

HAPPY VALLEY ELEMENTARY  
SCHOOL DISTRICT  
COUNTY OF SANTA CRUZ  
SANTA CRUZ, CALIFORNIA

ANNUAL FINANCIAL REPORT  
JUNE 30, 2021

ROBERTSON & ASSOCIATES, CPAs  
A Professional Corporation

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
ORGANIZATION  
JUNE 30, 2021

The Happy Valley Elementary School District (District) was established on September 1, 1843 and comprises an area located in Santa Cruz County. There were no changes in the boundaries of the District during the current year. The District currently operates one elementary school.

**BOARD OF TRUSTEES**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Kyle Frandle	President	November, 2024
Mr. Jacob Willet	Clerk	November, 2022
Ms. Katie Freeman	Trustee	November, 2024
Ms. Rachel Click Richardson	Trustee	November, 2022
Ms. Alyssa Jolliffe	Trustee	November, 2022

**ADMINISTRATION**

<u>Name</u>	<u>Title</u>	<u>Tenure</u>
Ms. Michelle McKinny *	Superintendent / Principal	11 Years

\* Ms. McKinny retired June 30, 2021.  
Ms. Michelle Stewart is the current Superintendent / Principal.

**ADDRESS OF DISTRICT OFFICE**

3125 Branciforte Drive  
Santa Cruz, CA 95065

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
JUNE 30, 2021

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HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
JUNE 30, 2021

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Happy Valley Elementary School District  
Santa Cruz, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Happy Valley Elementary School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

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 Happy Valley Elementary School District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, budgetary comparison schedule on page 50, schedule of the District's proportionate share of the net pension liability on page 51, and the schedule of District contributions on page 52, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Happy Valley Elementary School District's basic financial statements. The accompanying supplementary information includes the introductory section, the combining and individual non-major fund financial statements, and the other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2022 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 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 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.

*Robertson & Associates, CPAs*

Lakeport, California  
February 9, 2022

**Happy Valley Elementary School District  
Management's Discussion and Analysis  
June 30, 2021**

**INTRODUCTION**

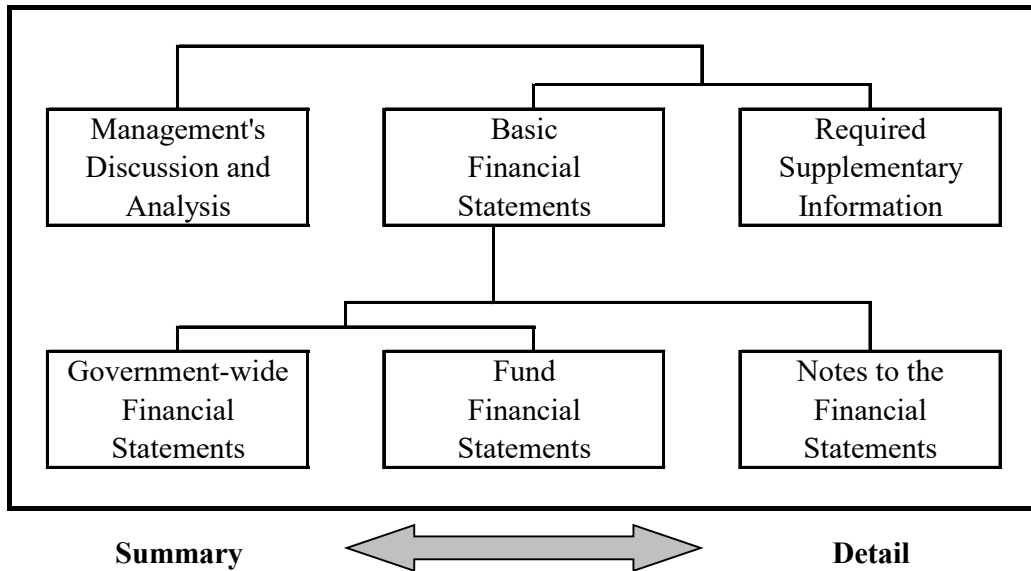
Our discussion and analysis of Happy Valley Elementary School District (District's) financial performance provides an overview of the District's financial activities for the year ended June 30, 2021. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- ❑ Total net position was \$2,301,363 at June 30, 2021. This was an increase of \$357,228 from the prior year.
- ❑ Overall revenues were \$1,817,915, overall expenses were \$1,460,687.

**OVERVIEW OF FINANCIAL STATEMENTS**

**Components of the Financials Section**





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

- ❑ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the District’s overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - **Governmental fund** statements tell how general government services were financed in the short term as well as what remains for future spending.

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

### **Government-Wide Statements**

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

The two government-wide statements report the District’s net position and how they have changed. Net position, the difference between assets and liabilities, is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position is an indicator of whether its financial health is improving or deteriorating, respectively. The net position of the District has increased by 18% in the past year.
- The net change in all funds from 2019/2020 to 2020/2021 was an increase of \$360,910. This is mostly due to donations and interest earned on the Foundation Trust in the amount of approximately \$215,000
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in enrollment, changes in the property tax base, and changes in program funding by the Federal and State governments, and condition of facilities. The District’s enrollment decreased by 8 in the past year.
- Per Senate Bill 98, Average Daily Attendance (ADA) was not recorded for 2020/2021 and was based on 2019/2020 ADA. The decrease in enrollment has not had any impact on funding because the District is Basic Aid and receives its funding through Property Tax Revenues. In 2020/2021 Property tax revenue increased by almost \$33,000 over the prior year which is about a 3% increase.

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

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant governmental funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for programs.

- Some funds are required to be established by State law and by bond covenants.
- The governing board establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues.

The District has one type of fund:

- Governmental funds – All of the District's basic services are included in governmental funds, which generally focus on: (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds' statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources than previously to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information following the governmental funds' statements that explains the relationship (or differences) between them.

The financial performance of the District is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,784,346 as compared to the prior year's ending fund balance of \$2,423,436.

## FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

### Net Position

The District's combined net position was \$2,301,363 at June 30, 2021.

	Governmental Activities		Net Change
	2021	2020	
<b>ASSETS</b>			
Cash and Equivalents	\$ 1,655,913	\$ 1,595,752	\$ 60,161
Investments	1,098,542	883,622	214,920
Other Current Assets	97,093	50,872	46,221
Capital Assets, Net of Accumulated Depreciation	608,489	644,524	(36,035)
<b>TOTAL ASSETS</b>	<b>\$ 3,460,037</b>	<b>\$ 3,174,770</b>	<b>\$ 285,267</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow of Resources - Pensions	\$ 605,543	\$ 492,170	\$ 113,373
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 605,543</b>	<b>\$ 492,170</b>	<b>\$ 113,373</b>
<b>LIABILITIES</b>			
Current Liabilities	\$ 67,202	\$ 106,810	\$ (39,608)
Long-Term Liabilities	1,347,696	1,238,198	109,498
<b>TOTAL LIABILITIES</b>	<b>\$ 1,414,898</b>	<b>\$ 1,345,008</b>	<b>\$ 69,890</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources Pensions	\$ 349,319	\$ 377,797	\$ (28,478)
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 349,319</b>	<b>\$ 377,797</b>	<b>\$ (28,478)</b>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	\$ 608,489	\$ 644,524	\$ (36,035)
Restricted	1,329,601	1,037,893	291,708
Unrestricted	363,273	261,718	101,555
<b>TOTAL NET POSITION</b>	<b>\$ 2,301,363</b>	<b>\$ 1,944,135</b>	<b>\$ 357,228</b>

## Changes in Net Position

	Governmental Activities		Net Change
	2021	2020	
REVENUES			
Program Revenues:			
Charges for Services	\$ 10,096	\$ 486	\$ 9,610
Operating Grants and Contributions	531,510	281,833	249,677
Capital Grants and Contributions	-	203,146	(203,146)
General Revenues:			
Property Taxes	1,134,660	1,101,805	32,855
Unrestricted Federal and State Aid	121,433	123,887	(2,454)
Miscellaneous and Other Local	20,216	63,013	(42,797)
TOTAL REVENUES	<u>1,817,915</u>	<u>1,774,170</u>	<u>43,745</u>
EXPENSES			
Instruction	793,475	986,906	(193,431)
Instruction-Related Services	351,903	338,725	13,178
Pupil Services	9,331	16,994	(7,663)
General Administration	195,870	238,201	(42,331)
Plant Services	109,982	96,269	13,713
Transfers Between Agencies	126	136	(10)
TOTAL EXPENSES	<u>1,460,687</u>	<u>1,677,231</u>	<u>(216,544)</u>
INCREASE (DECREASE) IN NET POSITION	357,228	96,939	260,289
NET POSITION - BEGINNING	<u>1,944,135</u>	<u>1,847,196</u>	<u>96,939</u>
NET POSITION - ENDING	<u>\$ 2,301,363</u>	<u>\$ 1,944,135</u>	<u>\$ 357,228</u>

