



Vallecitos School District

County of San Diego
Fallbrook, California

Audit Report

June 30, 2021



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



Vallecitos School District

Table of Contents

June 30, 2021

INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	11
Statement of Net Position	11
Statement of Activities.....	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Notes to the Financial Statements.....	17
REQUIRED SUPPLEMENTARY INFORMATION	53
Budgetary Comparison Schedule – General Fund.....	53
Schedule of the District’s Proportionate Share of the Net Pension Liability - CalSTRS	54
Schedule of the District’s Contributions - CalSTRS	55
Schedule of the District’s Proportionate Share of the Net Pension Liability – CalPERS.....	56
Schedule of the District’s Contributions - CalPERS	57
Notes to Required Supplementary Information	58
COMBINING STATEMENTS AS SUPPLEMENTARY INFORMATION	61
Combining Balance Sheet – Nonmajor Governmental Funds.....	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	62
Combining Balance Sheet – Nonmajor Special Revenue Funds	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	64
OTHER SUPPLEMENTARY INFORMATION	65
Local Education Agency Organization Structure	65
Schedule of Instructional Time.....	66
Schedule of Financial Trends and Analysis.....	67
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	68
Schedule of Charter Schools.....	69

Vallecitos School District

Table of Contents

June 30, 2021

OTHER INDEPENDENT AUDITORS' REPORTS **70**

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 70

Independent Auditor's Report on State Compliance 72

AUDITOR'S RESULTS, FINDINGS & RECOMMENDATIONS **75**

Schedule of Auditor's Results 75

Schedule of Findings and Questioned Costs..... 76

Schedule of Prior Year Audit Findings..... 77

Independent Auditor's Report

To the Board of Education
Vallecitos School District
Fallbrook, 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 Vallecitos School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 Vallecitos School District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

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

Wilkinson Hadley King & Co LLP

El Cajon, California
January 31, 2022

VALLECITOS SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2021

As management of the Vallecitos School District (the District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the District’s basic financial statements, which begin immediately following this analysis. This annual financial report consists of two main parts (1) Management’s Discussion and Analysis, (2) Basic Financial Statements, followed by Required Supplementary Information.

These financial statements consist of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board Statement No. 34. *Basic Financial Statements – Management Discussion and Analysis for the State and Local Governments*.

FINANCIAL HIGHLIGHTS

- The change in net position for the year was a decrease of \$63,692.
- The District had an excess (deficiency) of revenue over (under) expenditures in the General Fund (before transfers) in the amount of (\$49,200) in the current year compared (\$44,437) in the previous year.
- This year the District had additions to capital assets of \$135,345.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements.

Basic Financial Statements

The basic financial statements include government-wide financial statements and fund statements. The two sets of statements are tied together by reconciliation showing why they differ.

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector.

VALLECITOS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2021

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Basic Financial Statements (continued)

More detailed information about the District's most significant funds, not the District as a whole, is provided in the fund financial statements. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The *Statement of Net Position*, a government-wide statement, presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities*, a government-wide statement, presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Balance Sheet* for governmental funds presents financial information by fund types showing money left at year-end available for spending.

The *Statement of Revenues, Expenditures and Changes in Fund Balances* for all governmental fund types focuses on how money flows into and out of the various funds.

The *Notes to the Basic Financial Statements* are included to provide more detailed data and explain some of the information in the statements.

The *Required Supplementary Information* provides a budgetary comparison of each major fund and the schedules relating to the net pension liabilities.

The *Supplementary Information* gives an overview of the operations of the District, governing body and budgetary comparisons of the non-major funds.

VALLECITOS SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

To begin our analysis, a summary of the District’s Statement of Net Position is presented in Table 1 below for the current year and the prior year.

Net position may serve over time, as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,159,042 as of June 30, 2021.

A large portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture, and equipment.); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its constituents; consequently, these assets are not available for future spending.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

TABLE 1
Statement of Net Position

	2021	2020	\$ Change	% Change
ASSETS				
Current and other assets	2,487,807	2,445,939	41,868	1.7%
Capital assets, net of depreciation	1,410,182	1,352,574	57,3608	4.3%
TOTAL ASSETS	3,897,989	3,798,513	99,476	2.6%
DEFERRED OUTFLOWS OF RESOURCES				
	907,809	896,758	11,051	1.2%

VALLECITOS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Statement of Net Position (continued)

TABLE 1 (Continued)
Statement of Net Position

	2021	2020	\$ Change	% Change
LIABILITIES				
Current liabilities	482,697	448,183	34,514	7.7%
General long-term liabilities	2,954,829	2,617,200	337,629	12.9%
TOTAL LIABILITIES	3,437,526	3,065,383	372,143	12.1%
DEFERRED INFLOWS OF RESOURCES				
	209,230	413,291	(204,061)	-49.4%
NET POSITION				
Net investment in capital assets	1,410,182	1,352,573	57,609	4.3%
Restricted	685,853	540,033	145,820	27.0%
Unrestricted	-936,993	-676,010	(260,983)	38.6%
TOTAL NET POSITION	1,159,042	1,216,596	(57,554)	-4.7%

Statement of Activities

- The District's total revenues for the fiscal year ended June 30, 2021, excluding inter-fund transfers, increased by \$497,741.
- The District's total expenses increased by \$699,073.
- The District's net position was \$1,159,042.

VALLECITOS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Statement of Activities (continued)

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2021, and June 30, 2020:

TABLE 2
Statement of Activities

	2021	2020	\$ Change	% Change
REVENUES				
Program revenues	1,504,560	752,074	752,486	100.1%
General revenues	2,292,186	2,546,931	(254,745)	-10.0%
TOTAL REVENUES	3,796,746	3,299,005	497,741	15.1%
FUNCTIONAL EXPENSES				
Instruction	2,394,456	2,023,126	371,330	18.4%
Instruction-related services	374,308	368,114	6,194	1.7%
Pupil services	285,715	198,432	87,283	44.0%
Ancillary services	3,213	4,475	(1,262)	-28.2%
General administration	417,172	280,706	136,466	48.6%
Plant services	385,574	286,512	99,062	34.6%
Other outgo	-	-	-	-
Depreciation (unallocated)	-	-	-	-
TOTAL EXPENSES	3,860,438	3,161,365	699,073	22.1%
CHANGE IN NET POSITION	(63,692)	137,640	(201,332)	-146.3%
NET POSITION - BEGINNING	1,222,734	1,078,956	143,778	13.3%
Prior Period Adjustment	-	6,138	(6,138)	-
NET POSITION - ENDING	1,159,042	1,222,734	(63,692)	-4.7%

