



Financial Statements
June 30, 2021

Spencer Valley School District

| | |
|---|----|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis | 4 |
| Government Wide Financial Statements | |
| Statement of Net Position | 11 |
| Statement of Activities | 12 |
| Government Fund Financial Statements | |
| 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 Financial Statements | 17 |
| Required Supplementary Information | |
| Budgetary Comparison Schedule – General Fund | 43 |
| Schedule of Changes in the District's Total OPEB Liability and Related Ratios | 44 |
| Schedule of the District's Proportionate Share of the Net Pension Liability | 45 |
| Schedule of the District Contributions | 47 |
| Notes to Required Supplementary Information | 49 |
| Supplementary Information | |
| Local Education Agency Organization Structure | 51 |
| Schedule of Instructional Time | 52 |
| Reconciliation of Annual Financial and Budget Report with Audited Financial Statements | 53 |
| Schedule of Financial Trends and Analysis | 54 |
| Schedule of Charter Schools | 55 |
| Notes to Supplementary Information | 56 |
| Independent Auditor's 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 <i>Government Auditing Standards</i> | 57 |
| Independent Auditor's Report on State Compliance | 59 |
| Schedule of Findings and Questioned Costs | |
| Summary of Auditor's Results | 62 |
| Financial Statement Findings | 63 |
| State Compliance Findings and Questioned Costs | 64 |
| Summary Schedule of Prior Audit Findings | 65 |



Independent Auditor's Report

To the Board of Directors
Spencer Valley School District
Santa Ysabel, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund information of Spencer Valley School District (the 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the 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 on pages 4 through 10, and other required supplementary information on pages 43 through 48, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 24, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
January 24, 2022

This section of Spencer Valley School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021, with comparative information for the year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regard to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for governmental activities.

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Spencer Valley School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, liabilities, and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities – The District's services are reported in this category. This includes the education of kindergarten through grade eight students and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

FINANCIAL HIGHLIGHTS

- The fiscal year (FY) 2020-2021 unrestricted General Funds closed the year in excess of the minimum five percent reserve for economic uncertainties.
- All employees received a three percent pay increase.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$13,727,481 for the fiscal year ended June 30, 2021. Of this amount, \$5,751,783 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

| | Governmental Activities | |
|----------------------------------|----------------------------|---------------|
| | 2021 | 2020 |
| Assets | | |
| Current and other assets | \$ 9,856,245 | \$ 11,671,736 |
| Capital assets | 5,208,993 | 1,843,627 |
| Total assets | 15,065,238 | 13,515,363 |
| Deferred outflows of resources | 194,564 | 213,843 |
| Liabilities | | |
| Current liabilities | 518,630 | 162,375 |
| Long-term liabilities | 937,602 | 907,640 |
| Total liabilities | 1,456,232 | 1,070,015 |
| Deferred inflows of resources | 76,089 | 97,119 |
| Net Position | | |
| Net investment in capital assets | 5,208,993 | 1,843,627 |
| Restricted | 2,766,705 | 2,628,718 |
| Unrestricted | 5,751,783 | 8,089,727 |
| Total net position | \$ 13,727,481 | \$ 12,562,072 |

The \$5,751,783 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 12. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

| | Governmental Activities | |
|--------------------------------------|----------------------------|---------------------|
| | 2021 | 2020 |
| Revenues | | |
| Program revenues | | |
| Operating grants and contributions | \$ 2,056,979 | \$ 1,974,835 |
| General revenues | | |
| Federal and State aid not restricted | 1,365,906 | 1,370,822 |
| Property taxes | 400,459 | 363,017 |
| Other general revenues | 392,535 | 577,794 |
| Total revenues | <u>4,215,879</u> | <u>4,286,468</u> |
| Expenses | | |
| Instruction-related | 2,479,935 | 2,495,268 |
| Pupil services | 319,404 | 321,234 |
| Administration | 113,133 | 114,238 |
| Plant services | 137,998 | 149,753 |
| Total expenses | <u>3,050,470</u> | <u>3,080,493</u> |
| Change in net position | <u>\$ 1,165,409</u> | <u>\$ 1,205,975</u> |