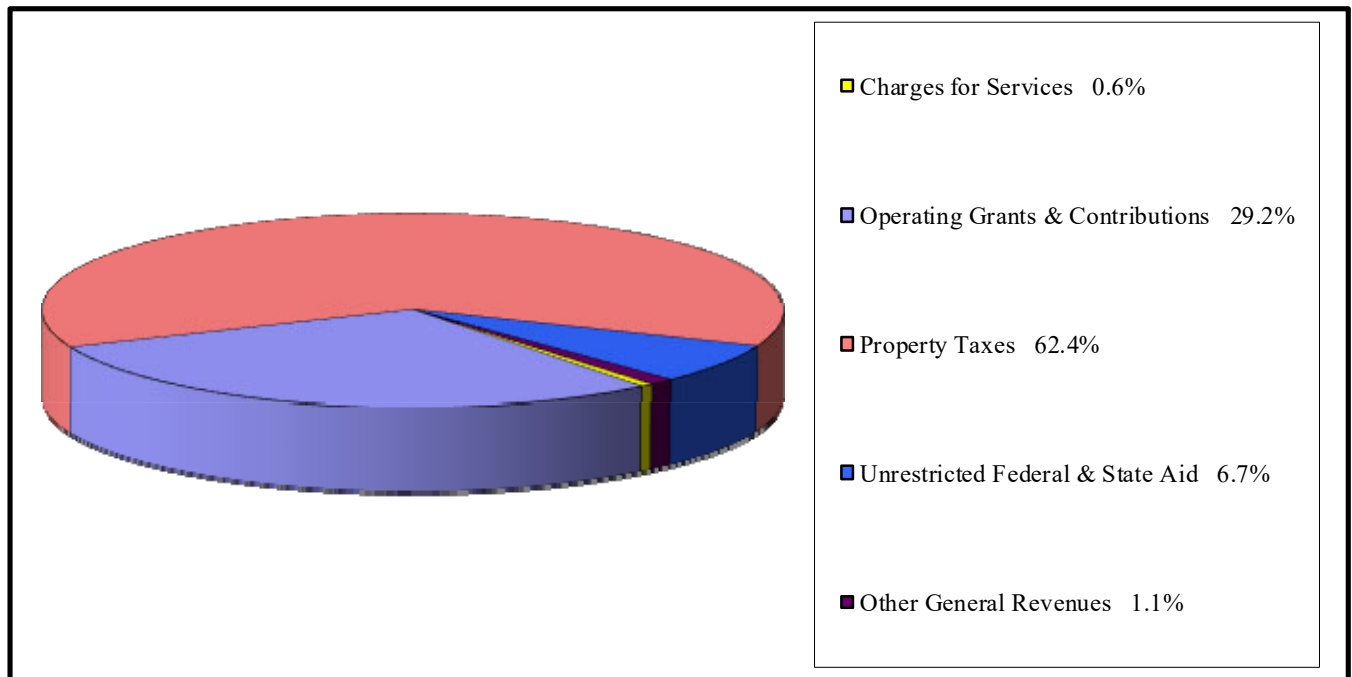
## Governmental Activities

Net cost is total cost less fees generated by the related activity. The net cost reflects amounts funded by charges for services, operating grants and capital grants and contributions.

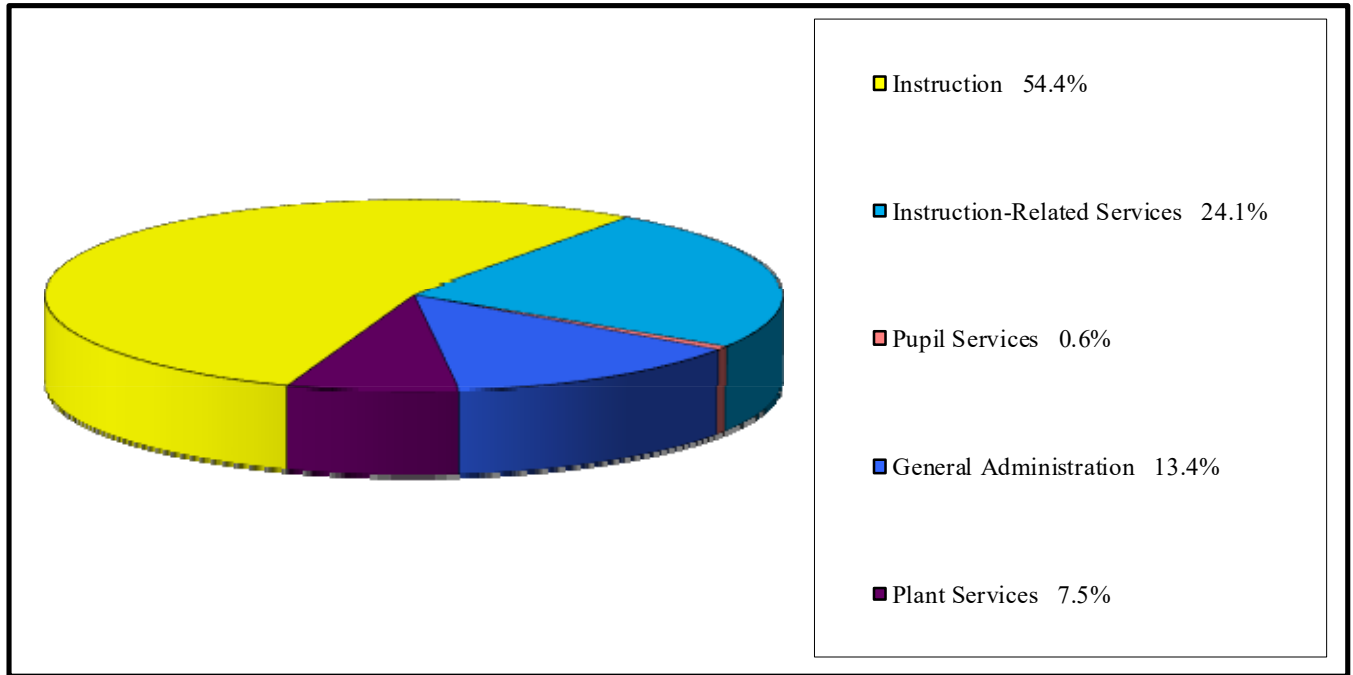
### Net Cost of Services

	Net Cost of Services		Net Change
	2021	2020	
<b>NET COST OF SERVICES</b>			
Instruction	\$ 492,510	\$ 587,317	\$ (94,807)
Instruction-Related Services	217,889	318,496	(100,607)
Pupil Services	3,133	3,356	(223)
General Administration	118,756	228,044	(109,288)
Plant Services	109,982	95,861	14,121
Facility Acquisition and Construction	(14,687)	(34,693)	20,006
Ancillary Services	-	(6,751)	6,751
Transfers Between Agencies	126	136	(10)
Other Outgo	(8,628)	-	(8,628)
<b>TOTAL NET COSTS OF SERVICES</b>	<b>\$ 919,081</b>	<b>\$ 1,191,766</b>	<b>\$ (272,685)</b>

### 2020/2021 Summary of Revenues for Governmental Activities



## 2020/2021 Summary of Expenses for Governmental Activities



## Fund Balance Comparison

The District currently maintains the following funds:

FUNDS	Ending Fund Balance		Net Change
	2021	2020	
Governmental:			
General	\$ 1,618,490	\$ 1,482,263	\$ 136,227
Cafeteria Special Revenue	1	1	-
Capital Facilities	9,721	351	9,370
Foundation Permanent	1,156,134	940,821	215,313
Total Governmental	<u>2,784,346</u>	<u>2,423,436</u>	<u>360,910</u>
TOTAL FUNDS	<u>\$ 2,784,346</u>	<u>\$ 2,423,436</u>	<u>\$ 360,910</u>

## General Fund

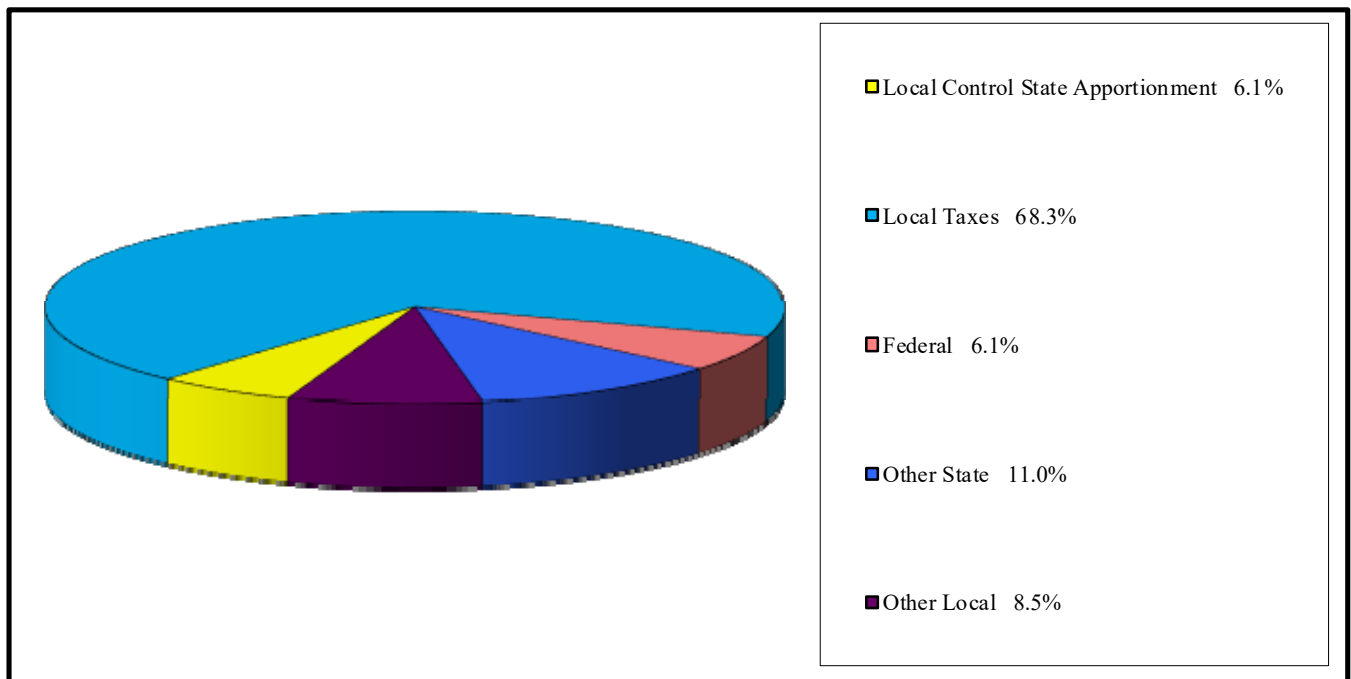
General Fund Revenues in some sources increased while others decreased in 2020/2021 over prior year causing nearly a net no change in total revenue received in General Fund. The source of the increase was a \$33,000 property tax increase. The increase in Federal and State revenue was offset by a decrease in Local revenue.