VALLECITOS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Significant Changes in Individual Funds

TABLE 3
Individual Fund Balances

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$1,571,411	\$1,620,611	\$ -49,200	-3.0%
Nonmajor Governmental Funds	64,762	17,903	46,859	261.7%
County School Facilities Fund	368,937	365,380	3,557	1.0%
Total Fund Balances	<u>2,005,110</u>	<u>2,003,894</u>	<u>1,256</u>	<u>0.4%</u>

General Fund Budgetary Highlights

	<u>Final Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Certificated salaries	<u>\$1,257,354</u>	<u>\$1,273,494</u>	<u>\$ (16,140)</u>
Classified salaries	<u>426,780</u>	<u>475,790</u>	<u>\$ (49,010)</u>
Employee benefits	<u>641,165</u>	<u>690,703</u>	<u>\$ (49,538)</u>
Services & other operating expense	<u>609,088</u>	<u>793,243</u>	<u>\$ (184,155)</u>

The District's total budget for the General Fund Budget for this year showed an excess of expenditures over revenues (before transfers) of (\$290,864) compared to the actual amount of (\$52,156). The District's financial results were over the adopted budget by \$248,904.

VALLECITOS SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2021

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Increases to capital assets during the year were primarily due to the new septic system.

TABLE 4
Changes in Capital Assets

	2021	2020	\$ Change	% Change
Land	\$6,161	\$ 6,161	\$	0.0%
Work in progress	234,132	234,132		0.0%
Buildings	1,233,022	1,150,604	82,418	7.2%
Land improvements	749,212	749,212		0.0%
Equipment	404,594	351,667	52,927	15.1%
Less: accumulated depreciation	<u>(1,216,939)</u>	<u>(1,139,202)</u>	<u>(77,737)</u>	6.8%
Total capital assets, net of depreciation	<u>1,410,182</u>	<u>1,352,574</u>	<u>57,608</u>	4.3%

Long-Term Liabilities

TABLE 5
Changes Long-Term Liabilities

	2021	2020	\$ Change	% Change
Net Pension Liability	<u>\$2,954,829</u>	<u>\$2,617,200</u>	<u>\$ 337,629</u>	12.9%
Total long-term liabilities	<u>2,954,829</u>	<u>2,617,200</u>	<u>337,629</u>	12.9%

FACTORS BEARING ON THE DISTRICT’S FUTURE

The District’s outlook for future years is tied to growth and the Local Control Funding Formula (LCFF) allocation. As with many other districts, the District is facing the challenge of covering step and column increases in employee salaries as well as increases in STRS and PERS contribution rates, along with other fixed costs. Another area of challenge will be continued and increasing facilities maintenance and repair needs due to the age of the district buildings and equipment. The Federal and State CARES Act funding has been a much-needed financial resource, however the District still faces the issue of decreased ADA due to the pandemic impact. The District continues to closely monitor student enrollment and attendance.

VALLECITOS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2021

CONTACTING THE DISTRICT

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report, please direct them to Linda Miller, Business Manager at (760) 728-7092, or by mail at 5211 5TH Street, Fallbrook CA 92028.

Basic Financial Statements

Vallecitos School District

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,707,532
Accounts Receivable	780,275
Capital Assets:	
Land	6,161
Land Improvements	749,212
Buildings & Improvements	1,233,022
Equipment	404,594
Work in Progress	234,132
Less Accumulated Depreciation	<u>(1,216,939)</u>
Total Assets	<u>3,897,989</u>
 Deferred Outflows of Resources	 <u>907,809</u>
 Liabilities	
Accounts Payable and Other Current Liabilities	482,697
Long-Term Liabilities:	
Due Within One Year	-
Due In More Than One Year	<u>2,954,829</u>
Total Liabilities	<u>3,437,526</u>
 Deferred Inflows of Resources	 <u>209,230</u>
 Net Position	
Net Investment in Capital Assets	1,410,182
Restricted For:	
Capital Projects	369,472
Educational Programs	242,154
Other Purposes (Expendable)	64,227
Other Purposes (Nonexpendable)	10,000
Unrestricted	<u>(936,993)</u>
Total Net Position	<u>\$ 1,159,042</u>

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

Vallecitos School District

Statement of Activities

For the Year Ended June 30, 2021

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					Governmental Activities
Instruction	\$ 2,394,456	\$ 286,839	\$ 759,516	\$ 3,557	\$ (1,344,544)
Instruction-Related Services:					
Instructional Supervision and Administration	6,293	-	6,571	-	278
School Site Administration	368,015	-	18,918	-	(349,097)
Pupil Services:					
Home-to-School Transportation	3,176	-	43,067	-	39,891
Food Services	120,798	1,043	146,916	-	27,161
All Other Pupil Services	161,741	-	163,266	-	1,525
General Administration:					
Centralized Data Processing	23,661	-	-	-	(23,661)
All Other General Administration	393,511	3,016	4,081	-	(386,414)
Plant Services	385,574	24,326	38,255	-	(322,993)
Ancillary Services	3,213	-	5,189	-	1,976
Total Governmental Activities	<u>\$ 3,860,438</u>	<u>\$ 315,224</u>	<u>\$ 1,185,779</u>	<u>\$ 3,557</u>	<u>(2,355,878)</u>
General Revenues					
Taxes and Subventions:					
Property Taxes, Levied for General Purposes					
				\$	963,745
Federal and State Aid Not Restricted for Specific Purposes					
					1,253,470
Interest and Investment Earnings					
					18,332
Miscellaneous					
					56,639
Total General Revenues					
					<u>2,292,186</u>
Change in Net Position					
					(63,692)
Net Position - Beginning of Year (As Restated - Note S)					
					<u>1,222,734</u>
Net Position - Ending					
				\$	<u><u>1,159,042</u></u>

