions:   |                                   |                                       |                                       |   |  |
| Employer   | -                                 | 293,879                               | (293,879)                             | (92,465)  | (201,414)  |
| Employee   | -                                 | 162,079                               | (162,079)                             | (50,996)  | (111,083)  |
| State on behalf  | -                                 | 135,071                               | (135,071)                             | (42,498)  | (92,573)   |
| Net investment income                                    | -                                 | 895,902                               | (895,902)                             | (281,883)   | (614,019)  |
| Other income   | -                                 | 13,384                                | (13,384)                              | (4,211)   | (9,173)  |
| Benefit payments <sup>(1)</sup>                          | (656,805)                         | (656,805)                             | -                                     | -   | -  |
| Administrative expenses                                  | -                                 | (6,949)                               | 6,949                                 | 2,186   | 4,763  |
| Borrowing costs  | -                                 | (11,399)                              | 11,399                                | 3,586   | 7,813  |
| Other expenses   | -                                 | (240)                                 | 240                                   | 75  | 165  |
| Net changes  | 1,114,389                         | 1,306,639                             | (192,250)                             | (90,820)  | (101,430)  |
| <b>Balance at June 30, 2025</b>                          | <u>\$ 13,972,036</u>              | <u>\$ 11,673,069</u>                  | <u>\$ 2,298,967</u>                   | <u>\$ 723,338</u>                                   | <u>\$ 1,575,629</u>  |

(1) – Includes refunds of employee contributions

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

## CalPERS Governmental Activities

|                                 | Increase (Decrease)        |                                |                          |
|---------------------------------|----------------------------|--------------------------------|--------------------------|
|                                 | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability |
|                                 | (a)                        | (b)                            | (a) - (b)                |
| <b>Balance at June 30, 2024</b> |                            |                                |                          |
| (Previously Reported)           | \$ 3,820,280               | \$ 2,672,775                   | \$ 1,147,505             |
| <b>Changes for the year</b>     |                            |                                |                          |
| Change in proportionate share   | 118,103                    | 82,628                         | 35,475                   |
| Service cost                    | 101,280                    | -                              | 101,280                  |
| Interest                        | 275,062                    | -                              | 275,062                  |
| Experience differences          | 94,669                     | -                              | 94,669                   |
| Contributions:                  |                            |                                |                          |
| Employer                        | -                          | 175,454                        | (175,454)                |
| Employee                        | -                          | 50,137                         | (50,137)                 |
| Net investment income           | -                          | 262,736                        | (262,736)                |
| Benefit payments <sup>(1)</sup> | (194,574)                  | (194,574)                      | -                        |
| Administrative expenses         | -                          | (2,280)                        | 2,280                    |
| Net changes                     | 394,540                    | 374,101                        | 20,439                   |
| <b>Balance at June 30, 2025</b> | <b>\$ 4,214,820</b>        | <b>\$ 3,046,876</b>            | <b>\$ 1,167,944</b>      |

(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.

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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## N. 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.

There have been no significant changes in property and liability or workers compensation coverage during the current fiscal year.

## O. 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 review 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 periodically 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, 2025.

# Vallecitos School District

Notes to the Financial Statements, Continued  
 For the Year Ended June 30, 2025

### 3. Construction Commitments

As of June 30, 2025, the District had the following commitments for ongoing construction projects.

| <u>Construction in Process</u> | <u>Commitment</u> | <u>*Estimated Date of Completion</u> |
|--------------------------------|-------------------|--------------------------------------|
| ELOP Portable                  | \$ 75,000         | May 2026                             |

\*Estimated date of completion is subject to change.

### P. **Deferred Outflows of Resources**

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

A summary of the deferred outflows of resources as of June 30, 2025, is as follows:

| <u>Description</u>                          | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u>  | <u>Ending Balance</u> |
|---|--------------------------|------------------|-------------------|-----------------------|
| Pension Related                             |                          |                  |                   |                       |
| CalSTRS                                     | \$ 699,021               | \$ 65,952        | \$ 115,110        | \$ 649,863            |
| CalPERS                                     | 425,286                  | 28,784           | 107,756           | 346,314               |
| <b>Total Deferred Outflows of Resources</b> | <b>\$ 1,124,307</b>      | <b>\$ 94,736</b> | <b>\$ 222,866</b> | <b>\$ 996,177</b>     |

Future amortization of deferred outflows of resources is as follows:

| <u>Year Ending June 30,</u> | <u>Pension Related</u> |
|-----------------------------|------------------------|
| 2026                        | \$ 534,554             |
| 2027                        | 200,136                |
| 2028                        | 97,163                 |
| 2029                        | 61,773                 |
| 2030                        | 76,130                 |
| Thereafter                  | 26,421                 |
| <b>Total</b>                | <b>\$ 996,177</b>      |

# Vallecitos School District

Notes to the Financial Statements, Continued  
 For the Year Ended June 30, 2025

## Q. 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.

A summary of the deferred inflows of resources as of June 30, 2025 is as follows:

| Description                         | Beginning<br>Balance | Increases | Decreases  | Ending<br>Balance |
|-------------------------------------|----------------------|-----------|------------|-------------------|
| Pension Related                     |                      |           |            |                   |
| CalSTRS                             | \$ 188,816           | \$ 86,144 | \$ 167,650 | \$ 107,310        |
| CalPERS                             | 80,179               | 82        | 33,946     | 46,315            |
| Total Deferred Inflows of Resources | \$ 268,995           | \$ 86,226 | \$ 201,596 | \$ 153,625        |