Changes to General Fund salaries for certificated staff was negligible. Decreases to classified salaries were mainly due to a temporary reduction of classroom aids. Supplies and materials expenses came in significantly higher than prior year due to equipment necessary for distance learning. Contracts and services decreased slightly over 2020/2021.

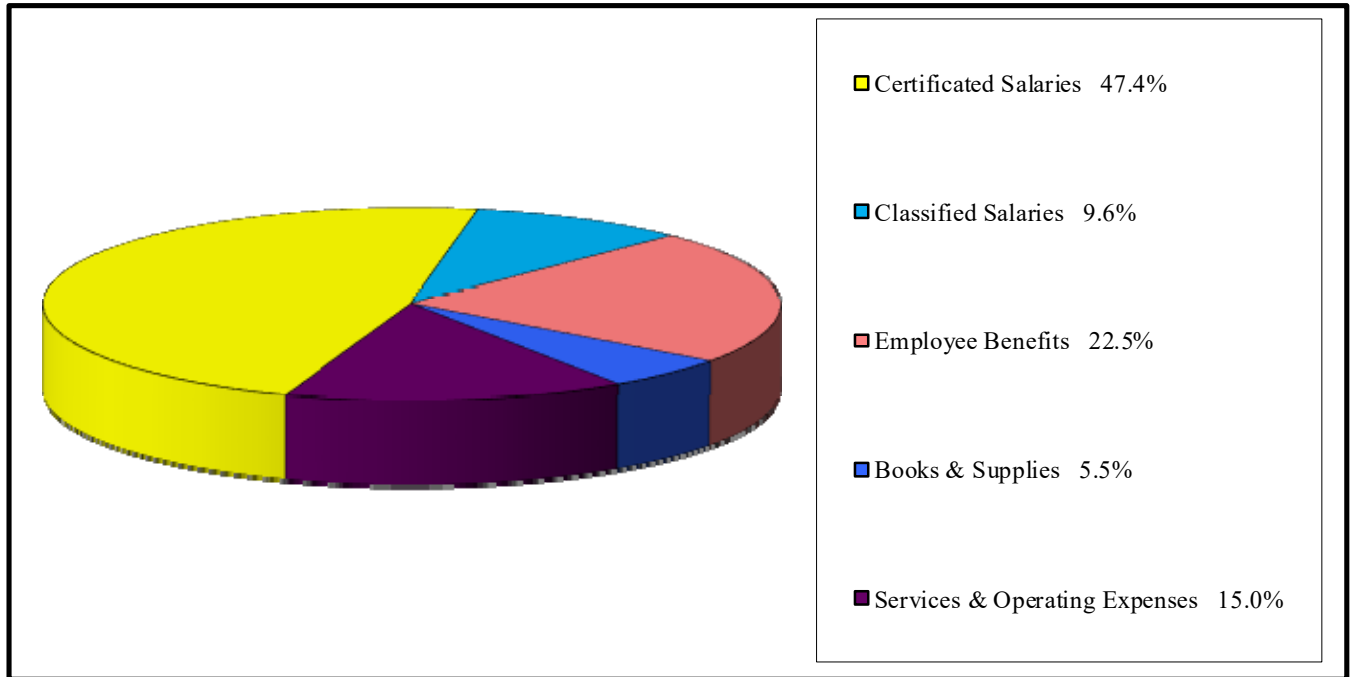
Transfers in and out were reduced due to the completion of the modernization planning and only made to the special reserve fund.

The following charts graphically depict revenues and expenditures, both by major object as well as by function.

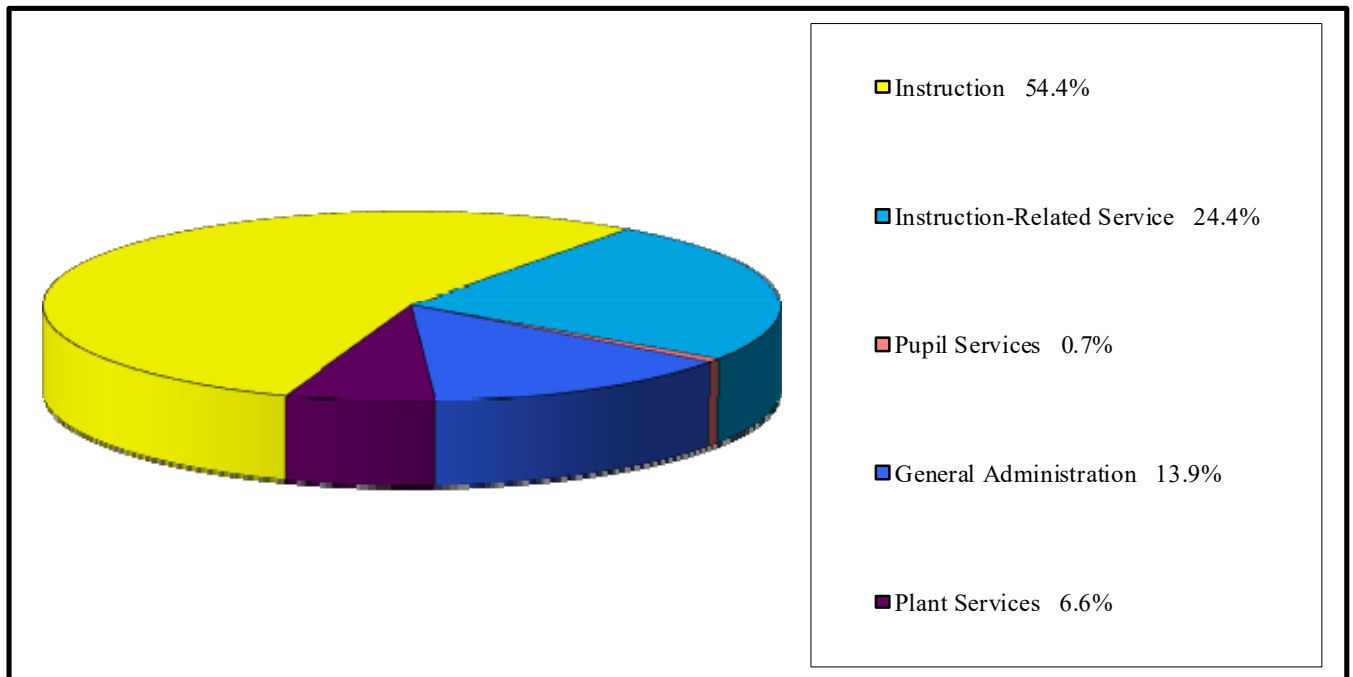
### 2020/2021 General Fund Revenues



### 2020/2021 General Fund Expenditures by Object



### 2020/2021 General Fund Expenditures by Function





## **Other Governmental Funds**

Other governmental funds had the following activity and changes for the year ended June 30, 2021:

*The Cafeteria Special Revenue Fund* - There were no significant changes year over year.

*The Capital Facilities Fund* - This fund was used to track modernization planning costs which were paid out in 2019/2020.

*The Foundation Permanent Fund* - The Foundation Permanent Fund consists of three separately funded programs. The original Foundation funds are held by the Santa Cruz County Treasurer. This program earned interest and disbursed the annual contribution to the General Fund for the educational purpose of support for classroom aides. The two remaining funded programs are held by the Community Foundation of Santa Cruz County. The Flex fund balance increased by 33% with the addition of \$77,974 in donations, contributions and earnings and administrative fees of \$2,221. The Foundation Endowment Account saw its fund balance increase by 15% due to an increase in earnings.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2021, the District had \$608,489 invested, net of accumulated depreciation, in capital assets. Current year depreciation expense is \$36,804. The additions in 2020/2021 were \$769 in work in progress expenses related to the modernization planning.

	Governmental Activities		Net Change
	2021	2020	
<b>CAPITAL ASSETS</b>			
Construction In Progress	\$ 174,321	\$ 173,552	\$ 769
Land Improvements	528,645	528,645	-
Buildings And Improvements	1,048,724	1,048,724	-
Accumulated Depreciation	<u>(1,143,201)</u>	<u>(1,106,397)</u>	<u>(36,804)</u>
<b>NET CAPITAL ASSETS</b>	<u>\$ 608,489</u>	<u>\$ 644,524</u>	<u>\$ (36,035)</u>

### Long-Term Debt

At year end, the District had \$1,347,696 in long-term debt. With the implementation of GASB 68, the District must reflect the District's amount of unfunded STRS/PERS liability with the State of California's retirement systems. The District's portion of the unfunded STRS/PERS liability with the State of California increased \$109,498 in 2020/2021.