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

Vallecitos School District

Balance Sheet – Governmental Funds

June 30, 2021

	General Fund	County School Facilities Fund	Nonmajor Governmental Funds	Total
Assets				
Cash in County Treasury	\$ 1,260,519	\$ 368,300	\$ 60,598	\$ 1,689,417
Cash on Hand and in Banks	8,115	-	-	8,115
Cash in Revolving Fund	10,000	-	-	10,000
Accounts Receivable	725,561	637	54,077	780,275
Due from Other Funds	45,000	-	-	45,000
Total Assets	<u>\$ 2,049,195</u>	<u>\$ 368,937</u>	<u>\$ 114,675</u>	<u>\$ 2,532,807</u>
Liabilities and Fund Balance:				
Liabilities:				
Accounts Payable	\$ 477,784	\$ -	\$ 4,913	\$ 482,697
Due to Other Funds	-	-	45,000	45,000
Total Liabilities	<u>477,784</u>	<u>-</u>	<u>49,913</u>	<u>527,697</u>
Fund Balance:				
Nonspendable	10,000	-	-	10,000
Restricted	242,154	368,937	64,762	675,853
Assigned	829,992	-	-	829,992
Unassigned	489,265	-	-	489,265
Total Fund Balance	<u>1,571,411</u>	<u>368,937</u>	<u>64,762</u>	<u>2,005,110</u>
Total Liabilities and Fund Balances	<u>\$ 2,049,195</u>	<u>\$ 368,937</u>	<u>\$ 114,675</u>	<u>\$ 2,532,807</u>

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

Vallecitos School District

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

Total fund balances governmental funds: \$ 2,005,110

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

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

Capital assets relating to governmental activities, at historical cost	2,627,121	
Accumulated depreciation	<u>(1,216,939)</u>	
	Net	1,410,182

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

Net pension liability	2,954,829	
	Total	(2,954,829)

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

Deferred outflows of resources relating to pensions	907,809	
Deferred inflows of resources relating to pensions	<u>(209,230)</u>	
	Net	<u>698,579</u>

Total net position governmental activities: \$ 1,159,042

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

Vallecitos School District

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

	General Fund	County School Facilities Fund	Nonmajor Governmental Funds	Total
Revenues				
State Apportionment	\$ 1,178,731	\$ -	\$ -	\$ 1,178,731
Education Protection Account Funds	37,230	-	-	37,230
Property Taxes	963,745	-	-	963,745
Federal Revenue	547,410	-	113,566	660,976
Other State Revenue	371,622	-	133,716	505,338
Interest	18,332	3,557	606	22,495
Other Local Revenue	440,871	-	42,525	483,396
Total Revenues	<u>\$ 3,557,941</u>	<u>\$ 3,557</u>	<u>\$ 290,413</u>	<u>\$ 3,851,911</u>
Expenditures				
Current Expenditures:				
Instruction	2,229,540	-	102,112	2,331,652
Instruction - Related Services	354,749	-	-	354,749
Pupil Services	188,623	-	95,086	283,709
Ancillary Services	3,213	-	-	3,213
General Administration	404,920	-	-	404,920
Plant Services	335,752	-	1,356	337,108
Capital Outlay	90,344	-	45,000	135,344
Total Expenditures	<u>3,607,141</u>	<u>-</u>	<u>243,554</u>	<u>3,850,695</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(49,200)</u>	<u>3,557</u>	<u>46,859</u>	<u>1,216</u>
Other Financing Sources (Uses):				
Transfers In	120,000	-	-	120,000
Transfers Out	<u>(120,000)</u>	<u>-</u>	<u>-</u>	<u>(120,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(49,200)	3,557	46,859	1,216
Fund Balance, Beginning of Year	1,620,611	365,380	17,903	2,003,894
Fund Balance, End of Year	<u>\$ 1,571,411</u>	<u>\$ 368,937</u>	<u>\$ 64,762</u>	<u>\$ 2,005,110</u>

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

Vallecitos School District

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

Total change in fund balances, governmental funds: \$ 1,216

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	135,344	
Depreciation expense	<u>(77,737)</u>	
	Net	57,607

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

(122,515)

Change in net position of governmental activities: \$ (63,692)

Vallecitos School District

Notes to the Financial Statements

For the Year Ended June 30, 2021

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The District operates under a locally elected Board of Education form of government and provides educational services to grades K-8 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, capital facilities funds, debt service funds, and student-related activities.

2. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

Based on the criteria in GASB Statements 14 as amended by Statements 39 and 61, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statements.

3. Basis of Presentation

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

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

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

Major Governmental Funds

The District reports the following major governmental funds:

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

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

Nonmajor Governmental Funds

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

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

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

4. Basis of Accounting – Measurement Focus

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

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

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

5. Encumbrances

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

6. Budgets and Budgetary Accounting

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

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

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

7. Revenues and Expenses

a. Revenues – Exchange and Non-Exchange

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

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

b. Expenses/Expenditures

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

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

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings & Improvements	20 - 50 Years
Land Improvements	10 - 25 Years
Equipment	5 - 15 Years

d. Compensated Absences

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

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

e. Unearned Revenue

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

f. Interfund Activity

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

g. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

h. Minimum Fund Balance Policy

The District maintains a minimum reserve, within the general fund, of at least 5%. The minimum reserve shall apply towards the established minimum Reserve for Economic Uncertainties or an amount that meets or exceeds the requirements by law. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

i. GASB 54 Fund Presentation

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

j. Deferred Inflows and Deferred Outflows of Resources

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

k. Pensions

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

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

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

9. Property Taxes

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

10. Use of Estimates

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

11. Fair Value Measurements

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

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

12. New Accounting Pronouncements

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

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

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

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

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

B. Compliance and Accountability

1. Finance Related Legal and Contractual Provisions

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

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

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None	Not Applicable	Not Applicable

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

C. Fair Value Measurements

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

	Amount	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External investment pools measured at fair value				
San Diego County Treasury	\$ 1,689,417	\$ -	\$ 1,689,417	\$ -
Total investments by fair value level	\$ 1,689,417	\$ -	\$ 1,689,417	\$ -

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

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

D. Cash and Investments

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

	General Fund	County School Facilities Fund	Nonmajor Governmental Funds	Total
Cash In County Treasury	\$ 1,260,519	\$ 368,300	\$ 60,598	\$ 1,689,417
Cash In Banks and Revolving Fund	18,115	-	-	18,115
Total Cash and Cash Equivalents	\$ 1,278,634	\$ 368,299	\$ 60,598	\$ 1,707,531

1. Cash in County Treasury

In accordance with Education Code §41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$1,689,417 as of June 30, 2021). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$1,689,417. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks (\$8,115 as of June 30, 2021) and in revolving fund (\$10,000 as of June 30, 2021) are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

4. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

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

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer's Investment Pool	Unrated	Not Applicable	\$ 1,689,417

b. Custodial Credit Risk

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

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

At June 30, 2021, the District's bank balances, including revolving cash, did not exceed FDIC insurance limitations and as such were not exposed to custodial credit risk.