Governmental Activities

As reported in the *Statement of Activities* on page 12, the cost of all of our governmental activities this year was \$3,050,470. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$400,459 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$2,056,979). We paid for the remaining "public benefit" portion of our governmental activities with \$1,365,906 in Federal and State funds, and with \$392,535 in other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

| | Total Cost of Services | | Net Cost of Services | |
|---------------------|------------------------|---------------------|----------------------|-----------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Instruction-related | \$ 2,479,935 | \$ 2,495,268 | \$ (771,974) | \$ (894,434) |
| Pupil services | 319,404 | 321,234 | 9,234 | (3,828) |
| Administration | 113,133 | 114,238 | (100,073) | (101,282) |
| Plant services | 137,998 | 149,753 | (137,998) | (149,753) |
| All other services | - | - | 7,320 | 43,639 |
| Total | <u>\$ 3,050,470</u> | <u>\$ 3,080,493</u> | <u>\$ (993,491)</u> | <u>\$ (1,105,658)</u> |

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$9,337,615, which is a decrease of 18.87% from last year (Table 4).

Table 4

| Governmental Fund | Balances and Activity | | | |
|---|-----------------------|--|---|---------------------|
| | June 30, 2020 | Revenues and Other Financing Sources | Expenditures and Other Financing Uses | June 30, 2021 |
| General | \$ 11,127,154 | \$ 4,203,060 | \$ 6,305,240 | \$ 9,024,974 |
| Special Reserve Fund for Capital Outlay Projects | 382,207 | 3,354,083 | 3,423,649 | 312,641 |
| Total | <u>\$ 11,509,361</u> | <u>\$ 7,557,143</u> | <u>\$ 9,728,889</u> | <u>\$ 9,337,615</u> |

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2021. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 43.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had \$5,208,993 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and depreciation) of \$3,365,366, or 182.54%, from last year (Table 5).

Table 5

| | Governmental Activities | |
|--------------------------------------|----------------------------|---------------------|
| | 2021 | 2020 |
| Land and construction in progress | \$ 3,881,301 | \$ 457,662 |
| Buildings and improvements | 1,286,361 | 1,333,520 |
| Equipment | 41,331 | 52,445 |
| Total | <u>\$ 5,208,993</u> | <u>\$ 1,843,627</u> |

Long-Term Liabilities

At the end of this year, the District had \$937,602 in long-term liabilities outstanding versus \$907,640 last year, an increase of 3.30%. Those long-term liabilities consisted of:

Table 6

| | Governmental Activities | |
|---------------------------------|----------------------------|-------------------|
| | 2021 | 2020 |
| Long-Term Liabilities | | |
| Compensated absences | \$ 14,630 | \$ 23,037 |
| Total OPEB liability | 31,110 | 52,423 |
| Aggregate net pension liability | 891,862 | 832,180 |
| Total | <u>\$ 937,602</u> | <u>\$ 907,640</u> |

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2020-2021 ARE NOTED BELOW:

Construction began for Phase 1 of the Master Plan, which includes parking lot safety upgrades and infrastructure upgrades was started.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2021-2022 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Super COLA of 5.07%
2. Enrollment of 30
3. ADA of 43.52
 - 26.86 Grades TK-3
 - 15.56 Grades 4-6
 - 1.07 Grades 7-8
4. No changes in property taxes.

The new items specifically addressed in the budget are:

Revenue due to the COVID-19 pandemic, including In-Person Instruction Grants and Expanded Learning Opportunity Grants.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Kelly Baas, Superintendent/Principal, or Kathleen McKenzie, Assistant Superintendent, Human Resources & Business Services, at Spencer Valley School District address, 4414 Highway 78/79, Santa Ysabel, California, 92070, at the Spencer Valley School District mailing address, P.O. Box 159, Santa Ysabel, CA 92070 or e-mail at Kathleen@svesd.net.