	Governmental Activities		Net Change
	2021	2020	
<b>LONG-TERM DEBT</b>			
Net Pension Liability	\$ 1,347,696	\$ 1,238,198	\$ 109,498
<b>TOTAL LONG-TERM DEBT</b>	<u>\$ 1,347,696</u>	<u>\$ 1,238,198</u>	<u>\$ 109,498</u>

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The difference in the original versus final budget amounts and actual versus budget amounts is primarily due to the following:

- ❑ The difference in Fund 01 Revenue between original and final budget is an increase totaling \$162,703. This increase is due to property taxes, and one time federal and state revenues. The increase was offset by a decrease in local revenues due to reduced donations. The revenues from original to final budget change due to additional information learned as the year progresses and the funding source allocations get finalized and actual deposits get realized.
- ❑ The difference in Fund 01 expenses between original and final budget is a decrease totaling \$5,802. While salaries and benefits were reduced by \$179,000, materials and supplies, services and transfers out were increased by nearly the same amount.
- ❑ Overall Revenue received was approximately \$45,000 less than budgeted amounts. The source was Elementary and Secondary School Emergency Relief (ESSER) I and ESSER II programs which require revenue recognition to be deferred until expenditures are recognized.
- ❑ Overall Expenditures spent were \$108,236 less than the final budget amounts. This is due to the budgeted amounts not spent mostly due to unspent, ESSER II, special education budgets and legal costs not needed.

Over the course of the year, the District revises its annual budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was approved June 16, 2021. A schedule of the District's General Fund original and final budget amounts compared with actual revenues and expenditures is provided with the basic financial statements in the audited financial report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

- ❑ Enrollment in October was 109 which is 4% increase over 2020/2021. Enrollment has fluctuated due to the pandemic, families moving in and out of the area as well as 6<sup>th</sup> graders not going to middle school.
- ❑ Property Tax projections show 3% increase over prior year actuals.
- ❑ Modernization and facility projects have been underway exclusively in planning costs and are being tracked in the capital facilities fund. Currently the capital facilities fund does not receive revenue and therefore the General Fund is the source of the funds for all modernization costs that are incurred.
- ❑ The Parcel Tax continues to be another source of revenue for the District.
- ❑ Special Education costs are fluctuating, they go up and down each year and follow the changing needs of the students.

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

This financial report is designed to provide our citizens, taxpayers, parents, participants, 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 Michelle Stewart, 3125 Branciforte Drive, Santa Cruz, CA 95065, phone 831-429-1456.

## FINANCIAL SECTION

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2021

	Governmental Activities
<b>ASSETS</b>	
Cash and equivalents	\$ 1,655,913
Investments	1,098,542
Accounts receivable	97,093
Capital assets:	
Non-depreciable	174,321
Depreciable, net of accumulated depreciation	434,168
<b>Total Assets</b>	<b>\$ 3,460,037</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - Pensions	\$ 605,543
<b>Total Deferred Outflows of Resources</b>	<b>\$ 605,543</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 47,689
Unearned revenue	19,513
Long-term debt:	
Due after one year	1,347,696
<b>Total Liabilities</b>	<b>\$ 1,414,898</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - Pensions	\$ 349,319
<b>Total Deferred Inflows of Resources</b>	<b>\$ 349,319</b>
<b>NET POSITION</b>	
Net Investment in capital assets	\$ 608,489
Restricted for:	
Capital projects	9,721
Educational programs	163,745
Other purposes (expendable)	1
Other purposes (nonexpendable)	1,156,134
Unrestricted	363,273
<b>Total Net Position</b>	<b>\$ 2,301,363</b>

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

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Position
				Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 793,475	\$ 4,811	\$ 296,154	\$ (492,510)
Instruction-related services:				
Supervision of instruction	45,680	-	2,404	(43,276)
School site administration	306,223	4,904	126,706	(174,613)
Pupil services:				
All other pupil services	9,331	-	6,198	(3,133)
General administration:				
Data processing	4,055	-	-	(4,055)
All other general administration	191,815	-	77,114	(114,701)
Plant services	109,982	-	-	(109,982)
Facility acquisition and construction	-	381	14,306	14,687
Transfers between agencies	126	-	-	(126)
Other outgo	-	-	8,628	8,628
Total Governmental Activities	<u>\$ 1,460,687</u>	<u>\$ 10,096</u>	<u>\$ 531,510</u>	<u>(919,081)</u>
<b>GENERAL REVENUES</b>				
Taxes and subventions:				
Property taxes levied for general purposes				1,082,424
Taxes levied for other specific purposes				52,236
Federal and state aid not restricted to specific purposes				121,433
Interest and investment earnings				9,982
Interagency revenues				194
Miscellaneous				10,040
Total General Revenues				<u>1,276,309</u>
Change in Net Position				357,228
Net Position - Beginning				<u>1,944,135</u>
Net Position - Ending				<u><u>\$ 2,301,363</u></u>

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

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2021

	General Fund	Foundation Permanent Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and equivalents	\$ 1,588,249	\$ 57,592	\$ 10,072	\$ 1,655,913
Investments	-	1,098,542	-	1,098,542
Accounts receivable	97,093	-	-	97,093
<b>Total Assets</b>	<b>\$ 1,685,342</b>	<b>\$ 1,156,134</b>	<b>\$ 10,072</b>	<b>\$ 2,851,548</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 47,339	\$ -	\$ 350	\$ 47,689
Unearned Revenue	19,513	-	-	19,513
<b>Total Liabilities</b>	<b>66,852</b>	<b>-</b>	<b>350</b>	<b>67,202</b>
<b>FUND BALANCES</b>				
Non spendable				
Cash in revolving fund	150	-	-	150
Restricted	163,745	1,098,542	9,722	1,272,009
Assigned				
Other assignments	267,520	57,592	-	325,112
Unassigned				
Reserve for economic uncertainties	73,317	-	-	73,317
Unassigned amount	1,113,758	-	-	1,113,758
<b>Total Fund Balance</b>	<b>1,618,490</b>	<b>1,156,134</b>	<b>9,722</b>	<b>2,784,346</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,685,342</b>	<b>\$ 1,156,134</b>	<b>\$ 10,072</b>	<b>\$ 2,851,548</b>

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



HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021

	Detail	Total
Total fund balances - governmental funds		\$ 2,784,346
<p>Amounts reported for governmental activities in the Statement of Net Position differ from amounts reported in governmental funds as follows:</p>		
<p>Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Historical cost of capital assets	\$ 1,751,690	
Accumulated depreciation	(1,143,201)	
		608,489
<p>Contributions to pension plans made subsequent to the measurement date are reported as expenditures in governmental funds, however, these contributions are reported as deferred outflows of resources in the statement of net position.</p>		
		129,105
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities, net of unamortized premiums, discounts, and deferred charges, are included in the Statement of Net Position.</p>		
Net pension liability		(1,347,696)
<p>Deferred outflows and inflows of resources relating to pensions:</p>		
<p>In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pension are reported.</p>		
Deferred outflows of resources related to pensions		219,764
Deferred inflows of resources relating to pensions		(92,645)
Total net position, governmental activities		\$ 2,301,363

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

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Foundation Permanent Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
LCFF sources:				
State apportionments	\$ 95,749	\$ -	\$ -	\$ 95,749
Local sources	1,082,424	-	-	1,082,424
Federal	95,804	-	-	95,804
Other state	173,918	-	-	173,918
Other local	134,677	225,204	10,139	370,020
Total Revenues	<u>1,582,572</u>	<u>225,204</u>	<u>10,139</u>	<u>1,817,915</u>
<b>EXPENDITURES</b>				
Instruction	788,001	-	-	788,001
Instruction related services:				
Supervision of instruction	46,649	-	-	46,649
School site administration	305,809	9,891	-	315,700
Pupil services:				
All other pupil services	9,458	-	-	9,458
General administration:				
Data processing	4,055	-	-	4,055
All other general administration	196,412	-	-	196,412
Plant services	95,835	-	-	95,835
Facility acquisition and construction	-	-	769	769
Transfers between agencies	126	-	-	126
Total Expenditures	<u>1,446,345</u>	<u>9,891</u>	<u>769</u>	<u>1,457,005</u>
Excess (deficiency) of revenues over (under) expenditures	<u>136,227</u>	<u>215,313</u>	<u>9,370</u>	<u>360,910</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	136,227	215,313	9,370	360,910
Fund Balance - Beginning	<u>1,482,263</u>	<u>940,821</u>	<u>352</u>	<u>2,423,436</u>
Fund Balance - Ending	<u>\$ 1,618,490</u>	<u>\$ 1,156,134</u>	<u>\$ 9,722</u>	<u>\$ 2,784,346</u>

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

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT  
OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

	Detail	Total
Total change in fund balances - governmental funds		\$ 360,910
<p>Amounts reported for governmental activities differ from amounts reported in governmental funds as follows:</p>		
<p>Capital Outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay	\$ 769	
Depreciation expense	(36,804)	
		(36,035)
<p>Contributions to pension plans made subsequent to the measurement date are reported as expenditures in governmental funds, however, these contributions are reported as deferred outflows of resources in the statement of net position.</p>		
		129,105
<p>Changes in the net pension liability, deferred outflows of and deferred inflows of resources are reported as pension expenses in the statement of activities.</p>		
		(96,752)
Change in net position of governmental activities		\$ 357,228

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

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

**A. General Statement**

The Happy Valley Elementary School District is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five-member Board of Trustees (Board), elected by registered voters of the District. The District, comprised an area in Santa Cruz County, was established in 1864, and currently serves students of Kindergarten through sixth grade.