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

c. Concentration of Credit Risk

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

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District maintains pooled investments with the San Diego County Treasury with a fair value of \$1,689,417. The average weighted maturity for this pool was 613 days at June 30, 2021.

e. Foreign Currency Risk

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

5. Investment Accounting Policy

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

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

E. Accounts Receivable

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

	Major Governmental Funds			Total
	General Fund	County School Facilities Fund	Nonmajor Governmental Funds	
Federal Government:				
Special Education	\$ 33,015	\$ -	\$ -	\$ 33,015
Education Stabilization	57,012	-	-	57,012
Title III LEP	10,358	-	-	10,358
Child Nutrition	-	-	25,550	25,550
Other Federal	29,652	-	-	29,652
State Government:				
LCFF State Aid	254,578	-	-	254,578
Lottery	23,543	-	-	23,543
Special Education	15,945	-	-	15,945
In Person Instruction	27,338	-	-	27,338
Extended Learning Opportunity	9,004	-	-	9,004
Child Nutrition	-	-	2,233	2,233
Stae Preschool	-	-	26,122	26,122
Local Sources				
Interest	2,575	637	172	3,384
Oversite Fees	58,548	-	-	58,548
After School Education	201,994	-	-	201,994
Other Local Sources	1,999	-	-	1,999
Total Accounts Receivable	<u>\$ 725,561</u>	<u>\$ 637</u>	<u>\$ 54,077</u>	<u>\$ 780,275</u>

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

F. Capital Assets

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

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 6,161	\$ -	\$ -	\$ 6,161
Work in progress	234,132	-	-	234,132
Total capital assets not being depreciated	<u>240,293</u>	<u>-</u>	<u>-</u>	<u>240,293</u>
Capital assets being depreciated:				
Land improvements	749,212	-	-	749,212
Buildings and improvements	1,150,604	82,418	-	1,233,022
Equipment	351,667	52,927	-	404,594
Total capital assets being depreciated	<u>2,251,483</u>	<u>135,345</u>	<u>-</u>	<u>2,386,828</u>
Less accumulated depreciation for:				
Land improvements	(86,451)	(27,461)	-	(113,912)
Buildings and improvements	(801,808)	(36,864)	-	(838,672)
Equipment	(250,943)	(13,412)	-	(264,355)
Total accumulated depreciation	<u>(1,139,202)</u>	<u>(77,737)</u>	<u>-</u>	<u>(1,216,939)</u>
Total capital assets being depreciated, net	<u>1,112,281</u>	<u>57,608</u>	<u>-</u>	<u>1,169,889</u>
Governmental activities capital assets, net	<u>\$ 1,352,574</u>	<u>\$ 57,608</u>	<u>\$ -</u>	<u>\$ 1,410,182</u>

Depreciation was charged to functions as follows:

Instruction	\$ 17,286
Instruction Related Services	10,812
Pupil Services	2,932
General Administration	1,955
Plant Services	44,752
Total	<u>\$ 77,737</u>

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

G. Interfund Balances and Activities

1. Due To and From Other Funds

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

<u>Interfund Receivable (Due From Other Funds)</u>	<u>Interfund Payable (Due To Other Funds)</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	<u>\$ 45,000</u>	Reimburse start up costs for child nutrition.

2. Transfers To and From Other Funds

Transfers to and from other funds during the fiscal year ended June 30, 2021, were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	General Fund	<u>\$ 120,000</u>	Transfer reserve for economic uncertainty.

H. Accounts Payable

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

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Vendors payable	\$ 69,371	\$ 174	\$ 69,545
Payroll and related benefits	8,562	4,739	13,301
Special education services	59,770	-	59,770
Charter school in lieu tax payable	340,081	-	340,081
Total Accounts Payable	<u>\$ 477,784</u>	<u>\$ 4,913</u>	<u>\$ 482,697</u>

I. Short Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as other financing sources. The District did not issue any short-term debt during the fiscal year ended June 30, 2021.

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

J. Fund Balance Classifications of the Governmental Funds

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

	General Fund	County School Facilities Fund	Nonmajor Governmental Funds	Total
Nonspendable Fund Balance				
Revolving Cash	\$ 10,000	\$ -	\$ -	\$ 10,000
Total Nonspendable Fund Balance	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Restricted Fund Balance				
Educational Programs	62,743	-	-	62,743
Student Activity Funds	8,115	-	-	8,115
Ongoing and Major Maintenance	127,690	-	-	127,690
Expanded Learning Opportunities	43,606	-	-	43,606
Child Development	-	-	35,496	35,496
Child Nutrition	-	-	28,731	28,731
Capital Facilities	-	-	535	535
State School Facilities Projects	-	368,937	-	368,937
Total Restricted Fund Balance	<u>242,154</u>	<u>368,937</u>	<u>64,762</u>	<u>675,853</u>
Assigned Fund Balance				
Other Assigned Balance Reserves	829,992	-	-	829,992
Total Assigned Fund Balance	<u>829,992</u>	<u>-</u>	<u>-</u>	<u>829,992</u>
Unassigned Fund Balance				
Reserve Economic Uncertainties	184,000	-	-	184,000
Other Unassigned	305,265	-	-	305,265
Total Unassigned Fund Balance	<u>489,265</u>	<u>-</u>	<u>-</u>	<u>489,265</u>
Total Fund Balance	<u>\$ 1,571,411</u>	<u>\$ 368,937</u>	<u>\$ 64,762</u>	<u>\$ 2,005,110</u>

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

K. Long Term Obligations

1. Long-Term Obligation Activity

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Net Pension Liability*	\$ 2,617,200	\$ 337,629	\$ -	\$ 2,954,829	\$ -
Total Governmental Activities	<u>\$ 2,617,200</u>	<u>\$ 337,629</u>	<u>\$ -</u>	<u>\$ 2,954,829</u>	<u>\$ -</u>

*Other long-term liabilities

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

2. Net Pension Liability

The District's beginning net pension liability was \$2,617,200 and increased by \$337,629 during the year ended June 30, 2021 for an ending net pension liability of \$2,954,829. See Note L for additional information regarding the net pension liability.