Future amortization of deferred inflows is as follows:

| Year Ending<br>June 30, | Pension<br>Related |
|-------------------------|--------------------|
| 2026                    | \$ 172,141         |
| 2027                    | (84,382)           |
| 2028                    | 35,541             |
| 2029                    | 30,325             |
| Total                   | \$ 153,625         |

# Vallecitos School District

Notes to the Financial Statements, Continued  
For the Year Ended June 30, 2025

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## R. 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 | Year Effective |
|---|-------------|----------------|
| GASB Statement No. 103 <i>Financial Reporting Model Improvements</i>                                      | Apr-24      | 2025-26        |
| GASB Statement No. 104 <i>Disclosure of Certain Capital Assets</i>  | Sep-24      | 2025-26        |
| GASB Implementation Guide No. 2025-1<br><i>Implementation Guidance Update 2025 (Except Question 4.16)</i> | Jun-25      | 2025-26        |

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

Required Supplementary Information

# Vallecitos School District

## Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2025

|  | Budgeted Amounts    |                     | Variance<br>Original<br>to Final Budget<br>Positive/<br>(Negative) | Actual              | Variance<br>Actual<br>to Final Budget<br>Positive/<br>(Negative) |
|--|---------------------|---------------------|--|---------------------|--|
|  | Original            | Final               |  |                     |  |
| <b>Revenues</b>                                      |                     |                     |  |                     |  |
| LCFF Sources   |                     |                     |  |                     |  |
| State Apportionment                                  | \$ 1,340,389        | \$ 1,449,391        | \$ 109,002   | \$ 1,449,606        | \$ 215   |
| Education Protection Account                         | 91,196              | 58,820              | (32,376)   | 54,729              | (4,091)  |
| Property Taxes                                       | 1,121,465           | 1,220,070           | 98,605   | 1,236,245           | 16,175   |
| Federal Revenue                                      | 127,021             | 163,276             | 36,255   | 147,943             | (15,333)   |
| Other State Revenue                                  | 549,069             | 267,188             | (281,881)  | 596,876             | 329,688  |
| Interest Income                                      | 53,837              | 82,000              | 28,163   | 79,836              | (2,164)  |
| Fair Market Value Adjustment                         | -                   | -                   | -  | 29,806              | 29,806   |
| Other Local Revenue                                  | 314,340             | 351,763             | 37,423   | 455,599             | 103,836  |
| Total Revenues                                       | <u>3,597,317</u>    | <u>3,592,508</u>    | <u>(4,809)</u>   | <u>4,050,640</u>    | <u>458,132</u>   |
| <b>Expenditures</b>                                  |                     |                     |  |                     |  |
| Current Expenditures:                                |                     |                     |  |                     |  |
| Certificated Salaries                                | 1,456,544           | 1,476,494           | (19,950)   | 1,437,789           | 38,705   |
| Classified Salaries                                  | 614,725             | 617,492             | (2,767)  | 559,867             | 57,625   |
| Employee Benefits                                    | 890,201             | 1,020,289           | (130,088)  | 858,933             | 161,356  |
| Books and Supplies                                   | 318,007             | 233,293             | 84,714   | 131,261             | 102,032  |
| Services and Other Operating                         | 1,050,041           | 1,124,267           | (74,226)   | 954,077             | 170,190  |
| Capital Outlay                                       | 10,000              | 301,854             | (291,854)  | 282,373             | 19,481   |
| Total Expenditures                                   | <u>4,339,518</u>    | <u>4,773,689</u>    | <u>(434,171)</u>   | <u>4,224,300</u>    | <u>549,389</u>   |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>(742,201)</u>    | <u>(1,181,181)</u>  | <u>(438,980)</u>   | <u>(173,660)</u>    | <u>1,007,521</u>   |
| <b>Net Change in Fund Balance</b>                    | <b>(742,201)</b>    | <b>(1,181,181)</b>  | <b>(438,980)</b>   | <b>(173,660)</b>    | <b>1,007,521</b>   |
| <b>Fund Balance - Beginning of Year</b>              | <u>2,640,476</u>    | <u>2,640,476</u>    | <u>-</u>   | <u>2,640,476</u>    | <u>-</u>   |
| <b>Fund Balance - End of Year</b>                    | <u>\$ 1,898,275</u> | <u>\$ 1,459,295</u> | <u>\$ (438,980)</u>  | <u>\$ 2,466,816</u> | <u>\$ 1,007,521</u>  |