Spencer Valley School District
Statement of Net Position
June 30, 2021

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Deposits and investments | \$ 8,361,592 |
| Receivables | 1,494,653 |
| Capital assets, net of accumulated depreciation | 5,208,993 |
| | <u>15,065,238</u> |
| Deferred Outflows of Resources | |
| Deferred outflows of resources related to pensions | 194,564 |
| | <u>194,564</u> |
| Liabilities | |
| Accounts payable | 512,165 |
| Unearned revenue | 6,465 |
| Long-term liabilities | |
| Long-term liabilities other than OPEB and pensions due in more than one year | 14,630 |
| Total other postemployment benefits (OPEB) liability | 31,110 |
| Aggregate net pension liability | 891,862 |
| | <u>1,456,232</u> |
| Deferred Inflows of Resources | |
| Deferred inflows of resources related to pensions | 76,089 |
| | <u>76,089</u> |
| Net Position | |
| Net investment in capital assets | 5,208,993 |
| Restricted for | |
| Capital projects | 266,184 |
| Educational programs | 2,500,521 |
| Unrestricted | 5,751,783 |
| | <u>13,727,481</u> |
| Total net position | <u>\$ 13,727,481</u> |

Spencer Valley School District

Statement of Activities

Year Ended June 30, 2021

| Functions/Programs | Expenses | Program Revenues Operating Grants and Contributions | Revenues and Changes in Net Position |
|--|---------------------|--|---|
| | | | Governmental Activities |
| Governmental Activities | | | |
| Instruction | \$ 2,296,577 | \$ 1,699,931 | \$ (596,646) |
| Instruction-related activities | | | |
| Supervision of instruction | 61,120 | 4,577 | (56,543) |
| Instructional library, media, and technology | 270 | - | (270) |
| School site administration | 121,968 | 3,453 | (118,515) |
| Pupil services | | | |
| Food services | 13,153 | 2,755 | (10,398) |
| All other pupil services | 306,251 | 325,883 | 19,632 |
| Administration | | | |
| All other administration | 113,133 | 13,060 | (100,073) |
| Plant services | 137,998 | - | (137,998) |
| Other outgo | - | 7,320 | 7,320 |
| Total governmental activities | <u>\$ 3,050,470</u> | <u>\$ 2,056,979</u> | <u>(993,491)</u> |
| General Revenues and Subventions | | | |
| Property taxes, levied for general purposes | | | 400,459 |
| Federal and State aid not restricted to specific purposes | | | 1,365,906 |
| Interest and investment earnings | | | 102,949 |
| Miscellaneous | | | <u>289,586</u> |
| Total general revenues | | | <u>2,158,900</u> |
| Change in Net Position | | | 1,165,409 |
| Net Position - Beginning | | | <u>12,562,072</u> |
| Net Position - Ending | | | <u>\$ 13,727,481</u> |

Spencer Valley School District
Balance Sheet – Governmental Funds
June 30, 2021

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Total Governmental Funds |
|--------------------------------------|----------------------------|--|--------------------------------|
| Assets | | | |
| Deposits and investments | \$ 7,795,360 | \$ 566,232 | \$ 8,361,592 |
| Receivables | <u>1,493,648</u> | <u>1,005</u> | <u>1,494,653</u> |
| Total assets | <u><u>\$ 9,289,008</u></u> | <u><u>\$ 567,237</u></u> | <u><u>\$ 9,856,245</u></u> |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts payable | \$ 257,569 | \$ 254,596 | \$ 512,165 |
| Unearned revenue | <u>6,465</u> | <u>-</u> | <u>6,465</u> |
| Fund Balances | | | |
| Nonspendable | 10,000 | - | 10,000 |
| Restricted | 2,500,521 | 266,184 | 2,766,705 |
| Assigned | 2,919,966 | 46,457 | 2,966,423 |
| Unassigned | <u>3,594,487</u> | <u>-</u> | <u>3,594,487</u> |
| Total fund balances | <u>9,024,974</u> | <u>312,641</u> | <u>9,337,615</u> |
| Total liabilities and fund balances | <u><u>\$ 9,289,008</u></u> | <u><u>\$ 567,237</u></u> | <u><u>\$ 9,856,245</u></u> |