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

L. Pension Plans

1. General Information about the Pension Plans

a. Plan Descriptions

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

b. Benefits Paid

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

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

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

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

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

c. Contributions

CalSTRS

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

CalPERS

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

On Behalf Payments

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

CalSTRS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	9.828%	\$ 165,579	\$ (28,247)
2020	10.328%	123,254	38,962
2021	10.328%	141,535	92,180

CalPERS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	N/A	\$ 32,041	N/A

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

d. Contributions Recognized

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

	Governmental Fund Financial Statements (Current Financial Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 195,836	\$ 103,168	\$ 299,004
Contributions - State On Behalf Payments	141,535	-	141,535
Total Governmental Funds	<u>\$ 337,371</u>	<u>\$ 103,168</u>	<u>\$ 440,539</u>

	Government-Wide Financial Statements (Economic Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 204,070	\$ 92,024	\$ 296,094
Contributions - State On Behalf Payments	-	-	-
Total Government-Wide	<u>\$ 204,070</u>	<u>\$ 92,024</u>	<u>\$ 296,094</u>

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

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

	Proportionate Share of the Net Pension Liability		
	CalSTRS	CalPERS	Total
Governmental Activities	<u>\$ 1,971,130</u>	<u>\$ 983,699</u>	<u>\$ 2,954,829</u>

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

	CalSTRS		Total For District Employees	CalPERS
	District's Proportionate Share	State's Proportionate Share*		District's Proportionate Share
<u>Governmental Activities</u>				
Proportion June 30, 2020	0.0020%	0.0012%	0.0032%	0.0027%
Proportion June 30, 2021	0.0020%	0.0014%	0.0034%	0.0032%
Change in Proportion	0.0000%	0.0002%	0.0002%	0.0005%

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

a. Pension Expense

	Governmental Activities		
	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ 153,940	\$ 183,689	\$ 337,629
State On Behalf Pension Expense	92,180	-	92,180
Employer Contributions to Pension Expense	195,836	103,168	299,004
Change in Contributions Subsequent to Measurement Date	8,234	(11,144)	(2,910)
Change in Other Deferred Outflows/Inflows of Resources	(155,023)	(57,179)	(212,202)
Total Pension Expense - Governmental	\$ 295,167	\$ 218,534	\$ 513,701

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

b. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
<u>Governmental Activities</u>			
Pension contributions subsequent to measurement date	\$ 195,836	\$ 103,168	\$ 299,004
Differences between actual and expected experience	3,172	45,657	48,829
Changes in assumptions	150,400	3,371	153,771
Changes in employer's proportionate share	180,198	153,885	334,083
Net difference between projected and actual earnings	47,076	25,046	72,122
Total Deferred Outflows of Resources	<u>\$ 576,682</u>	<u>\$ 331,127</u>	<u>\$ 907,809</u>
	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
<u>Governmental Activities</u>			
Differences between actual and expected experience	\$ 44,245	\$ -	\$ 44,245
Changes in employer's proportionate share	164,985	-	164,985
Total Deferred Inflows of Resources	<u>\$ 209,230</u>	<u>\$ -</u>	<u>\$ 209,230</u>

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

Year Ended June 30,	Governmental Activities					Net Effect on Expenses
	Deferred Outflows of Resources		Deferred Inflows of Resources			
	CalSTRS	CalPERS	CalSTRS	CalPERS		
2022	\$ 290,449	\$ 175,179	\$ (90,844)	\$ -	\$ 374,784	
2023	115,957	63,147	(90,825)	-	88,279	
2024	129,724	56,153	(8,328)	-	177,549	
2025	34,572	36,648	(8,328)	-	62,892	
2026	2,990	-	(8,106)	-	(5,116)	
Thereafter	2,990	-	(2,799)	-	191	
Total	<u>\$ 576,682</u>	<u>\$ 331,127</u>	<u>\$ (209,230)</u>	<u>\$ -</u>	<u>\$ 698,579</u>	

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

c. Actuarial Assumptions

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

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

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

a. Discount Rate

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

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

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

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

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

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

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

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

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

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

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 2,978,103	\$ 1,414,247
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 1,971,130	\$ 983,699
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 1,139,732	\$ 626,366

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

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

CalSTRS

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2020					
(Previously Reported)	\$ 10,606,163	\$ 7,696,130	\$ 2,910,033	\$ 1,092,843	\$ 1,817,190
Changes for the year					
CalSTRS auditor adjustment	(70)	-	(70)	(29)	(41)
Change in proportionate share	848,687	615,831	232,856	212,986	19,870
Service cost	255,419	-	255,419	106,123	149,296
Interest	811,981	-	811,981	337,367	474,614
Difference between expected and actual experience	(33,511)	-	(33,511)	(13,923)	(19,588)
Change in assumptions	35,807	-	35,807	14,877	20,930
Change in benefits	-	-	-	-	-
Contributions:					
Employer	-	211,575	(211,575)	(87,907)	(123,668)
Employee	-	129,973	(129,973)	(54,002)	(75,971)
State on oehalf	-	154,742	(154,742)	(64,293)	(90,449)
Net investment income	-	351,569	(351,569)	(146,072)	(205,497)
Other income	-	3,529	(3,529)	(1,466)	(2,063)
Benefit payments ⁽¹⁾	(557,630)	(557,630)	-	-	-
Administrative expenses	-	(7,616)	7,616	3,164	4,452
Borrowing costs	-	(3,295)	3,295	1,369	1,926
Other expenses	-	(221)	221	92	129
Net changes	1,360,683	898,457	462,226	308,286	153,940
Balance at June 30, 2021	<u>\$ 11,966,846</u>	<u>\$ 8,594,587</u>	<u>\$ 3,372,259</u>	<u>\$ 1,401,129</u>	<u>\$ 1,971,130</u>

(1) – Includes refunds of employee contributions

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

CalPERS

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2020			
(Previously Reported)	\$ 2,670,912	\$ 1,870,903	\$ 800,009
Changes for the year			
Change in proportionate share	448,558	314,203	134,355
Service cost	73,830	-	73,830
Interest	221,365	-	221,365
Difference between expected and actual experience	14,506	-	14,506
Change in assumptions	-	-	-
Change in benefits	-	-	-
Contributions:			
Employer	-	91,889	(91,889)
Employee	-	33,598	(33,598)
Nonemployer	-	28,982	(28,982)
Net plan to plan resource movement	-	5	(5)
Net investment income	-	108,957	(108,957)
Benefit payments ⁽¹⁾	(149,764)	(149,764)	-
Administrative expenses	-	(3,065)	3,065
Other expenses	-	-	-
Net changes	<u>608,495</u>	<u>424,805</u>	<u>183,690</u>
Balance at June 30, 2021	<u>\$ 3,279,407</u>	<u>\$ 2,295,708</u>	<u>\$ 983,699</u>

(1) – Includes refunds of employee contributions

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

M. Risk Management

The District is exposed to risk of losses due to:

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

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

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

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

N. Participation in Joint Powers Authorities

The District is a member of two joint powers agreements (JPA) entity, the San Diego County Schools Risk Management and the San Diego County Fringe Benefit Consortium for the operation of a common risk management and insurance programs for property and liability coverage, workers compensation, and other employee benefits. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

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

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

O. Commitments and Contingencies

1. State and Federal Allowances, Awards, and Grants

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

2. Litigation

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

3. Construction Commitments

As of June 30, 2021, the District had the following construction commitments:

<u>Construction in Process</u>	<u>Commitment</u>	<u>*Estimated Date of Completion</u>
Elementary School Kitchen Upgrades	\$ 21,180	November 2021

*Estimated date of completion subject to change.