# Vallecitos School District

## Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS Last Ten Fiscal Years

|  | Fiscal Year         |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | 2025                | 2024                | 2023                | 2022                | 2021                | 2020                | 2019                | 2018                | 2017                | 2016                |
| District's proportion of the net pension liability (asset)   | 0.002346%           | 0.002202%           | 0.001916%           | 0.002026%           | 0.002034%           | 0.002012%           | 0.001763%           | 0.002209%           | 0.002042%           | 0.002039%           |
| District's proportionate share of the net pension liability (asset)  | \$ 1,575,629        | \$ 1,677,060        | \$ 1,331,346        | \$ 921,976          | \$ 1,971,130        | \$ 1,817,190        | \$ 1,620,320        | \$ 2,042,889        | \$ 1,612,406        | \$ 1,367,671        |
| State's proportionate share of the net pension liability (asset) associated with the District              | <u>723,338</u>      | <u>814,157</u>      | <u>812,288</u>      | <u>597,510</u>      | <u>1,092,647</u>    | <u>1,243,673</u>    | <u>936,825</u>      | <u>1,213,341</u>    | <u>922,046</u>      | <u>728,445</u>      |
| Total  | <u>\$ 2,298,967</u> | <u>\$ 2,491,217</u> | <u>\$ 2,143,634</u> | <u>\$ 1,519,486</u> | <u>\$ 3,063,777</u> | <u>\$ 3,060,863</u> | <u>\$ 2,557,145</u> | <u>\$ 3,256,230</u> | <u>\$ 2,534,452</u> | <u>\$ 2,096,116</u> |
| District's covered payroll*  | 1,541,204           | 1,324,168           | 1,223,115           | 1,190,390           | 1,252,105           | 1,356,707           | 936,043             | 1,168,013           | 1,014,599           | 942,335             |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 102.23%             | 126.65%             | 108.85%             | 77.45%              | 157.43%             | 133.94%             | 173.10%             | 174.90%             | 158.92%             | 145.14%             |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 83.55%              | 80.62%              | 81.20%              | 87.21%              | 71.82%              | 72.56%              | 70.99%              | 69.46%              | 70.04%              | 74.02%              |

\*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.

## Vallecitos School District

### Schedule of the District's Contributions - CalSTRS

Last Ten Fiscal Years

|  | Fiscal Year      |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  | 2025             | 2024             | 2023             | 2022             | 2021             | 2020             | 2019             | 2018             | 2017             | 2016             |
| Contractually required contribution                                  | \$ 197,534       | \$ 294,370       | \$ 252,916       | \$ 206,964       | \$ 192,248       | \$ 214,110       | \$ 176,020       | \$ 135,071       | \$ 146,936       | \$ 108,866       |
| Contributions in relation to the contractually required contribution | <u>(197,534)</u> | <u>(294,370)</u> | <u>(252,916)</u> | <u>(206,964)</u> | <u>(192,248)</u> | <u>(214,110)</u> | <u>(176,020)</u> | <u>(135,071)</u> | <u>(146,936)</u> | <u>(108,866)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered payroll*  | \$ 1,034,209     | \$ 1,541,204     | \$ 1,324,168     | \$ 1,223,191     | \$ 1,190,390     | \$ 1,252,105     | \$ 1,081,204     | \$ 936,043       | \$ 1,168,013     | \$ 1,014,599     |
| Contributions as a percentage of covered payroll                     | 19.10%           | 19.10%           | 19.10%           | 16.92%           | 16.15%           | 17.10%           | 16.28%           | 14.43%           | 12.58%           | 10.73%           |

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

## Vallecitos School District

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

Last Ten Fiscal Years

|  | Fiscal Year  |              |              |            |            |            |            |            |            |            |
|--|--------------|--------------|--------------|------------|------------|------------|------------|------------|------------|------------|
|  | 2025         | 2024         | 2023         | 2022       | 2021       | 2020       | 2019       | 2018       | 2017       | 2016       |
| District's proportion of the net pension liability (asset)   | 0.003268%    | 0.003170%    | 0.003300%    | 0.003457%  | 0.003206%  | 0.002745%  | 0.002497%  | 0.002455%  | 0.002386%  | 0.002555%  |
| District's proportionate share of the net pension liability (asset)  | \$ 1,167,944 | \$ 1,147,505 | \$ 1,149,263 | \$ 702,961 | \$ 983,699 | \$ 800,010 | \$ 665,779 | \$ 586,073 | \$ 471,287 | \$ 376,674 |
| District's covered payroll*  | \$ 644,513   | \$ 548,715   | \$ 518,603   | \$ 496,309 | \$ 465,945 | \$ 384,210 | \$ 332,889 | \$ 315,294 | \$ 288,968 | \$ 284,182 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 181.21%      | 209.13%      | 221.61%      | 141.64%    | 211.12%    | 208.22%    | 200.00%    | 185.88%    | 163.09%    | 132.55%    |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 72.29%       | 69.96%       | 69.76%       | 80.97%     | 70.00%     | 70.05%     | 70.85%     | 71.87%     | 73.90%     | 79.43%     |

\*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.

# Vallecitos School District

## Schedule of the District's Contributions - CalPERS

Last Ten Fiscal Years

|  | Fiscal Year      |                  |                  |                  |                  |                 |                 |                 |                 |                 |
|--|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | 2025             | 2024             | 2023             | 2022             | 2021             | 2020            | 2019            | 2018            | 2017            | 2016            |
| Contractually required contribution                                  | \$ 146,245       | \$ 171,956       | \$ 139,209       | \$ 118,812       | \$ 102,736       | \$ 91,889       | \$ 69,396       | \$ 51,701       | \$ 43,788       | \$ 34,234       |
| Contributions in relation to the contractually required contribution | <u>(146,245)</u> | <u>(171,956)</u> | <u>(139,209)</u> | <u>(118,812)</u> | <u>(102,736)</u> | <u>(91,889)</u> | <u>(69,396)</u> | <u>(51,701)</u> | <u>(43,788)</u> | <u>(34,234)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| District's covered payroll*  | \$ 540,647       | \$ 644,513       | \$ 548,715       | \$ 518,603       | \$ 496,309       | \$ 465,945      | \$ 384,210      | \$ 332,889      | \$ 315,294      | \$ 288,968      |
| Contributions as a percentage of covered payroll                     | 27.050%          | 26.680%          | 25.370%          | 22.910%          | 20.700%          | 19.721%         | 18.062%         | 15.531%         | 13.888%         | 11.847%         |