**B. Accounting Policies**

The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB), and the American Institute of Certified Public Accountants (AICPA). The District complies with the policies and procedures of the Department of Education's *California School Accounting Manual*.

**C. Reporting Entity**

The Board, elected by the public, has authority to make decisions, appoint administrators and managers, and significantly influence operations; furthermore, it has primary accountability for fiscal matters. The District is therefore a financial reporting entity, as defined by the GASB in its Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District has reviewed criteria to determine whether other entities with District-benefiting activities should be included within its financial reporting entity. The criteria include, but are not limited to: whether the District exercises oversight-responsibility (including financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District determined that no outside entity meets these criteria, and therefore, no agency has been included as a component unit in the District's general-purpose financial statements. Additionally, the District is not aware of any entity that would exercise such oversight-responsibility resulting in the District being considered a component unit of that entity.

**D. Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2021, with effective dates that may impact future financial presentations; however, the impact of implementation of the following Statements to the District's financial statements has not been assessed at this time.

Statement No. 87, *Leases*

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement is intended to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 1.     SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

In June of 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement intends to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) to simplify accounting for interest cost incurred before the end of a construction period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

Statement No. 91, *Conduit Debt Obligations*

In May 2019, GASB issued Statement No. 91 *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

Statement No. 92, *Omnibus 2020*

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged and is permitted by topic.

Statement No. 96, *Subscription-Based Information Technology Arrangements*

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 1.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

The District will analyze the impact of these new Statements prior to the effective dates listed above.

The provisions of these Statements are generally required to be applied retroactively for all periods presented. Early application, if allowable, was not adopted.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 1.     SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Basis of Presentation**

**1. Government-Wide Financial Statements**

Government-wide financial statements (i.e., statement of net position, and statement of activities) report information on all nonfiduciary activities of the District and its component units. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to significantly on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which it is financially accountable.

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

**2. Fund Financial Statements**

Financial transactions of the District are reported in individual funds in the fund financial statements. Funds are accounted for by providing separate self-balancing accounts, constituting their assets, liabilities, reserves, equity, revenues, and expenditures/expenses, as appropriate.

The emphasis in fund financial statements is on major funds in governmental-activities categories. Non-major funds, by category, are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category, or governmental and enterprise funds combined) for the determination of major funds.

The District's accounts are organized into major and non-major governmental funds as follows:

**a. Major Governmental Funds**

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources, except those specifically requiring accounting for in another fund.

The *Foundation Permanent Fund* is used to account for restricted endowment donations and related earned income. The District maintains these funds with the Community Foundation of Santa Cruz County and the County Treasury. A Board Resolution, relating to funds with the Community Foundation of Santa Cruz County, restricts twenty-five percent of earned income to additional principal, and allows seventy-five percent of earned income to supplement instructional programs in the General Fund, with board approval.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 1.     SIGNIFICANT ACCOUNTING POLICIES (Continued)**

b. Non-major Governmental Funds

*Special Revenue Funds* are used to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. The District maintains the following non-major special revenue fund:

The *Cafeteria Fund* is used to account for revenues and expenditures associated with the District's food service program.

*Capital Projects Funds* are used to account for acquisition and construction of all major governmental capital assets. The District maintains the following non-major capital projects fund:

The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under California Environmental Quality Act (CEQA) provisions.

The *County School Facilities Fund* is used to account for State apportionments provided from State School Facility Program funding, and expenditures relating to acquisition, construction, or renovation of approved capital facilities projects.

F. Basis of Accounting

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting.

Governmental funds are reported using the current financial resources measurement focus, and the modified accrual basis of accounting.

1. Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter, for use in paying liabilities of the current fiscal year. For the District, "available" means collectable within the current period or within 45, 60, or 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts, and 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 as collectible within one year.



HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 1.     SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

2. Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

3. Expenses/Expenditures

Under accrual basis of accounting, expenses are recognized at the time incurred. However, 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 related fund liability is incurred, if measurable. Allocations of cost, (i.e., depreciation and amortization), are not recognized on governmental fund financial statements.

G. Budgets and Budgetary Accounting

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

During the year, these budgets are revised by the District's governing board and superintendent to give consideration to unanticipated revenue and expenditures. Original and final revised budgets for the General Fund are presented as required supplementary information in these financial statements.

During the year, formal budgetary integration was employed as a management control device for all budgeted funds. The District employs budget control by minor object and individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 1.     SIGNIFICANT ACCOUNTING POLICIES (Continued)**

H. Encumbrances

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

I. Assets, Liabilities, and Equity

1. Cash and Equivalents

The District considers all highly liquid investments, with a maturity of three months or less at the time of purchase, to be cash equivalents.

2. Receivables

Accounts receivable in governmental fund types consist primarily of receivables from federal, state, and local governments for various programs.

3. Prepaid Expenditures

The District has the option of reporting expenditures for prepaid items in governmental funds either when paid, or during the benefiting period. The District has chosen to report the expenditure when paid and, therefore, no asset is reported.

4. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$20,000 or more, and are reported at historical cost, or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets, or materially extend the asset's lives, are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis and an annual convention over the following estimated useful lives:

Land improvements	20
Buildings and improvements	20 - 50

5. Compensated Absences

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

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 1.     SIGNIFICANT ACCOUNTING POLICIES (Continued)**

6. Pensions

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

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 2, 2019 to June 30, 2020

7. Accrued Liabilities and Long-Term Obligations

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

8. Deferred Outflows/Inflows of Resources

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

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

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 1.     SIGNIFICANT ACCOUNTING POLICIES (Continued)**

9. Fund Balance Classifications

The governmental fund financial statements present fund balances based on a classification hierarchy that depicts the extent to which the District is bound by spending constraints imposed on the use of its resources. The classifications used in the governmental fund financial statements are as follows:

a. Non-spendable Fund Balance

The non-spendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory and prepaid items. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact.

b. Restricted Fund Balance

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide statements.

c. Committed Fund Balance

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the highest level of decision-making authority. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

d. Assigned Fund Balance

The assigned fund balance classification reflects amounts that the District intends to be used for specific purposes. Assignments may be established either by the Board of Trustees or by a designee of the Board of Trustees and are subject to neither the restricted nor committed levels of constraint.

Constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the highest level of decision-making authority. The action may be delegated to another body or official.

e. Unassigned Fund Balance and Minimum Fund Balance Policy

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 1.     SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Reserve for Economic Uncertainties maintained by the District pursuant to the Criteria and Standards for fiscal solvency adopted by the State Board of Education is a stabilization-like arrangement of the "minimum fund balance policy" type. The Reserve for Economic Uncertainties does not meet the criteria to be reported as either restricted or committed because it is not an externally enforceable legal requirement, and because even where the Reserve for Economic Uncertainties is established by formal action of the District's highest level of decision-making authority, the circumstances in which the Reserve for Economic Uncertainties might be spent are by their nature neither specific nor non-routine. For this reason, the Reserve for Economic Uncertainties is reported as unassigned fund balance.

The District maintains a minimum Reserve for Economic Uncertainties of no less than 5 percent of budgeted General Fund expenditures in Fund 17 Special Reserve Fund. The District also maintains an unassigned fund balance of 15 percent also in the Special Reserve Fund and then a healthy unassigned General Fund balance for unknown and fluctuating special education costs as well as facility costs that vary year to year and come up without much warning. The District believes a reserve of these levels is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues to which Basic Aid Districts such as this District are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the District keeps the balances necessary to cover extenuating expense circumstances unassigned.

The District's policy regarding the order in which spendable fund balances are spent when more than one classification is available for a specific purpose is that they are spent in restricted, committed, assigned, and then unassigned order.

**10. Local Control Funding Formula / Property Taxes**

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

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

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

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

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

**NOTE 1.     SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The District's Base Local Control Funding Formula Revenue is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

**J.   Investment Valuation**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Cash in County Treasury pools are measured at fair value using level 1 inputs. Fair market value adjustments have not been recorded as they are determined immaterial to the District.

**K.   Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

**NOTE 2.     CASH, EQUIVALENTS AND INVESTMENTS**

Cash, equivalents and investments at June 30, 2021 are classified in the accompanying financial statements as follows:

	Governmental Activities
Cash and Equivalents	
Pooled Funds:	
Cash in county treasury	\$ 1,655,763
Deposits:	
Cash in revolving fund	150
Total Cash and Equivalents	\$ 1,655,913
Investments:	
Santa Cruz Community Foundation	\$ 1,098,542
Total Investments	\$ 1,098,542

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 2.**     CASH, EQUIVALENTS AND INVESTMENTS (Continued)

A. Cash in County Treasury

In accordance with *Education Code* 41001, the District maintains substantially all cash in the Santa Cruz County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the County and invests the cash. The share of each fund in the pooled cash account is accounted for separately, and interest earned is apportioned quarterly to funds legally required to receive interest, based on the relationship of a fund's daily balance to total pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements, in that unrealized gains or losses are not distributed to pool participants.

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, Investments were stated at cost, as the fair market value adjustment at the year-end was immaterial.