P. Deferred Outflows of Resources

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

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Pension Related				
CalSTRS	\$ 501,149	\$ 374,684	\$ 299,151	\$ 576,682
CalPERS	267,791	299,152	235,816	331,127
Total Deferred Outflows of Resources	<u>\$ 768,940</u>	<u>\$ 673,836</u>	<u>\$ 534,967</u>	<u>\$ 907,809</u>

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30,	Pension Related
2022	\$ 465,628
2023	179,104
2024	185,877
2025	71,220
2026	2,990
Thereafter	2,990
Total	<u>\$ 907,809</u>

Q. Deferred Inflows of Resources

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

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

Description	Beginning Balance	Increases	Decreases	Ending Balance
Pension Related				
CalSTRS	\$ 280,486	\$ 19,587	\$ 90,843	\$ 209,230
CalPERS	4,987	-	4,987	-
Total Deferred Inflows of Resources	<u>\$ 285,473</u>	<u>\$ 19,587</u>	<u>\$ 95,830</u>	<u>\$ 209,230</u>

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30,	Pension Related
2022	\$ 90,844
2023	90,825
2024	8,328
2025	8,328
2026	8,106
Thereafter	2,799
Total	<u>\$ 209,230</u>

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

R. Upcoming Accounting Guidance

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

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

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

S. Adjustment to Beginning Balance

As a result of the implementation of GASB Statement No. 84, the District adjusted beginning fund balance/net position as follows:

	Government- Wide Financial Statements	General Fund
Beginning Net Position/Fund Balance as Reported in June 30, 2020 Audit Report	\$ 1,216,596	\$ 1,614,473
Adjustments to Beginning Balance		
Inclusion of Associated Student Body Funds as governmental under GASB 84	6,138	6,138
Beginning Net Position/Fund Balance as Restated	<u>\$ 1,222,734</u>	<u>\$ 1,620,611</u>

Vallecitos School District

Notes to the Financial Statements, Continued

June 30, 2021

T. COVID-19 Considerations

In March 2020 the World Health Organization declared the outbreak of the novel coronavirus COVID-19 a global pandemic. The nature of the pandemic resulted in a mandatory school property closure affecting the Vallecitos School District from March 16, 2020 and continuing into the Fall of the 2020-21 school year. California Governor Gavin Newsom issued a state-wide executive order mandating that schools remain closed until the county in which the school is located is off the COVID-19 watch list for fourteen consecutive days. The 2020-21 fiscal year opened in a fully distance learning model, until such time as campuses were re-opened.

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

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

Required Supplementary Information

Vallecitos School District

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2021

	Budgeted Amounts			Variance to Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
LCFF Sources				
State Apportionment	\$ 1,038,089	\$ 1,164,465	\$ 1,178,731	\$ 14,266
Education Protection Account	37,400	42,382	37,230	(5,152)
Property Taxes	929,286	988,050	963,745	(24,305)
Federal Revenue	231,847	516,538	547,410	30,872
Other State Revenue	147,062	161,582	371,622	210,040
Interest Income	18,500	18,500	15,375	(3,125)
Other Local Revenue	358,486	371,845	440,872	69,027
Total Revenues	<u>2,760,670</u>	<u>3,263,362</u>	<u>3,554,985</u>	<u>291,623</u>
Expenditures				
Current Expenditures:				
Certificated Salaries	1,237,812	1,257,354	1,273,494	(16,140)
Classified Salaries	440,230	426,780	475,790	(49,010)
Employee Benefits	634,816	641,165	690,703	(49,538)
Books and Supplies	189,495	575,866	283,567	292,299
Services and Other Operating	558,977	609,088	793,243	(184,155)
Capital Outlay	-	43,973	90,344	(46,371)
Total Expenditures	<u>3,061,330</u>	<u>3,554,226</u>	<u>3,607,141</u>	<u>(52,915)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(300,660)</u>	<u>(290,864)</u>	<u>(52,156)</u>	<u>238,708</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>
Net Financing Sources (Uses)	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>(420,660)</u>	<u>(410,864)</u>	<u>(172,156)</u>	<u>238,708</u>
Fund Balance - Beginning of Year	<u>1,313,575</u>	<u>1,313,575</u>	<u>1,313,575</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 892,915</u>	<u>\$ 902,711</u>	<u>\$ 1,141,419</u>	<u>\$ 238,708</u>

See Accompanying Notes to Required Supplementary Information

Vallecitos School District

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

Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability (asset)	0.0020%	0.0020%	0.0018%	0.0022%	0.0020%	0.0020%	0.0021%	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 1,971,130	\$ 1,817,190	\$ 1,620,320	\$ 2,042,889	\$ 1,651,693	\$ 1,372,844	\$ 1,200,491	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	1,401,129	1,092,843	1,014,508	936,825	1,061,161	786,343	634,624	N/A	N/A	N/A
Total	<u>\$ 3,372,259</u>	<u>\$ 2,910,033</u>	<u>\$ 2,634,828</u>	<u>\$ 2,979,714</u>	<u>\$ 2,712,854</u>	<u>\$ 2,159,187</u>	<u>\$ 1,835,115</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
District's covered payroll**	1,252,105	936,043	1,168,013	1,168,013	1,014,599	942,335	910,293	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	157.43%	194.14%	138.72%	1174.90%	162.79%	145.69%	131.88%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	71.82%	72.56%	70.99%	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A

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

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

See Accompanying Notes to Required Supplementary Information

Vallecitos School District

Schedule of the District's Contributions - CalSTRS

Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 195,836	\$ 204,070	\$ 176,020	\$ 135,071	\$ 146,936	\$ 108,866	\$ 83,679	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(195,836)	(204,070)	(176,020)	(135,071)	(146,936)	(108,866)	(83,679)	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A
District's covered payroll**	\$ 1,212,607	\$ 1,193,392	\$ 1,081,204	\$ 936,043	\$ 1,168,013	\$ 1,014,599	\$ 942,335	N/A	N/A	N/A
Contributions as a percentage of covered payroll	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%	N/A	N/A	N/A