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

# Vallecitos School District

Notes to Required Supplementary Information  
For the Year Ended June 30, 2025

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## A. 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 Special Reserve Fund for Other than Capital Outlay (Fund 17) was included with the General Fund. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

|   |                     |
|---|---------------------|
| General Fund - Basic Financial Statements Ending Fund Balance           | \$ 3,065,976        |
| Less Fund 17 Fund Balance   | <u>(599,160)</u>    |
| General Fund - Budgetary Comparison Schedule Ending Fund Balance        | <u>\$ 2,466,816</u> |
| <br>  |                     |
| General Fund - Basic Financial Statements Net Change in Fund Balance    | \$ (143,773)        |
| Less Fund 17 Net Change in Fund Balance                                 | <u>(29,887)</u>     |
| General Fund - Budgetary Comparison Schedule Net Change in Fund Balance | <u>\$ (173,660)</u> |

## B. Excess of Expenditures Over Appropriations

As of June 30, 2025, there were no expenditures which exceeded appropriations.

## Vallecitos School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2025

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

1. Benefit Changes: Changes in benefits reflect changes enacted by law for benefits offered and eligibility criteria.
2. Changes in Assumptions: Assumptions used in determining the total pension liability of the CalSTRS Plan changed due to actuarial experience studies performed by CalSTRS.

### D. Schedule of District's Contributions – CalSTRS

The total pension liability for California State Teachers' Retirement System (CalSTRS) for measurement date June 30, 2024, was determined with a valuation completed June 30, 2023. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

|  |                      |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Reporting Period                         | <u>June 30, 2016</u> | <u>June 30, 2017</u> | <u>June 30, 2018</u> | <u>June 30, 2019</u> | <u>June 30, 2020</u> |
| Measurement Date                         | 6/30/2015            | 6/30/2016            | 6/30/2017            | 6/30/2018            | 6/30/2019            |
| Valuation Date                           | 6/30/2014            | 6/30/2015            | 6/30/2016            | 6/30/2017            | 6/30/2018            |
| Experience Study                         | 2006 - 2010          | 2006 - 2010          | 2010 - 2015          | 2010 - 2015          | 2010 - 2015          |
| Actuarial Cost Method                    | Entry Age Normal     | Entry Age Normal     | Entry Age Normal     | Entry Age Normal     | Entry Age Normal     |
| Investment Rate of Return <sup>(1)</sup> | 7.60%                | 7.60%                | 7.10%                | 7.10%                | 7.10%                |
| Consumer Price Inflation                 | 3.00%                | 3.00%                | 2.75%                | 2.75%                | 2.75%                |
| Wage Growth (Average)                    | 3.75%                | 3.75%                | 3.50%                | 3.50%                | 3.50%                |
| Post-Retirement Benefit Increases        | 2.00% Simple         | 2.00% Simple         | 2.00% Simple         | 2.00% Simple         | 2.00% Simple         |
| Reporting Period                         | <u>June 30, 2021</u> | <u>June 30, 2022</u> | <u>June 30, 2023</u> | <u>June 30, 2024</u> | <u>June 30, 2025</u> |
| Measurement Date                         | 6/30/2020            | 6/30/2021            | 6/30/2022            | 6/30/2023            | 6/30/2024            |
| Valuation Date                           | 6/30/2019            | 6/30/2020            | 6/30/2021            | 6/30/2022            | 6/30/2023            |
| Experience Study                         | 2010 - 2015          | 2015 - 2018          | 2015 - 2018          | 2015 - 2018          | 2007 - 2022          |
| Actuarial Cost Method                    | Entry Age Normal     | Entry Age Normal     | Entry Age Normal     | Entry Age Normal     | Entry Age Normal     |
| Investment Rate of Return <sup>(1)</sup> | 7.10%                | 7.10%                | 7.10%                | 7.10%                | 7.10%                |
| Consumer Price Inflation                 | 2.75%                | 2.75%                | 2.75%                | 2.75%                | 2.75%                |
| Wage Growth (Average)                    | 3.50%                | 3.50%                | 3.50%                | 3.50%                | 3.50%                |
| Post-Retirement Benefit Increases        | 2.00% Simple         | 2.00% Simple         | 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.

# Vallecitos School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2025

## E. Schedule of District’s Proportionate Share – CalPERS

1. Benefit Changes: Changes in benefits reflect changes enacted by law for benefits offered and eligibility criteria.
2. Changes in Assumptions: Assumptions used in determining the total pension liability of the CalPERS Plan changed due to actuarial experience studies performed by CalPERS.