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

The Treasury is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 2. CASH, EQUIVALENTS AND INVESTMENTS (Continued)**

**B. Investments Authorized by the District's Investment Policy**

The table below identifies investment types authorized for the District by the *California Government Code* Section 53601. This table also identifies certain provisions of the *California Government Code* that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations			
CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper - Non-Pooled Funds	270 days or less	25% of the agency's money	Highest letter and number rating by an
Commercial Paper - Pooled Funds	270 days or less	40% of the agency's money	Highest letter and number rating by an
Negotiable Certificates of Deposit	5 years	30%	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	50%	None
Placement Service Certificates of Deposit	5 years	50%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None
Medium-Term Notes	5 years or less	30%	"A" rating category or its equivalent or better
Mutual Funds and Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through and Asset-Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better
County Pooled Investment Funds	N/A	None	None
Joint Power Authority Pools	N/A	None	Multiple
Local Agency Investment Funds (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years or less	30%	"AA" rating category or its equivalent or better
Public Bank Obligations	5 years	None	None

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. As of June 30, 2021, the weighted average maturity of the investments contained in the Treasury investment pool was 435 days.



HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 2.**     CASH, EQUIVALENTS AND INVESTMENTS (Continued)

D. Credit Risk

Generally, credit risk, is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

E. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk for deposits.

Cash balances in banks and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2021, the District's bank balances were fully insured.

F. Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. 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 investments.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 3. CAPITAL ASSETS**

The changes in capital assets for the year ended June 30, 2021, are shown below:

	Balance July 1, 2020	Additions	Decreases	Balance June 30, 2021
Capital Assets Not Being Depreciated:				
Construction in progress	\$ 173,552	\$ 769	\$ -	\$ 174,321
Total Capital Assets Not Being Depreciated	<u>173,552</u>	<u>769</u>	<u>-</u>	<u>174,321</u>
Capital Assets Being Depreciated:				
Land improvements	528,645	-	-	528,645
Buildings and improvements	1,048,724	-	-	1,048,724
Total Capital Assets Being Depreciated	<u>1,577,369</u>	<u>-</u>	<u>-</u>	<u>1,577,369</u>
Less Accumulated Depreciation for:				
Land improvements	(165,816)	(22,657)	-	(188,473)
Buildings and improvements	(940,581)	(14,147)	-	(954,728)
Total Accumulated Depreciation	<u>(1,106,397)</u>	<u>(36,804)</u>	<u>-</u>	<u>(1,143,201)</u>
Total Capital Assets Being Depreciated, Net	<u>470,972</u>	<u>(36,804)</u>	<u>-</u>	<u>434,168</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 644,524</u>	<u>\$ (36,035)</u>	<u>\$ -</u>	<u>\$ 608,489</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 22,657
Plant services	<u>14,147</u>
Total Depreciation Expense	<u>\$ 36,804</u>

**NOTE 4. INVESTMENT FUND HELD AT SANTA CRUZ COMMUNITY FOUNDATION**

The Santa Cruz Community Foundation (Foundation) acts as an agent on behalf of the District holding mutual funds and marketable securities that were previously donated to the District. The Foundation invests the funds on the District's behalf in instruments that are fully insured or collateralized. The Foundation reports the District's fund as an agency fund, providing the District with annual audited financial statements and interim unaudited data on a quarterly basis.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

**NOTE 5. PENSION PLANS**

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).

**A. California State Teachers' Retirement System**

**1. Plan Description and Provisions**

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues publicly available reports, including full description of the pension plans regarding benefit provisions, assumptions, and membership information, found on CalSTRS' website.

**2. Benefits Provided**

The plan provides retirement, disability, and survivor benefits to beneficiaries. Beneficiaries of a retired member who elected an option receive a continuing lifetime benefit upon the member's death.

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

Hire Date	<u>After January 1, 2013</u>	<u>On Or Before December 31, 2012</u>
Benefit Formula	2% @ age 62	2% @ age 60
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Payable upon retirement	Payable upon retirement
Retirement Age	Age 55 with at least 5 years service.	Age 55 with at least 5 years service, or age 50 with 30 years of service.
Monthly Benefits as a % of Eligible Compensation	Variable based on age factor 2.0% at age 62 to 2.4% maximum at age 65 or older.	Variable based on age factor 2.0% at age 60 to 2.4% maximum at age 63 or older.
Required Employee Contribution Rates	10.205%	10.250%
Required Employer Contribution Rates	16.15%	16.15%
Required State Contribution Rates	10.328%	10.328%

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 5.     PENSION PLANS** (Continued)

3. Contributions

Active plan members are required to contribute 10.21 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board.

For the year ended June 30, 2021, the contributions recognized as part of pension expense for the Plan were as follows:

Contributions - employer	\$	105,918
Contributions - state on behalf	\$	76,133

4. Discount Rate

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

**NOTE 5. PENSION PLANS (Continued)**

The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	42.00%	4.80%
Real assets	15.00%	3.60%
Private equity	13.00%	6.30%
Fixed income	12.00%	1.30%
Risk mitigating strategies	10.00%	1.80%
Inflation sensitive	6.00%	3.30%
Cash/liquidity	2.00%	-0.40%

**5. On Behalf Payment**

The State of California makes contributions to STRS on behalf of the District. Under accounting principles generally accepted in the United States of America, these amounts have been recorded as revenue in the government-wide financial statements. For the year ended June 30, 2021 the District has recorded \$76,133 of State on behalf payments as revenue.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

**NOTE 5. PENSION PLANS** (Continued)

**B. California Public Employees' Retirement System**

**1. Plan Description and Provisions**

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports, including full description of the pension plans regarding benefit provisions, assumptions, and membership, found on CalPERS' website.

**2. Benefits Provided**

The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. 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 age fifty with statutorily reduced benefits. All members are eligible for non-duty disability benefits after ten years of service.

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

	<u>PEPRA</u>	<u>Classic</u>
Hire Date	<u>After January 1, 2013</u>	<u>On Or Before December 31, 2012</u>
Benefit Formula	2% @ age 62	2% @ age or 55
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly	Monthly
Retirement Age	Age 52 with at least 5 years service	Age 50 with at least 5 years service
Monthly Benefits as a % of Eligible Compensation	Variable based on age factor 2.0% at age 62 to 2.4% maximum	Variable based on age factor 2.0% at age 55 to 2.5% maximum
Required Employee Contribution Rates	7.00%	7.00%
Required Employer Contribution Rates	20.70%	20.70%

**3. Contributions**

Active plan members are required to contribute 7.0 percent of their salary, while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions for determining the rate are those adopted by CalPERS' Board of Administration.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 5.**     PENSION PLANS (Continued)

For the year ended June 30, 2021, the contributions recognized as part of pension expense for the Plan were as follows:

Contributions - employer	\$	23,613
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4. Discount Rate

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

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 long-term expected rate of return, staff considered both short and long-term market return expectations, as well as expected pension fund cash flows. Such cash flows were developed assuming that, in all future years, both members and employers will make their required contributions as scheduled. Using historical returns of all fund asset classes, expected compound (geometric) returns were calculated over short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short and long-term, the present value of benefits was calculated for each fund. Expected rate of return was set by calculating the single equivalent expected return arriving at the present value of benefits for cash flows equal to that calculated using both short and long-term returns. The expected rate of return was then set as the single equivalent rate and rounded down to the nearest quarter of a percent.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

**NOTE 5. PENSION PLANS (Continued)**

The table below reflects 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 geometric rates of return are net of administrative expenses.

	Asset Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Entity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

(a) an expected inflation of 2.00% used for this period

(b) an expected inflation of 2.92% used for this period

**C. Social Security**

As established by Federal law, public-sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.



HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

**NOTE 5. PENSION PLANS (Continued)**

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

**1. Pension Liability**

As of June 30, 2021, the District reported net pension liabilities for its proportionate shares of each Plan's net pension liability as follows:

CalSTRS	\$	1,092,824
CalPERS		254,872
Total District net pension liability		1,347,696
State's proportionate share of the CalSTRS net pension liability associated with the District		
		563,351
Total	\$	1,911,047

The District's net pension liability for each Plan is measured as its proportionate share of the net pension liability. The net pension liability of each Plan is measured as of June 30, 2020. The total pension liability for each Plan used to calculate net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020 using standard update procedures. The District's proportion of 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, actuarially determined. The District's proportionate share of net pension liability for each Plan as of June 30, 2019 and 2020 was as follows:

	CalSTRS	CalPERS
District Proportion - June 30, 2019	0.0011%	0.0008%
District Proportion - June 30, 2020	0.0011%	0.0008%
Change - Increase (Decrease)	0.0000%	0.0000%

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 5. PENSION PLANS (Continued)**

2. Pension Expenses and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2021, the District recognized pension expense of \$226,283. At June 30, 2021, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 129,105	\$ -
Differences between actual and expected experience	23,767	(40,364)
Changes in assumptions	219,764	-
Change in employer's proportion and difference between the employer's contributions and the employer's proportionate share contributions	204,504	(262,959)
Net differences between projected and actual earnings on plan investments	28,403	(45,996)
Total	\$ 605,543	\$ (349,319)

The \$129,105 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as pension expense as follows:

For the Year Ended June 30:		
2022	\$	90,798
2023		45,018
2024		10,842
2025		(4,628)
2026		(7,532)
Thereafter		(7,379)
	\$	127,119

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

**NOTE 5. PENSION PLANS (Continued)**

3. Actuarial Assumptions.

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

	<u>CalSTRS</u>	<u>CalPERS</u>
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2020
Measurement Period	July 2, 2019 through June 30, 2020	July 2, 2019 through June 30, 2020
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation Rate	2.75%	2.50%
Payroll Growth	3.50%	Varies by Entry Age and Service
Investment Rate of Return	7.10%	7.15%
Experience Study / Period Upon Which Actuarial Experience Survey Assumptions Were Based	2010-2015	1997-2015
Mortality Rate	(Custom CalSTRS rates) See June 30, 2016 DB Program funding valuation for details.	Derived using CalPERS' Membership Data for all Funds
Post-retirement Benefit Increases	2.00% simple for DB (Annually) Maintain 85% purchasing power level DB, Not applicable for DBS/CBB	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

**NOTE 5. PENSION PLANS** (Continued)

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

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

	<u>CalSTRS</u>		<u>CalPERS</u>	
1% Decrease		6.10%		6.15%
Net Pension Liability	\$	1,516,595	\$	349,099
Current Discount Rate		7.10%		7.15%
Net Pension Liability	\$	1,092,824	\$	254,872
1% Increase		8.10%		8.15%
Net Pension Liability	\$	605,440	\$	153,499

5. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued financial reports.