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

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

Vallecitos School District

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

Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability (asset)	0.0032%	0.0027%	0.0025%	0.0025%	0.0024%	0.0026%	0.0026%	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 983,699	\$ 800,010	\$ 665,779	\$ 586,073	\$ 471,287	\$ 376,674	\$ 294,806	N/A	N/A	N/A
District's covered payroll**	\$ 465,945	\$ 384,210	\$ 332,889	\$ 315,294	\$ 288,968	\$ 284,182	\$ 273,047	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	211.12%	208.22%	200.00%	185.88%	163.09%	132.55%	107.97%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.00%	70.05%	70.85%	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A

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

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

See Accompanying Notes to Required Supplementary Information

Vallecitos School District

Schedule of the District's Contributions - CalPERS

Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 103,168	\$ 92,024	\$ 69,396	\$ 51,701	\$ 43,788	\$ 34,234	\$ 33,451	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(103,168)	(92,024)	(69,396)	(51,701)	(43,788)	(34,234)	(33,451)	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A
District's covered payroll**	\$ 498,396	\$ 466,629	\$ 384,210	\$ 332,889	\$ 315,294	\$ 288,968	\$ 284,182	N/A	N/A	N/A
Contributions as a percentage of covered payroll	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%	N/A	N/A	N/A

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

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

Vallecitos School District

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

Budgetary Comparison Schedule Reconciliation

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District’s Special Reserve Fund for Other Than Capital Outlay (Fund 17) does not meet the definition of a special revenue fund and is therefore included with the General Fund for reporting purposes. The budgetary comparison schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only. Below represents a reconciliation between the schedules:

General Fund - Basic Financial Statements Ending Fund Balance	\$ 1,571,411
Less Fund 17 Fund Balance	(429,992)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	<u>\$ 1,141,419</u>
General Fund - Basic Financial Statements Net Change in Fund Balance	\$ (49,200)
Less Fund 17 Net Change in Fund Balance	(122,956)
General Fund - Budgetary Comparison Schedule Net Change in Fund Balance	<u>\$ (172,156)</u>

Excess of Expenditures Over Appropriations

As of June 30, 2021, the District’s expenditures exceeded appropriations in the following categories:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Certificated Salaries	\$ 16,140	The District underestimated salary increases associated with bargaining agreements.
Classified Salaries	\$ 49,010	The District underestimated salary increases associated with bargaining agreements.
Employee Benefits	\$ 49,538	The District underestimated employee benefit costs due to additional STRS on-behalf
Services and Other Operating	\$ 184,155	The District underestimated additional costs for services and other operating due to the
Capital Outlay	\$ 46,371	The District underestimated additional costs for capital outlay.

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

Vallecitos School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2021

Schedule of District's Proportionate Share – CalSTRS

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

Schedule of District's Contributions – CalSTRS

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

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

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

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

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

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

Vallecitos School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2021

Schedule of District's Proportionate Share – CalPERS

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

Schedule of District's Contributions – CalPERS

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

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

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

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

Combining Statements as Supplementary Information

Vallecitos School District

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2021

	Special Revenue Funds	Capital Projects Fund <u>Capital Facilities Fund</u>	Total Nonmajor Governmental Funds
Assets			
Cash in County Treasury	\$ 60,092	\$ 506	\$ 60,598
Accounts Receivable	54,010	67	54,077
Total Assets	<u>\$ 114,102</u>	<u>\$ 573</u>	<u>\$ 114,675</u>
Liabilities and Fund Balance:			
Liabilities:			
Accounts Payable	\$ 4,875	\$ 38	\$ 4,913
Due to Other Funds	45,000	-	45,000
Total Liabilities	<u>49,875</u>	<u>38</u>	<u>49,913</u>
Fund Balance:			
Restricted	<u>64,227</u>	<u>535</u>	<u>64,762</u>
Total Fund Balance	<u>64,227</u>	<u>535</u>	<u>64,762</u>
Total Liabilities and Fund Balances	<u>\$ 114,102</u>	<u>\$ 573</u>	<u>\$ 114,675</u>

Vallecitos School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
 Nonmajor Governmental Funds
 June 30, 2021

	Special Revenue Funds	Capital Projects Fund Capital Facilities Fund	Total Nonmajor Governmental Funds
Revenues			
Federal Revenue	\$ 113,566	\$ -	\$ 113,566
State Revenue	133,716	-	133,716
Interest	380	226	606
Other Local Revenue	6,043	36,482	42,525
Total Revenues	<u>\$ 253,705</u>	<u>\$ 36,708</u>	<u>\$ 290,413</u>
Expenditures			
Current Expenditures:			
Instruction	102,112	-	102,112
Pupil Services	95,086	-	95,086
Plant Services	1,356	-	1,356
Capital Outlay	-	45,000	45,000
Total Expenditures	<u>198,554</u>	<u>45,000</u>	<u>243,554</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>55,151</u>	<u>(8,292)</u>	<u>46,859</u>
Net Change in Fund Balance	55,151	(8,292)	46,859
Fund Balance, Beginning of Year	9,076	8,827	17,903
Fund Balance, End of Year	<u>\$ 64,227</u>	<u>\$ 535</u>	<u>\$ 64,762</u>

Vallecitos School District

Combining Balance Sheet – Nonmajor Special Revenue Funds

June 30, 2021

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds
Assets			
Cash in County Treasury	\$ 10,085	\$ 50,007	\$ 60,092
Accounts Receivable	26,155	27,855	54,010
Total Assets	<u>\$ 36,240</u>	<u>\$ 77,862</u>	<u>\$ 114,102</u>
Liabilities and Fund Balance:			
Liabilities:			
Accounts Payable	\$ 744	\$ 4,131	\$ 4,875
Due to Other Funds	-	45,000	45,000
Total Liabilities	<u>744</u>	<u>49,131</u>	<u>49,875</u>
Fund Balance:			
Restricted	35,496	28,731	64,227
Total Fund Balance	<u>35,496</u>	<u>28,731</u>	<u>64,227</u>
Total Liabilities and Fund Balances	<u>\$ 36,240</u>	<u>\$ 77,862</u>	<u>\$ 114,102</u>

Vallecitos School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
 Nonmajor Special Revenue Funds
 June 30, 2021