Spencer Valley School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

| | |
|---|--------------|
| Total Fund Balance - Governmental Funds | \$ 9,337,615 |
|---|--------------|

Amounts Reported for Governmental Activities in the
Statement of Net Position are Different Because

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in
governmental funds.

| | |
|-------------------------------|------------------|
| The cost of capital assets is | \$ 5,840,767 |
| Accumulated depreciation is | <u>(631,774)</u> |

| | |
|--------------------|-----------|
| Net capital assets | 5,208,993 |
|--------------------|-----------|

Deferred outflows of resources represent a consumption of net
position in a future period and is not reported in the governmental
funds. Deferred outflows of resources amounted to and related to

| | |
|-----------------------|---------|
| Net pension liability | 194,564 |
|-----------------------|---------|

Deferred inflows of resources represent an acquisition of net position
that applies to a future period and is not reported in the governmental
funds. Deferred inflows of resources amount to and related to

| | |
|-----------------------|----------|
| Net pension liability | (76,089) |
|-----------------------|----------|

Net pension liability is not due and payable in the current period,
and is not reported as a liability in the funds.

| | |
|--|-----------|
| | (891,862) |
|--|-----------|

The District's OPEB liability is not due and payable in the current period,
and is not reported as a liability in the funds.

| | |
|--|----------|
| | (31,110) |
|--|----------|

Long-term liabilities are not due and payable in the current period
and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of

| | |
|----------------------------------|-----------------|
| Compensated absences (vacations) | <u>(14,630)</u> |
|----------------------------------|-----------------|

| | |
|--|----------------------|
| Total net position - governmental activities | <u>\$ 13,727,481</u> |
|--|----------------------|

Spencer Valley School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2021

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Total Governmental Funds |
|--|---------------------|--|--------------------------------|
| Revenues | | | |
| Local Control Funding Formula | \$ 1,754,819 | \$ - | \$ 1,754,819 |
| Federal sources | 437,299 | - | 437,299 |
| Other State sources | 250,738 | - | 250,738 |
| Other local sources | 1,760,204 | 4,083 | 1,764,287 |
| | <u>4,203,060</u> | <u>4,083</u> | <u>4,207,143</u> |
| Total revenues | | | |
| Expenditures | | | |
| Current | | | |
| Instruction | 2,233,612 | - | 2,233,612 |
| Instruction-related activities | | | |
| Supervision of instruction | 62,527 | - | 62,527 |
| Instructional library, media, and technology | 270 | - | 270 |
| School site administration | 115,313 | - | 115,313 |
| Pupil services | | | |
| Food services | 12,566 | - | 12,566 |
| All other pupil services | 306,251 | - | 306,251 |
| Administration | | | |
| All other administration | 124,140 | - | 124,140 |
| Plant services | 100,561 | - | 100,561 |
| Facility acquisition and construction | - | 3,423,649 | 3,423,649 |
| | <u>2,955,240</u> | <u>3,423,649</u> | <u>6,378,889</u> |
| Total expenditures | | | |
| Excess (Deficiency) of Revenues Over Expenditures | <u>1,247,820</u> | <u>(3,419,566)</u> | <u>(2,171,746)</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | 3,350,000 | 3,350,000 |
| Transfers out | (3,350,000) | - | (3,350,000) |
| | <u>(3,350,000)</u> | <u>3,350,000</u> | <u>-</u> |
| Net Financing Sources (Uses) | | | |
| Net Change in Fund Balances | (2,102,180) | (69,566) | (2,171,746) |
| Fund Balance - Beginning | 11,127,154 | 382,207 | 11,509,361 |
| Fund Balance - Ending | <u>\$ 9,024,974</u> | <u>\$ 312,641</u> | <u>\$ 9,337,615</u> |

Spencer Valley School District

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

| | |
|--|----------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ (2,171,746) |
|--|----------------|

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlays exceed depreciation in the period.

| | | |
|------------------------|-----------------|-----------|
| Capital outlays | \$ 3,430,072 | |
| Depreciation expense | <u>(64,706)</u> | |
| Net expense adjustment | | 3,365,366 |

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.