**NOTE 6. GENERAL LONG-TERM DEBT – SCHEDULE OF CHANGES**

A schedule of changes in long-term debt for the year ended June 30, 2021 is shown below:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due within</u> <u>One Year</u>
Net Pension Liability	\$ 1,238,198	\$ 109,498	\$ -	\$ 1,347,696	\$ -
Totals	<u>\$ 1,238,198</u>	<u>\$ 109,498</u>	<u>\$ -</u>	<u>\$ 1,347,696</u>	<u>\$ -</u>

The net pension liability is liquidated from the funds for which the related employees are compensated.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 7.     RESTRICTED NET POSITION**

The District is a recipient of federal and state awards restricted categorical programs and as a result reported restricted net position in the amount of \$1,329,601. The District is not aware of any planned changes to the underlying legislation enabling restrictions.

**NOTE 8.     JOINT POWERS AGREEMENTS**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year ending June 30, 2021 the District participated in several joint powers agreements (JPAs) to manage these risks. There were no significant reductions in coverage during the year. Settled claims have not exceeded coverage in any of the past three years.

The various JPAs and the services they provide the District are as follows:

- The Southern Peninsula Region Property and Liability Insurance Group (SPRIG) arrange for and provide property and liability insurance coverage for its member agencies.
- The Santa Cruz - San Benito County Schools Insurance Group (SC-SBCSIG) is an insurance purchasing pool, the intent of which is to achieve the benefits of a reduced premium for the member agencies by virtue of its grouping and representation with other participants in the SC-SBCSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SC-SBCSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity-pooling fund" arrangement insures that each participant shares equally in the overall performance of the SC-SBCSIG.
- The Self-Insured Schools of California (SISC III) arranges for and provides medical insurance coverage for its member school districts.
- The Santa Cruz County School Health Insurance Group (HIG) arranges for and provides dental and vision insurance coverage for its member school districts.

The District also participated in one JPAs for other administrative and program operations as follows:

- The North Santa Cruz County Special Education Local Plan Area arranges for and provides special education services for students of member school districts.

The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. The JPAs are governed by boards consisting of representatives from the member agencies. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. Each member district pays premiums commensurate with the level of coverage or service requested, and shares surpluses and deficits proportionate to its participation in the JPA. Separately issued financial statements can be requested from each JPA.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 9.**     STATE TEACHERS' RETIREMENT SYSTEM EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2020/2021, pursuant to California Education Code, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

**NOTE 10.**    COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund, or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

B. Litigation

As of June 30, 2021 the District is not currently involved in any litigation.

C. Commitments

As of June 30, 2021 the District had no material commitments outstanding.

**NOTE 11.**    SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the District through February 9, 2022 and concluded that subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the District's operations and financial results at this time.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Local control sources:				
State apportionments	\$ 23,560	\$ 27,905	\$ 95,749	\$ 67,844
Local sources	1,071,125	1,152,096	1,082,424	(69,672)
Federal	47,462	138,500	95,804	(42,696)
Other state	89,222	168,733	173,918	5,185
Other local	215,842	143,230	134,677	(8,553)
Contributions	(1)	-	-	-
<b>Total Revenues</b>	<b>1,447,210</b>	<b>1,630,464</b>	<b>1,582,572</b>	<b>(47,892)</b>
<b>EXPENDITURES</b>				
Certificated salaries	753,002	692,757	685,277	7,480
Classified salaries	207,057	138,391	138,390	1
Employee benefits	378,578	328,475	325,475	3,000
Books and supplies	41,501	137,635	80,039	57,596
Services and other operating expenditures	199,925	257,003	217,038	39,965
Other outgo	322	322	126	196
<b>Total Expenditures</b>	<b>1,580,385</b>	<b>1,554,583</b>	<b>1,446,345</b>	<b>108,238</b>
Excess (deficiency) of revenues over expenditures before other financing Sources (uses)	(133,175)	75,881	136,227	60,346
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	20,550	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>20,550</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Increase (Decrease) in Fund Balance</b>	<b>(112,625)</b>	<b>75,881</b>	<b>136,227</b>	<b>60,346</b>
Fund Balance - Beginning	1,482,263	1,482,263	1,482,263	-
<b>Fund Balance - Ending</b>	<b>\$ 1,369,638</b>	<b>\$ 1,558,144</b>	<b>\$ 1,618,490</b>	<b>\$ 60,346</b>

See accompanying notes to required supplementary information.



HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>CalSTRS</b>							
District's proportion as a percentage of the net pension liability	0.0013%	0.0015%	0.0014%	0.0014%	0.0016%	0.0013%	0.0011%
District's proportionate share of the net pension liability	\$ 759,681	\$ 1,009,860	\$ 1,133,883	\$ 1,324,802	\$ 1,511,125	\$ 1,195,591	\$ 1,092,824
State's proportionate share of the net pension liability associated with the District	<u>458,733</u>	<u>534,057</u>	<u>645,499</u>	<u>783,742</u>	<u>865,190</u>	<u>652,275</u>	<u>563,351</u>
Total	<u>\$ 1,218,414</u>	<u>\$ 1,543,917</u>	<u>\$ 1,779,382</u>	<u>\$ 2,108,544</u>	<u>\$ 2,376,315</u>	<u>\$ 1,847,866</u>	<u>\$ 1,656,175</u>
District's covered payroll	\$ 375,265	\$ 448,614	\$ 469,180	\$ 499,308	\$ 541,532	\$ 849,837	\$ 346,137
District's proportionate share of the net pension liability as a percentage of covered payroll	202%	225%	242%	265%	279%	141%	316%
Plan fiduciary net position as a percentage of the total pension liability	77%	74%	70%	70%	71%	73%	73%
<b>CalPERS</b>							
District's proportion as a percentage of the net pension liability	0.0022%	0.0020%	0.0019%	0.0021%	0.0021%	0.0021%	0.0008%
District's proportionate share of the net pension liability	\$ 249,754	\$ 294,802	\$ 375,251	\$ 503,713	\$ 559,169	\$ 610,864	\$ 254,872
District's covered payroll	\$ 219,805	\$ 218,832	\$ 224,107	\$ 265,114	\$ 278,381	\$ 417,276	\$ 130,459
District's proportionate share of the net pension liability as a percentage of covered payroll	114%	135%	167%	190%	201%	146%	195%
Plan fiduciary net position as a percentage of the total pension liability	84%	84%	79%	74%	72%	71%	70%

See accompanying notes to required supplementary information.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF CONTRIBUTIONS - PENSION  
FOR THE YEAR ENDED JUNE 30, 2021

	2015	2016	2017	2018	2019	2020	2021
<b>CalSTRS</b>							
Contractually required contribution (actuarially determined)	\$ 48,929	\$ 59,919	\$ 76,614	\$ 95,275	\$ 126,295	\$ 115,840	\$ 110,412
Contributions in relation to the actuarially determined	49,535	59,217	78,353	97,365	119,137	260,050	105,918
Contribution deficiency (excess)	<u>\$ (606)</u>	<u>\$ 702</u>	<u>\$ (1,739)</u>	<u>\$ (2,090)</u>	<u>\$ 7,158</u>	<u>\$ (144,210)</u>	<u>\$ 4,494</u>
Covered payroll	\$ 375,265	\$ 448,614	\$ 469,180	\$ 499,308	\$ 541,532	\$ 849,837	\$ 346,137
Contributions as a percentage of covered payroll*	13%	13%	17%	20%	22%	31%	31%
<b>CalPERS</b>							
Contractually required contribution (actuarially determined)	\$ 26,048	\$ 25,765	\$ 27,095	\$ 37,318	\$ 42,961	\$ 52,443	\$ 31,127
Contributions in relation to the actuarially determined	25,937	26,041	27,117	37,116	43,149	75,527	23,613
Contribution deficiency (excess)	<u>\$ 111</u>	<u>\$ (276)</u>	<u>\$ (22)</u>	<u>\$ 202</u>	<u>\$ (188)</u>	<u>\$ (23,084)</u>	<u>\$ 7,514</u>
Covered payroll	\$ 219,805	\$ 218,832	\$ 224,107	\$ 265,114	\$ 278,381	\$ 417,276	\$ 130,459
Contributions as a percentage of covered payroll*	12%	12%	12%	14%	16%	18%	18%

\* Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use the measure in schedules of required supplementary information. Statement No. 82 amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

See accompanying notes to required supplementary information.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 1. PURPOSE OF REQUIRED SUPPLEMENTARY INFORMATION**

**A. Budgetary Comparison Schedule**

Budgetary comparison schedules are required to be presented for the General Fund and each major special revenue fund that has a legally adopted budget. The originally adopted and final revised budgets are presented for such funds. The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code.