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds
Revenues			
Federal Revenue	\$ 4,961	\$ 108,605	\$ 113,566
Other State Revenue	124,748	8,968	133,716
Interest	179	201	380
Other Local Revenue	-	6,043	6,043
Total Revenues	<u>\$ 129,888</u>	<u>\$ 123,817</u>	<u>\$ 253,705</u>
Expenditures			
Current Expenditures:			
Instruction	102,112	-	102,112
Pupil Services	-	95,086	95,086
Plant Services	1,356	-	1,356
Total Expenditures	<u>103,468</u>	<u>95,086</u>	<u>198,554</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>26,420</u>	<u>28,731</u>	<u>55,151</u>
Net Change in Fund Balance	26,420	28,731	55,151
Fund Balance, Beginning of Year	9,076	-	9,076
Fund Balance, End of Year	<u>\$ 35,496</u>	<u>\$ 28,731</u>	<u>\$ 64,227</u>

Other Supplementary Information

Vallecitos School District

Local Education Agency Organization Structure

June 30, 2021

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

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Michael Darnley	President	Four Year Term Expires December 2022
Martin Kurland	Vice President	Four Year Term Expires December 2022
Sally Jean Forester	Clerk	Four Year Term Expires December 2022
Terese Kristensen	Trustee	Short Term Expires December 2022
Vacant	Trustee	Short Term Expires December 2022

ADMINISTRATION

Dr. Maritza Koeppen
Superintendent/Principal

Linda Miller
Business Manager

Vallecitos School District

Schedule of Instructional Time

Year Ended June 30, 2021

Grade Level	Minimum Daily Minutes Offered	Instructional Days Offered Traditional Calendar	J-13A Credited Days	Status
Transitional Kindergarten	180	180	N/A	Complied
Kindergarten	180	180	N/A	Complied
1st Grade	230	180	N/A	Complied
2nd Grade	230	180	N/A	Complied
3rd Grade	230	180	N/A	Complied
4th Grade	240	180	N/A	Complied
5th Grade	240	180	N/A	Complied
6th Grade	240	180	N/A	Complied
7th Grade	240	180	N/A	Complied
8th Grade	240	180	N/A	Complied

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

- 1) EC §46207: As a condition of apportionment the following annual instructional minutes must be offered:
 - To pupils in Kindergarten 36,000 minutes
 - To pupils in grades 1 to 3 50,400 minutes
 - To pupils in grades 4 to 8 54,000 minutes
 - To pupils in grades 9 to 12 64,800 minutes

- 2) EC §46208: As a condition of apportionment 180 school days must be offered for traditional calendars. In order to qualify as a school day the following minimum daily minutes must be met:
 - EC §46112: Grades 1 to 3 230 minutes
 - EC §46113: Grades 4 to 8 240 minutes
 - EC §46114: Kindergarten 180 minutes
 - EC §46141: Grades 9 to 12 240 minutes

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

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

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

Vallecitos School District

Schedule of Financial Trends and Analysis Year Ended June 30, 2021

General Fund	Budget 2022 (See Note 1)	2021	2020	2019
Revenues and Other Financing Sources	\$ 2,928,027	\$ 3,554,985	\$ 3,319,629	\$ 3,039,407
Expenditures and Other Financing Uses	3,163,865	3,727,141	3,436,289	3,099,134
Net Change in Fund Balance	(235,838)	(172,156)	(116,660)	(59,727)
Ending Fund Balance	<u>\$ 905,581</u>	<u>\$ 1,141,419</u>	<u>\$ 1,313,575</u>	<u>\$ 1,430,235</u>
Available Reserves (See Note 2)	<u>\$ 653,427</u>	<u>\$ 1,150,687</u>	<u>\$ 1,150,687</u>	<u>\$ 1,347,746</u>
Available Reserves as a Percentage of Total Outgo	<u>20.65%</u>	<u>30.87%</u>	<u>33.49%</u>	<u>43.49%</u>
Long Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Average Daily Attendance at P2	<u>161</u>	<u>N/A</u>	<u>186</u>	<u>198</u>

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

The general fund balance has decreased by \$288,816 over the past two years. The fiscal year 2021-22 budget projects a decrease of \$235,838. For a district of this size, the State recommends available reserves of 5% of total general fund expenditures and other financing uses (total outgo).

The District has no long-term debt.

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

Notes:

1. Budget 2022 is included for analytical purposes only and has not been subjected to audit.
2. Available reserves consist of all unassigned fund balances contained within the general fund.
3. As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District’s Special Reserve Fund for Other Than Capital Outlay (Fund 17) does not meet the definition of a special revenue fund and was therefore combined with the General Fund for financial statement reporting. The above Schedule of Financial Trends and Analysis contains only the financial information of the General Fund.

Vallecitos School District

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

	General Fund (Fund 01)	Special Reserve Fund for Other than Capital Outlay (Fund 17)
June 30, 2021, annual financial and budget report fund balances	<u>\$ 1,141,419</u>	<u>\$ 429,992</u>
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
GASB 54 Fund Presentation	<u>429,992</u>	<u>(429,992)</u>
Net adjustments and reclassifications	<u>429,992</u>	<u>(429,992)</u>
June 30, 2021, audited financial statement fund balances	<u>\$ 1,571,411</u>	<u>\$ -</u>

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

Vallecitos School District

Schedule of Charter Schools

Year Ended June 30, 2021

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

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

Other Independent Auditors' Reports

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

To the Board of Education
Vallecitos School District
Fallbrook, 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 and each major fund of Vallecitos School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Vallecitos School District's basic financial statements, and have issued our report thereon dated January 31, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Wilkinson Hadley King & Co LLP

El Cajon, California
January 31, 2022

Independent Auditor's Report on State Compliance

To the Board of Education
Vallecitos School District
Fallbrook, California

Report on State Compliance

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

Management's Responsibility for State Compliance

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

Auditor's Responsibility

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

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

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

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

Opinion on State Compliance

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

Purpose of this Report

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

Wilkinson Hadley King & Co LLP

El Cajon, California
January 31, 2022

Auditor's Results, Findings & Recommendations

Vallecitos School District

Schedule of Auditor's Results

Year Ended June 30, 2021

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

Noncompliance material to financial statements noted? Yes X No

STATE AWARDS

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

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

Vallecitos School District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, or the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are as follows:

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

A. Financial Statement Findings

None

B. State Award Findings

None

Vallecitos School District

Schedule of Prior Year Audit Findings

Year Ended June 30, 2021

Finding/Recommendation	Status	Explanation if Not Implemented
------------------------	--------	--------------------------------

There were no findings reported in the prior year audit of fiscal year ended June 30, 2020.