8,407

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.

(15,305)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.

(21,313)

| | |
|---|---------------------|
| Change in net position of governmental activities | <u>\$ 1,165,409</u> |
|---|---------------------|

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Spencer Valley School District (the District) was founded in 1876 under the laws of the State of California. The District operates under a locally elected three-member Board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates one elementary school.

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, boards, and agencies that are not legally separate from the District. For Spencer Valley School District, this includes general operations and student related activities of the District.

Other Related Entities

Charter School The District has approved Charters for California Virtual Academy @ San Diego and Insight @ San Diego pursuant to *Education Code* Section 47605. California Virtual Academy @ San Diego and Insight @ San Diego are not considered a component unit of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into governmental funds.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund is currently defined as a special revenue funds in the California State Accounting Manual (CSAM) that does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$2,919,966

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

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, and both direct and indirect, and program revenues for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. 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 the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions 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 fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include 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 is 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.

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. Principal and interest on long-term liabilities, 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 entity-wide statements.

Investments

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements/infrastructure, 7 to 25 years; equipment, 5 to 20 years.

Compensated Absences

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

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

However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items. The deferred amounts related to pension relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension related changes.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items. The deferred amounts related to pension relate to differences between contributions and the District's proportionate share of contributions, differences between expected and actual experiences, and differences between expected and actual earnings on investments.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and additions to/deductions from the District Plan's net position have been determined on the same basis as they are reported by the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2021, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes 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, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than the greater of 5% of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The District has no related debt outstanding as of June 30, 2021. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$2,766,705 of net position restricted by enabling legislation.

Interfund Activity

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

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.

Property Tax

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

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

| | |
|--------------------|---------------------|
| Governmental funds | <u>\$ 8,361,592</u> |
|--------------------|---------------------|

Deposits and investments as of June 30, 2021, consist of the following:

| | |
|--------------------------------|---------------------|
| Cash in revolving | \$ 10,000 |
| Investments | <u>8,351,592</u> |
| Total deposits and investments | <u>\$ 8,361,592</u> |

Policies and Practices

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

Investment in County Treasury - 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* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at 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 that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool, where the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

| <u>Investment Type</u> | <u>Reported Amount</u> | <u>Weighted Average Maturity in Days</u> |
|----------------------------------|----------------------------|--|
| San Diego County Investment Pool | <u>\$ 8,351,592</u> | 613 |

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County Pool is not required to be rated, nor has it been rated as of June 30, 2021.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (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 agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District did not have any bank balance exposed to custodial credit risk.

Note 3 - Receivables

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Total |
|---------------------|---------------------|--|---------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Federal Government | | | |
| Categorical aid | \$ 393,847 | \$ - | \$ 393,847 |
| State Government | | | |
| LCFF apportionment | 284,396 | - | 284,396 |
| Categorical aid | 530,493 | - | 530,493 |
| Lottery | 6,427 | - | 6,427 |
| Local Government | | | |
| Interest | 15,351 | 1,005 | 16,356 |
| Other local sources | 263,134 | - | 263,134 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total | <u>\$ 1,493,648</u> | <u>\$ 1,005</u> | <u>\$ 1,494,653</u> |

Note 4 - Capital Assets

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

| | Balance July 1, 2020 | Additions | Deductions | Balance June 30, 2021 |
|--|-------------------------|--------------|------------|--------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 263,977 | \$ - | \$ - | \$ 263,977 |
| Construction in progress | 193,685 | 3,423,639 | - | 3,617,324 |
| Total capital assets not being depreciated | 457,662 | 3,423,639 | - | 3,881,301 |
| Capital assets being depreciated | | | | |
| Land improvements | 82,890 | - | - | 82,890 |
| Buildings and improvements | 1,700,597 | - | - | 1,700,597 |
| Furniture and equipment | 169,546 | 6,433 | - | 175,979 |
| Total capital assets being depreciated | 1,953,033 | 6,433 | - | 1,959,466 |
| Total capital assets | 2,410,695 | 3,430,072 | - | 5,840,767 |
| Accumulated depreciation | | | | |
| Land improvements | (66,973) | (2,895) | - | (69,868) |
| Buildings and improvements | (382,994) | (44,264) | - | (427,258) |
| Furniture and equipment | (117,101) | (17,547) | - | (134,648) |
| Total accumulated depreciation | (567,068) | (64,706) | - | (631,774) |
| Governmental activities capital assets, net | \$ 1,843,627 | \$ 3,365,366 | \$ - | \$ 5,208,993 |