## F. Schedule of District’s Contributions – CalPERS

The total pension liability for California Public Employees Retirement System – School Pool (CalPERS) for measurement date June 30, 2024, was determined with a valuation completed June 30, 2023. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

|  |                  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|
| Reporting Period                         | June 30, 2016    | June 30, 2017    | June 30, 2018    | June 30, 2019    | June 30, 2020    |
| Measurement Date                         | 6/30/2015        | 6/30/2016        | 6/30/2017        | 6/30/2018        | 6/30/2019        |
| Valuation Date                           | 6/30/2014        | 6/30/2015        | 6/30/2016        | 6/30/2017        | 6/30/2018        |
| Experience Study                         | 1997 - 2011      | 1997 - 2011      | 1997 - 2011      | 1997 - 2015      | 1997 - 2015      |
| Actuarial Cost Method                    | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Investment Rate of Return <sup>(1)</sup> | 7.65%            | 7.65%            | 7.15%            | 7.15%            | 7.15%            |
| Consumer Price Inflation                 | 2.75%            | 2.75%            | 2.75%            | 2.50%            | 2.50%            |
| Wage Growth (Average)                    | 3.00%            | 3.00%            | 3.00%            | 3.00%            | 3.00%            |
| Post-Retirement Benefit Increases        | 2.00% Simple     | 2.00% Simple     | 2.00% Simple     | 2.00% Simple     | 2.00% Simple     |
| Reporting Period                         | June 30, 2021    | June 30, 2022    | June 30, 2023    | June 30, 2024    | June 30, 2025    |
| Measurement Date                         | 6/30/2020        | 6/30/2021        | 6/30/2022        | 6/30/2023        | 6/30/2024        |
| Valuation Date                           | 6/30/2019        | 6/30/2020        | 6/30/2021        | 6/30/2022        | 6/30/2023        |
| Experience Study                         | 1997 - 2015      | 1997 - 2015      | 2000 - 2019      | 2000 - 2019      | 2000 - 2019      |
| Actuarial Cost Method                    | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Investment Rate of Return <sup>(1)</sup> | 7.15%            | 7.15%            | 6.90%            | 6.90%            | 6.90%            |
| Consumer Price Inflation                 | 2.50%            | 2.50%            | 2.50%            | 2.50%            | 2.30%            |
| Wage Growth (Average)                    | 2.75%            | 2.75%            | 2.75%            | 2.75%            | Varies by Age    |
| Post-Retirement Benefit Increases        | 2.00% Simple     | 2.00% Simple     | 2.00% Simple     | 2.00% Simple     | 2.00 - 2.30%     |

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 2021 experience study report (based on demographic data from 2000 to 2019) available on the CalPERS website.

## Combining Statements as Supplementary Information

**Vallecitos School District**

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2025

|  | Special Revenue Funds    |                              |                   | Capital Projects Funds        |                                     | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|--------------------------|------------------------------|-------------------|-------------------------------|-------------------------------------|--|
|  | Student Activity<br>Fund | Child<br>Development<br>Fund | Cafeteria<br>Fund | Capital<br>Facilities<br>Fund | County School<br>Facilities<br>Fund |  |
| <b>Assets</b>                              |                          |                              |                   |                               |                                     |  |
| Cash and Cash Equivalents                  | \$ 4,662                 | \$ 19,348                    | \$ 102,402        | \$ 54,394                     | \$ 32,297                           | \$ 213,103                                 |
| Accounts Receivable                        | -                        | -                            | 36,404            | -                             | -                                   | 36,404                                     |
| Due from Other Funds                       | -                        | 26,558                       | 4,168             | -                             | -                                   | 30,726                                     |
| Stores Inventories                         | -                        | -                            | 1,042             | -                             | -                                   | 1,042                                      |
| <b>Total Assets</b>                        | <u>\$ 4,662</u>          | <u>\$ 45,906</u>             | <u>\$ 144,016</u> | <u>\$ 54,394</u>              | <u>\$ 32,297</u>                    | <u>\$ 281,275</u>                          |
| <b>Liabilities and Fund Balance:</b>       |                          |                              |                   |                               |                                     |  |
| Liabilities:                               |                          |                              |                   |                               |                                     |  |
| Accounts Payable                           | \$ -                     | \$ -                         | \$ 10,870         | \$ -                          | \$ -                                | \$ 10,870                                  |
| Due to Other Funds                         | -                        | -                            | 29,664            | -                             | -                                   | 29,664                                     |
| Total Liabilities                          | <u>-</u>                 | <u>-</u>                     | <u>40,534</u>     | <u>-</u>                      | <u>-</u>                            | <u>40,534</u>                              |
| Fund Balance:                              |                          |                              |                   |                               |                                     |  |
| Nonspendable                               | -                        | -                            | 1,042             | -                             | -                                   | 1,042                                      |
| Restricted                                 | <u>4,662</u>             | <u>45,906</u>                | <u>102,440</u>    | <u>54,394</u>                 | <u>32,297</u>                       | <u>239,699</u>                             |
| Total Fund Balance                         | <u>4,662</u>             | <u>45,906</u>                | <u>103,482</u>    | <u>54,394</u>                 | <u>32,297</u>                       | <u>240,741</u>                             |
| <b>Total Liabilities and Fund Balances</b> | <u>\$ 4,662</u>          | <u>\$ 45,906</u>             | <u>\$ 144,016</u> | <u>\$ 54,394</u>              | <u>\$ 32,297</u>                    | <u>\$ 281,275</u>                          |