**B. Schedule of the District's Proportionate Share of the Net Pension Liability**

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

**C. Schedule of the District's Plan Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

**D. Changes in Benefits Terms**

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

**E. Changes in Assumptions**

The following are the assumptions for State Teachers Retirement Plan and Public Employer's Retirement Fund B:

CalSTRS Assumptions	Measurement Period				
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Consumer price inflation	2.75%	2.75%	3.00%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.75%	3.75%

CalPERS Assumptions	Measurement Period				
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Discount Rate	7.15%	7.15%	7.15%	7.15%	7.65%

**NOTE 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2021, there were no excess expenditures over appropriations.

SUPPLEMENTARY INFORMATION SECTION

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
OTHER GOVERNMENTAL FUNDS FINANCIAL STATEMENT  
COMBINING BALANCE SHEET  
JUNE 30, 2021

	Cafeteria Fund	Capital Facilities Fund	Total Other Governmental Funds
<b>ASSETS</b>			
Cash and equivalents	\$ 1	\$ 10,071	\$ 10,072
Total Assets	\$ 1	\$ 10,071	\$ 10,072
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ -	\$ 350	\$ 350
Total Liabilities	-	350	350
Fund Balance:			
Non spendable			
Restricted	1	9,721	9,722
Total Fund Balance	1	9,721	9,722
Total Liabilities and Fund Balance	\$ 1	\$ 10,071	\$ 10,072

See accompanying notes to supplementary information.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
OTHER GOVERNMENTAL FUNDS FINANCIAL STATEMENT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2021

	Cafeteria Fund	Capital Facilities Fund	Total Other Governmental Funds
REVENUES			
Other local	\$ -	\$ 10,139	\$ 10,139
Total Revenues	-	10,139	10,139
EXPENDITURES			
Services and other operating expenditures	-	769	769
Total Expenditures	-	769	769
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	-	9,370	9,370
Net Increase (Decrease) in Fund Balance	-	9,370	9,370
Fund Balance - Beginning	1	351	352
Fund Balance - Ending	\$ 1	\$ 9,721	\$ 9,722

See accompanying notes to supplementary information.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2021

Grade Level	2020/2021 Traditional Number of Instructional Days Offered <sup>1</sup>	2020/2021 Approved J-13A Days <sup>2</sup>	2020/2021 Total Credited Days	Status
Kindergarten	175	5	180	In Compliance
Grade one	175	5	180	In Compliance
Grade two	175	5	180	In Compliance
Grade three	175	5	180	In Compliance
Grade four	175	5	180	In Compliance
Grade five	175	5	180	In Compliance
Grade six	175	5	180	In Compliance

<sup>1</sup> The District did not utilize a multitrack calendar during the 2020/2021 fiscal year.

<sup>2</sup> The California Department of Education has approved the request for 5 emergency days for the 2020/2021 fiscal year.

The District complied with article 8 (commencing with section 46200) of chapter 2 of part 26 of the Education Code; showing by grade level and has complied with the instructional days provisions.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021

General Fund:	2021/2022	2020/2021	2019/2020	2018/2019
Revenues and Other Financing Sources	\$ 1,638,052	\$ 1,582,572	\$ 1,773,772	\$ 1,585,140
Expenditures	1,614,003	1,446,345	1,489,018	1,406,195
Other Uses and Transfers Out	20,000	-	44,500	125,096
Total Outgo	1,634,003	1,446,345	1,533,518	1,531,291
Change in Fund Balance	4,049	136,227	240,254	53,849
Ending Fund Balance	\$ 1,622,539	\$ 1,618,490	\$ 1,482,263	\$ 1,242,009
Available Reserves <sup>1</sup>	\$ 1,243,455	\$ 1,187,075	\$ 1,144,075	\$ 944,416
Reserve for Economic Uncertainties	\$ 81,700	\$ 73,317	\$ 77,676	\$ 76,565
Unassigned Fund Balance	\$ 1,161,755	\$ 1,113,758	\$ 1,066,399	\$ 867,851
Available Reserves as a percentage of Total Outgo	76.1%	82.1%	74.6%	61.7%
Total Long-Term Debt	\$ 1,347,696	\$ 1,347,696	\$ 1,238,198	\$ 1,356,365
Average Daily Attendance at P-2	108	109	109	105

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trends 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 increased by \$376,481 over the past two years. The District has not incurred an operating deficit in any of the past three years. The 2021/2022 General Fund budget projects a increase of \$4,049 (0.3%).

For a District of this size, the state recommends available reserves of at least 5% of total General Fund expenditures, transfers out, and other uses (other outgo).

Total long-term debt has decreased by \$8,669 over the past two years.

Average daily attendance has increased by 4 ADA over the past two years. The ADA is anticipated to decrease 1 ADA during the fiscal year 2021/2022.

\* The 2020/2021 budget is included for analytical purposes only and has not been subjected to audit.

<sup>1</sup> Available reserves consists of all unassigned fund balances and reserves for economic uncertainty that are contained within the governmental funds. Unassigned fund balances are typically only reported in the General Fund. However, other governmental funds may report negative unassigned fund balances and are included in the reported available reserves.



HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND  
BUDGET REPORT (SACS) WITH AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects *
June 30, 2021 Annual Financial and Budget Report (SACS) Fund Balance	\$ 1,288,856	\$ 329,634
Adjustments and Reclassifications:		
Reclassification for financial statement presentation	329,634	(329,634)
June 30, 2021 Audited Financial Statement Fund Balance	\$ 1,618,490	\$ -

\* This audit reclassification is made for financial presentation purposes only, pursuant to GASB 54 which, when applied, does not recognize this fund as a special revenue fund type. Therefore, the fund balance is consolidated with the General Fund. However, the District is permitted under current State law to account for this fund as a special revenue fund type for interim reporting and budgeting purposes.

	Capital Assets
<b>Governmental Activities:</b>	
June 30, 2021 Annual Financial and Budget Report (SACS) Capital Assets	\$ 434,168
Adjustments and Reclassifications:	
Capital Assets:	
Construction in progress	174,321
June 30, 2021 Audited Financial Statement Balance	\$ 608,489

	Capital Assets
<b>Business-Type Activities:</b>	
June 30, 2021 Annual Financial and Budget Report (SACS) Capital Assets	\$ 174,321
Adjustments and Reclassifications:	
Capital Assets:	
Construction in progress	(174,321)
June 30, 2021 Audited Financial Statement Balance	\$ -

See accompanying notes to supplementary information.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 1.     PURPOSE OF SUPPLEMENTARY INFORMATION**

**A. Other Governmental Funds Financial Statements**

These statements provide information on the Happy Valley Elementary School District's (District) Governmental non-major funds, by object.

**B. Schedule of Average Daily Attendance**

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

**C. Schedule of Instructional Time**

This schedule presents information on the amount of instructional time and number of days offered by the District and whether the District complied with article 8 (commencing with section 46200) of chapter 2 of part 26 of the Education Code; showing by grade level and has complied with the instructional days provisions. The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day.

**D. Schedule of Financial Trends and Analysis**

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

**E. Reconciliation of Annual Financial and Budget Report (SACS) with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

**F. Schedule of Charter School**

This schedule represents a complete listing of all charter schools authorized by the District and indicates whether their financial activities and balances have been included in the District's annual audited financial statements for the year ended June 30, 2021. The District has not authorized any Charter Schools; therefore this schedule has not been included for 2020/2021.

OTHER INDEPENDENT AUDITOR'S REPORTS

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

### INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Happy Valley Elementary School District  
Santa Cruz, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Happy Valley Elementary School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 9, 2022.

#### **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) to determine the 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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.

*Robinson & Associates, CPAs*

Lakeport, California

February 9, 2022

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees  
Happy Valley Elementary School District  
Santa Cruz, California

### Compliance

We have audited Happy Valley Elementary School District (District)'s compliance with the types of compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, that could have a material effect on each of the District's state programs for the year ended June 30, 2021.

### Management's Responsibility

Compliance with the applicable compliance requirements is the responsibility of the District's management.

### Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the applicable compliance requirements based on our compliance audit.

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 *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct material effect on the programs identified in the below schedule occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Description	Procedures Performed
<b>Local Education Agencies Other Than Charter Schools:</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	No, See Below
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, See Below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	No, See Below
<b>School Districts, County Office of Education and Charter Schools</b>	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study-Course Based	No, See Below
<b>Charter Schools</b>	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study For Charter Schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

We did not perform testing for Ratios of Administrative Employees to Teachers because the District has one or fewer administrators.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District did not apply to be a District of Choice; therefore, we did not perform any procedures related to this program.

The District does not offer an Independent Study - Course Based program; therefore, therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

## Opinion on State Programs

In our opinion, the Happy Valley Elementary School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2021.

*Robinson & Associates, CPAs*

Lakeport, California

February 9, 2022



## FINDINGS AND RESPONSES SECTION

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2021

**Financial Statement Findings**

There were no findings or questioned costs relative to the financial statements.

**Federal Award Findings and Questioned Costs**

There were no findings or questioned costs relative to federal awards or programs.

**State Award Findings and Questioned Costs**

There were no findings or questioned costs relative to state awards or programs.

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation, If Not Implemented</u>
There were no prior year findings.		