Depreciation expense was charged as a direct expense to governmental as follows:

| | |
|---|-----------|
| Governmental Activities | |
| Instruction | \$ 22,059 |
| Food services | 587 |
| All other administration | 1,751 |
| Plant services | 40,309 |
| Total depreciation expenses governmental activities | \$ 64,706 |

Note 5 - Interfund Transactions

Operating Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following:

The General Fund transferred to the Special Reserve Fund for
Capital Outlay Projects for construction costs.

\$ 3,350,000

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 6 - Accounts Payable

Accounts payable at June 30, 2021, consisted of the following:

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Total |
|-----------------------|-------------------|--|-------------------|
| Vendor payables | \$ 250,670 | \$ - | \$ 250,670 |
| Salaries and benefits | 6,899 | - | 6,899 |
| Construction | - | 254,596 | 254,596 |
| Total | <u>\$ 257,569</u> | <u>\$ 254,596</u> | <u>\$ 512,165</u> |

Note 7 - Long-Term Liabilities Other than OPEB and Pensions

Compensated absences

The compensated absences will be paid by the fund for which the employee worked.

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$14,630.

Note 8 - Total Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2021, the District reported total OPEB liability and OPEB expense for the following plan:

| <u>OPEB Plan</u> | <u>Total OPEB Liability</u> | <u>OPEB Expense</u> |
|---------------------|---------------------------------|-------------------------|
| Retiree Health Plan | <u>\$ 31,110</u> | <u>\$ 21,313</u> |

The details of the plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

| | |
|------------------|-----------------|
| Active employees | <u><u>1</u></u> |
|------------------|-----------------|

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Benefit Payments

The benefit payment requirements of the Plan members and the District are established and may be amended by the District and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District and the unrepresented groups. For measurement period of June 30, 2021, the District paid \$4,807 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$31,110, was measured as of June 30, 2021, and the total OPEB liability was determined by the alternative measurement method. The alternative measurement method is allowable for entities with fewer than 100 employees.

Alternative Measurement Method

The total OPEB liability in the June 30, 2021 alternative measurement method calculation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---|
| Discount rate | 2% |
| Healthcare cost trend rates | 10% and decreasing towards 5.0% by 2024 |

The discount rate was based on the San Diego County Treasury rate of return.

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|------------------------|-------------------------|
| Balance, June 30, 2020 | \$ 52,423 |
| Changes of assumptions | (21,313) |
| Balance, June 30, 2021 | <u>\$ 31,110</u> |

There were no changes in benefits terms.

Changes of assumptions and other inputs reflect a change in projected retirement date from July 1, 2020 to December 31, 2021.

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

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

| Discount Rate | Total OPEB Liability |
|----------------------------|-------------------------|
| 1% decrease (1%) | \$ 31,575 |
| Current discount rate (2%) | 31,110 |
| 1% increase (3%) | 30,656 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

| Healthcare Cost Trend Rates | Total OPEB Liability |
|--|-------------------------|
| 1% decrease (9% decreasing to 4%) | \$ 30,604 |
| Current healthcare cost trend rate (10% decreasing to 5%) | 31,110 |
| 1% increase (11% decreasing to 6%) | 31,193 |

OPEB Expense

For the year ended June 30, 2021, the District recognized OPEB expense of \$21,313.