## Vallecitos School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds  
For the Year Ended June 30, 2025

|  | Special Revenue Funds    |                              |                   | Capital Projects Funds        |                                     | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|--------------------------|------------------------------|-------------------|-------------------------------|-------------------------------------|--|
|  | Student<br>Activity Fund | Child<br>Development<br>Fund | Cafeteria<br>Fund | Capital<br>Facilities<br>Fund | County School<br>Facilities<br>Fund |  |
| <b>Revenues</b>  |                          |                              |                   |                               |                                     |  |
| Federal Revenue  | \$ -                     | \$ -                         | \$ 218,256        | \$ -                          | \$ -                                | \$ 218,256                                 |
| Other State Revenue  | -                        | -                            | 42,932            | -                             | -                                   | 42,932                                     |
| Interest   | -                        | 678                          | 2,985             | 1,550                         | 13,477                              | 18,690                                     |
| FMV Adjustment   | -                        | 290                          | 1,572             | 656                           | 5,831                               | 8,349                                      |
| Other Local Revenue  | -                        | -                            | 14,496            | 11,017                        | -                                   | 25,513                                     |
| Total Revenues   | <u>\$ -</u>              | <u>\$ 968</u>                | <u>\$ 280,241</u> | <u>\$ 13,223</u>              | <u>\$ 19,308</u>                    | <u>\$ 313,740</u>                          |
| <b>Expenditures</b>  |                          |                              |                   |                               |                                     |  |
| Current Expenditures:  |                          |                              |                   |                               |                                     |  |
| Pupil Services   | -                        | -                            | 285,990           | -                             | -                                   | 285,990                                    |
| Capital Outlay   | -                        | -                            | 29,663            | -                             | 366,260                             | 395,923                                    |
| Total Expenditures   | <u>-</u>                 | <u>-</u>                     | <u>315,653</u>    | <u>-</u>                      | <u>366,260</u>                      | <u>681,913</u>                             |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>-</u>                 | <u>968</u>                   | <u>(35,412)</u>   | <u>13,223</u>                 | <u>(346,952)</u>                    | <u>(368,173)</u>                           |
| Net Change in Fund Balance                                   | -                        | 968                          | (35,412)          | 13,223                        | (346,952)                           | (368,173)                                  |
| Fund Balance, Beginning of Year                              | <u>4,662</u>             | <u>44,938</u>                | <u>138,894</u>    | <u>41,171</u>                 | <u>379,249</u>                      | <u>608,914</u>                             |
| Fund Balance, End of Year                                    | <u>\$ 4,662</u>          | <u>\$ 45,906</u>             | <u>\$ 103,482</u> | <u>\$ 54,394</u>              | <u>\$ 32,297</u>                    | <u>\$ 240,741</u>                          |

## Other Supplementary Information

**Vallecitos School District**  
 Schedule of Average Daily Attendance  
 For the Year Ended June 30, 2025

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|                  | Second Period Report |         | Annual Report        |         |
|------------------|----------------------|---------|----------------------|---------|
|                  | Original<br>ED4E02E  | Revised | Original<br>CBDD5E5A | Revised |
| TK/K-3           |                      |         |                      |         |
| Regular ADA      | 71.46                | N/A     | 71.79                | N/A     |
| Total TK/K-3     | 71.46                | N/A     | 71.79                | N/A     |
| Grades 4-6       |                      |         |                      |         |
| Regular ADA      | 69.34                | N/A     | 69.30                | N/A     |
| Total Grades 4-6 | 69.34                | N/A     | 69.30                | N/A     |
| Grades 7-8       |                      |         |                      |         |
| Regular ADA      | 44.47                | N/A     | 44.15                | N/A     |
| Total Grades 7-8 | 44.47                | N/A     | 44.15                | N/A     |
| Total ADA        | 185.27               | N/A     | 185.24               | N/A     |

N/A – There were no audit findings which resulted in revisions to average daily attendance (ADA).

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts and charter schools. This schedule provides information regarding the attendance of students by grade span and adjustments to the attendance as a result of an audit finding when applicable.

**Vallecitos School District**  
 Schedule of Instructional Time  
 For the Year Ended June 30, 2025

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| <u>Grade Level</u>        | <u>Annual Minutes Requirement</u> | <u>Actual Minutes Offered</u> | <u>J-13A Minutes</u> | <u>Total Minutes</u> | <u>Number of Actual Days Offered (Traditional)</u> | <u>J-13A Days</u> | <u>Total Instructional Days</u> | <u>Status</u> |
|---------------------------|-----------------------------------|-------------------------------|----------------------|----------------------|--|-------------------|---------------------------------|---------------|
| Transitional Kindergarten | 36,000                            | 58,400                        | 0                    | 58,400               | 180  | 0                 | 180                             | Complied      |
| Kindergarten              | 36,000                            | 58,400                        | 0                    | 58,400               | 180  | 0                 | 180                             | Complied      |
| 1st Grade                 | 50,400                            | 55,700                        | 0                    | 55,700               | 180  | 0                 | 180                             | Complied      |
| 2nd Grade                 | 50,400                            | 55,700                        | 0                    | 55,700               | 180  | 0                 | 180                             | Complied      |
| 3rd Grade                 | 50,400                            | 55,700                        | 0                    | 55,700               | 180  | 0                 | 180                             | Complied      |
| 4th Grade                 | 54,000                            | 57,100                        | 0                    | 57,100               | 180  | 0                 | 180                             | Complied      |
| 5th Grade                 | 54,000                            | 57,100                        | 0                    | 57,100               | 180  | 0                 | 180                             | Complied      |
| 6th Grade                 | 54,000                            | 57,100                        | 0                    | 57,100               | 180  | 0                 | 180                             | Complied      |
| 7th Grade                 | 54,000                            | 57,100                        | 0                    | 57,100               | 180  | 0                 | 180                             | Complied      |
| 8th Grade                 | 54,000                            | 57,100                        | 0                    | 57,100               | 180  | 0                 | 180                             | Complied      |

## Vallecitos School District

Schedule of Instructional Time, Continued  
For the Year Ended June 30, 2025

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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

The District did not request a J-13A waiver during the 2024-25 fiscal year.