Note 9 - Fund Balances

Fund balances are composed of the following elements:

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Total |
|------------------------------------|-----------------|--|--------------|
| Nonspendable | | | |
| Revolving cash | \$ 10,000 | \$ - | \$ 10,000 |
| Restricted | | | |
| Legally restricted programs | 2,500,521 | - | 2,500,521 |
| Capital projects | - | 266,184 | 266,184 |
| Total restricted | 2,500,521 | 266,184 | 2,766,705 |
| Assigned | | | |
| Capital projects | 2,919,966 | 46,457 | 2,966,423 |
| Unassigned | | | |
| Reserve for economic uncertainties | 320,262 | - | 320,262 |
| Remaining unassigned | 3,274,225 | - | 3,274,225 |
| Total unassigned | 3,594,487 | - | 3,594,487 |
| Total | \$ 9,024,974 | \$ 312,641 | \$ 9,337,615 |

Note 10 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

| Pension Plan | Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|--------------|--------------------------|-----------------------------------|----------------------------------|-------------------|
| CalSTRS | \$ 630,312 | \$ 136,571 | \$ 57,529 | \$ 76,520 |
| CalPERS | 261,550 | 57,993 | 18,560 | 57,616 |
| Total | <u>\$ 891,862</u> | <u>\$ 194,564</u> | <u>\$ 76,089</u> | <u>\$ 134,136</u> |

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

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

| | STRP Defined Benefit Program | |
|---|-----------------------------------|--------------------------------|
| | On or before December 31, 2012 | On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 2% at 60 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 60 | 62 |
| Monthly benefits as a percentage of eligible compensation | 2.0% - 2.4% | 2.0% - 2.4% |
| Required employee contribution rate | 10.25% | 10.205% |
| Required employer contribution rate | 16.15% | 16.15% |
| Required state contribution rate | 10.328% | 10.328% |

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were \$44,849.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share

| | | |
|--|----|-----------------------|
| Proportionate share of net pension liability | \$ | 630,312 |
| State's proportionate share of the net pension liability | | <u>324,926</u> |
| Total | \$ | <u><u>955,238</u></u> |

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, was 0.0007% and 0.0006%, respectively, resulting in a net increase in the proportionate share of 0.0001%.

For the year ended June 30, 2021, the District recognized pension expense of \$76,520. In addition, the District recognized pension expense and revenue of \$45,519 for support provided by the State. 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 | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$ 44,849 | \$ - |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | 14,172 | 39,753 |
| Differences between projected and actual earnings on pension plan investments | 14,973 | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 1,112 | 17,776 |
| Changes of assumptions | <u>61,465</u> | <u>-</u> |
| Total | <u><u>\$ 136,571</u></u> | <u><u>\$ 57,529</u></u> |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|------------------------|--|
| 2022 | \$ (9,136) |
| 2023 | 5,103 |
| 2024 | 10,178 |
| 2025 | 8,828 |
| Total | <u>\$ 14,973</u> |

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|------------------------|--|
| 2022 | \$ 7,989 |
| 2023 | 6,409 |
| 2024 | 11,272 |
| 2025 | (4,378) |
| 2026 | (4,028) |
| Thereafter | 1,956 |
| Total | <u>\$ 19,220</u> |

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|------------------------------------|
| Valuation date | June 30, 2019 |
| Measurement date | June 30, 2020 |
| Experience study | July 1, 2015 through June 30, 2018 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.10% |
| Investment rate of return | 7.10% |
| Consumer price inflation | 2.75% |
| Wage growth | 3.50% |

CalSTRS uses a generational mortality assumption, which involves the use of a 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 its 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.

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

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|----------------------------|--------------------------|--|
| Public equity | 42% | 4.8% |
| Real estate | 15% | 3.6% |
| Private equity | 13% | 6.3% |
| Fixed income | 12% | 1.3% |
| Risk mitigating strategies | 10% | 1.8% |
| Inflation sensitive | 6% | 3.3% |
| Cash/liquidity | 2% | -0.4% |

Discount Rate

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

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

| Discount Rate | Net Pension Liability |
|-------------------------------|--------------------------|
| 1% decrease (6.10%) | \$ 952,314 |
| Current discount rate (7.10%) | 630,312 |
| 1% increase (8.10%) | 364,454 |