## Vallecitos School District

### Schedule of Financial Trends & Analysis

For the Year Ended June 30, 2025

| General Fund   | Budget 2026<br>(See Note 1) | 2025                | 2024<br>(See Note 1) | 2023<br>(See Note 2) |
|--|-----------------------------|---------------------|----------------------|----------------------|
| Revenues and Other Financing Sources                 | \$ 3,836,870                | \$ 4,050,640        | \$ 4,300,087         | \$ 5,765,484         |
| Expenditures and Other Financing Uses                | <u>4,337,213</u>            | <u>4,224,300</u>    | <u>4,276,964</u>     | <u>4,375,628</u>     |
| Net Change in Fund Balance                           | <u>(500,343)</u>            | <u>(173,660)</u>    | <u>23,123</u>        | <u>1,389,856</u>     |
| Ending Fund Balance                                  | <u>\$ 1,966,473</u>         | <u>\$ 2,466,816</u> | <u>\$ 2,640,476</u>  | <u>\$ 2,617,353</u>  |
| Available Reserves (See Note 2)                      | <u>\$ 1,169,945</u>         | <u>\$ 1,252,793</u> | <u>\$ 1,536,361</u>  | <u>\$ 1,467,668</u>  |
| Available Reserves as a Percentage<br>of Total Outgo | <u>26.97%</u>               | <u>29.66%</u>       | <u>35.92%</u>        | <u>33.54%</u>        |
| Long Term Debt                                       | <u>\$ -</u>                 | <u>\$ -</u>         | <u>\$ -</u>          | <u>\$ -</u>          |
| Average Daily Attendance at P2                       | <u>181</u>                  | <u>185</u>          | <u>173</u>           | <u>175</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 \$150,537 (5.75%) over the past two years. The fiscal year 2025-26 budget projects a decrease of \$500,343 (20.28%). For a district of this size, the State recommends available reserves of 3% of total general fund expenditures and other financing uses (total outgo).

Average daily attendance (ADA) has increased by 10 over the past two years.

## Vallecitos School District

### Schedule of Financial Trends & Analysis, Continued

For the Year Ended June 30, 2025

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#### Notes:

1. AU-C §725.05 requires the following conditions be met to provide an opinion on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole:
  - a) The supplementary information was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements.
  - b) The supplementary information relates to the same period as the financial statements.
  - c) The auditor issued an audit report on the financial statements that contained neither an adverse opinion nor a disclaimer of opinion.
  - d) The supplementary information will accompany the audited financial statements or such audited financial statements will be made readily available by the District.

Three of the above columns are not related to the same period as the financial statements and as such we do not provide an opinion on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. Additionally, the analysis presented utilizes information from periods outside the period of the financial statements and as such we do not provide an opinion on whether the analysis is fairly stated, in all material respects, to the financial statements as a whole. The information has been presented for analysis only and has not been audited.

2. Available reserves consist of all unassigned fund balances contained within the general fund and amounts committed to stabilization of educational programs contained in the Special Reserve Fund for Other Than Capital Outlay.
3. GASB Statement No. 54 requires the inclusion of the Special Reserve Fund for Other Than Capital Outlay (Fund 17) with the General Fund for reporting purposes only. This schedule has been prepared without the inclusion of Fund 17.

# Vallecitos School District

## Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

June 30, 2025

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|  | General Fund<br>(Fund 01)   | Special Reserve<br>Fund for Other than<br>Capital Outlay<br>(Fund 17) |
|--|-----------------------------|---|
|  | <u>                    </u> | <u>                    </u>   |
| June 30, 2025, annual financial and budget<br>report fund balances | \$ 2,466,816                | \$ 599,160  |
| Adjustments and reclassifications:                                 |                             |   |
| Increasing (decreasing) the fund balance:                          |                             |   |
| GASB 54 Fund Presentation  | <u>599,160</u>              | <u>(599,160)</u>  |
| Net adjustments and reclassifications                              | <u>599,160</u>              | <u>(599,160)</u>  |
| June 30, 2025, audited financial statement<br>fund balances        | <u>\$ 3,065,976</u>         | <u>\$ -</u>   |

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.

**Vallecitos School District**  
Schedule of Charter Schools  
For the Year Ended June 30, 2025

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As of June 30, 2025, the District has not sponsored any charter schools.

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

## Other Information

# Vallecitos School District

Local Education Agency Organization Structure

June 30, 2025

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The Vallecitos School District was established in 1921 and is comprised of approximately 618.6 square miles, located in San Diego County. There were no changes to the boundaries of the District during the current fiscal year. The District currently operates one elementary school for grades K-8.

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## GOVERNING BOARD

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| <u>Name</u>          | <u>Office</u>  | <u>Term and Term Expiration</u>         |
|----------------------|----------------|---|
| Michael Darnley      | President      | Four Year Term<br>Expires December 2026 |
| Martin Kurland       | Vice President | Four Year Term<br>Expires December 2026 |
| Heather Reinhardt    | Clerk          | Four Year Term<br>Expires December 2028 |
| Ritsa Chanthabandith | Trustee        | Four Year Term<br>Expires December 2026 |
| Sonky Ung            | Trustee        | Short Term<br>Expires December 2028     |

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## ADMINISTRATION

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Meliton Sanchez  
Superintendent/CBO

Michelle Peace  
Principal

## Other Independent Auditors' Reports

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  
Vallecitos School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Vallecitos Unified School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2025.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

## 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.



El Cajon, California

December 15, 2025

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

To the Board of Education  
Vallecitos School District

**Report on Compliance for Applicable State Programs**

**Opinion on Each Applicable State Program**

We have audited the Vallecitos School District's (the District) compliance with the requirements specified in the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 identified below for the year ended June 30, 2025.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above on each of its applicable state programs for the year ended June 30, 2025.

**Basis for Opinion on Each Applicable State Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 (the Audit Guide). Our responsibilities under those standards and the Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

**Responsibilities of Management for Compliance**

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

**Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Audit Guide will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District’s compliance with the requirements of each applicable state program as a whole.

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

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

| <b><u>Local Education Agencies Other than Charter Schools</u></b> | <u>Procedures<br/>Performed</u> |
|---|---------------------------------|
| A. Attendance.....  | Yes                             |
| B. Teacher Certification and Misassignments.....                  | Yes                             |
| C. Kindergarten Continuance.....                                  | Yes                             |
| D. Independent Study.....   | No                              |
| E. Continuation Education.....                                    | N/A                             |
| F. Instructional Time.....  | Yes                             |
| G. Instructional Materials.....                                   | Yes                             |
| H. Ratio of Administrative Employees to Teachers.....             | Yes                             |
| I. Classroom Teacher Salaries.....                                | Yes                             |
| J. Early Retirement Incentive.....                                | N/A                             |
| K. Gann Limit Calculation.....                                    | Yes                             |
| L. School Accountability Report Card.....                         | Yes                             |
| M. Juvenile Court Schools.....                                    | N/A                             |
| N. Middle or Early College High Schools.....                      | N/A                             |
| O. K-3 Grade Span Adjustment.....                                 | Yes                             |
| P. <i>(Reserved)</i> .....  | N/A                             |
| Q. Apprenticeship: Related and Supplemental Instruction.....      | N/A                             |
| R. Comprehensive School Safety Plan.....                          | Yes                             |
| S. District of Choice.....  | N/A                             |
| TT. Home to School Transportation Reimbursement.....              | Yes                             |

| <b>School Districts, County Offices of Education, and Charter Schools</b> |   | <b>Procedures<br/>Performed</b> |
|---|---|---------------------------------|
| T.  | Proposition 28 Arts & Music in Schools.....                   | Yes                             |
| U.  | After/Before School Education and Safety Program.....         | Yes                             |
| V.  | Proper Expenditure of Education Protection Account Funds..... | Yes                             |
| W.  | Unduplicated Local Control Funding Formula Pupil Counts.....  | Yes                             |
| X.  | Local Control and Accountability Plan.....                    | Yes                             |
| Y.  | Independent Study - Course Based.....                         | N/A                             |
| Z.  | Immunizations.....  | Yes                             |
| AZ.   | Educator Effectiveness.....                                   | Yes                             |
| BZ.   | Expanded Learning Opportunities Grant (ELO-G).....            | Yes                             |
| CZ.   | Career Technical Education Incentive Grant.....               | N/A                             |
| DZ.   | Expanded Learning Opportunities Program (ELO-P).....          | Yes                             |
| EZ.   | Transitional Kindergarten.....                                | Yes                             |
| FZ.   | Kindergarten Continuance.....                                 | Yes                             |

N/A – The School District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform procedures for Independent Study because the ADA requirement was below the testing threshold.

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

### **Report on Internal Control over State Compliance**

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *2024-25 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

December 15, 2025

## Auditor's Results, Findings & Recommendations

**Vallecitos School District**

Schedule of Auditor’s Results  
For the Year Ended June 30, 2025

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**FINANCIAL STATEMENTS**

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

**STATE AWARDS**

|  |                   |                 |
|--|-------------------|-----------------|
| Type of auditor's report issued on compliance for state programs:  | <u>Unmodified</u> |                 |
| Internal control over applicable state programs:   |                   |                 |
| One or more material weakness(es) identified?  | <u>      </u> Yes | <u>  X  </u> No |
| One or more significant deficiencies identified that are not considered material weakness(es)?   | <u>      </u> Yes | <u>  X  </u> No |
| Any audit findings disclosed that are required to be reported in accordance with <i>2024-25 Guide for Annual Audits of California K-12 Local Education Agencies?</i> | <u>      </u> Yes | <u>  X  </u> No |

# Vallecitos School District

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

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*, or the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are as follows:

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

### A. Financial Statement Findings

None

### B. State Award Findings

None

**Vallecitos School District**  
 Schedule of Prior Year Audit Findings  
 For the Year Ended June 30, 2025

| Finding/Recommendation   | Status      | Explanation if Not Implemented |
|--|-------------|--------------------------------|
| <p><b>Finding 2024-001</b><br/> <b>Accounting Processes and Internal Controls</b></p> <p><u>Condition</u><br/>           In our review of various audit areas, it was unclear what made up the ending balances and the client was unable to provide details that we could audit.</p> <p><u>Recommendation</u><br/>           We recommended to formally adopt the CSAM as the official accounting manual for the District, then establish reconciliation procedures for all balance sheet accounts and ensure all entries posted into SACS are appropriate and have backup that is clear and accurate.</p> | Implemented |                                |