California Public Employees Retirement System (CalPERS)**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

| | School Employer Pool (CalPERS) | |
|---|-----------------------------------|--------------------------------|
| | On or before December 31, 2012 | On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 2% at 55 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 55 | 62 |
| Monthly benefits as a percentage of eligible compensation | 1.1% - 2.5% | 1.0% - 2.5% |
| Required employee contribution rate | 7.00% | 7.00% |
| Required employer contribution rate | 20.70% | 20.70% |

Contributions

Section 20814(c) of the California Public Employees' Retirement Law 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. Total plan contributions are calculated through the 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total District contributions were \$31,356.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$261,550. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, was 0.0009% and 0.0009%, respectively, resulting in no percentage change in the proportionate share.

For the year ended June 30, 2021, the District recognized pension expense of \$57,616. 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 | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$ 31,356 | \$ - |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | 7,262 | 18,560 |
| Differences between projected and actual earnings on pension plan investments | 5,444 | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 12,972 | - |
| Changes of assumptions | 959 | - |
| | <u>\$ 57,993</u> | <u>\$ 18,560</u> |
| Total | <u>\$ 57,993</u> | <u>\$ 18,560</u> |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|------------------------|--|
| 2022 | \$ (2,038) |
| 2023 | 1,818 |
| 2024 | 3,159 |
| 2025 | 2,505 |
| | <u>5,444</u> |
| Total | <u>\$ 5,444</u> |

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|------------------------|--|
| 2022 | \$ 4,384 |
| 2023 | 2,198 |
| 2024 | (3,531) |
| 2025 | (418) |
| Total | <u>\$ 2,633</u> |

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|------------------------------------|
| Valuation date | June 30, 2019 |
| Measurement date | June 30, 2020 |
| Experience study | July 1, 1997 through June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.15% |
| Investment rate of return | 7.15% |
| Consumer price inflation | 2.50% |
| Wage growth | Varies by entry age and service |

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of scale MP-2016.

In determining the long-term expected rate of return, 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 ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|------------------|--------------------------|--|
| Global equity | 50% | 5.98% |
| Fixed income | 28% | 2.62% |
| Inflation assets | 0% | 1.81% |
| Private equity | 8% | 7.23% |
| Real assets | 13% | 4.93% |
| Liquidity | 1% | -0.92% |

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

| Discount Rate | Net Pension Liability |
|-------------------------------|-----------------------|
| 1% decrease (6.15%) | \$ 376,026 |
| Current discount rate (7.15%) | 261,550 |
| 1% increase (8.15%) | 166,541 |

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$36,783 (10.328% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Note 11 - Commitments and Contingencies**Grants**

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

Litigation

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

Note 12 - Participation in Public Entity Risk Pools, Joint Powers Authorities and Other Related Party Transactions

The District is a member of the San Diego County Schools Risk Management Joint Powers Authority and the California Schools VEBA. The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2021, the District made payments of \$14,267 and \$65,161 to the San Diego County Schools Risk Management Joint Powers Authority and the California Schools VEBA, respectively.



Required Supplementary Information
June 30, 2021

Spencer Valley School District

Spencer Valley School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variances - Positive (Negative) Final to Actual |
|---|------------------|--------------|--------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Local Control Funding Formula | \$ 1,562,652 | \$ 1,752,461 | \$ 1,754,819 | \$ 2,358 |
| Federal sources | 440,487 | 422,369 | 437,299 | 14,930 |
| Other State sources | 185,060 | 222,919 | 250,738 | 27,819 |
| Other local sources | 1,895,946 | 2,060,549 | 1,760,204 | (300,345) |
| Total revenues | 4,084,145 | 4,458,298 | 4,203,060 | (255,238) |
| Expenditures | | | | |
| Current | | | | |
| Certificated salaries | 383,782 | 376,333 | 330,460 | 45,873 |
| Classified salaries | 243,727 | 259,046 | 195,539 | 63,507 |
| Employee benefits | 228,265 | 297,783 | 221,690 | 76,093 |
| Books and supplies | 113,527 | 114,816 | 37,159 | 77,657 |
| Services and operating expenditures | 2,391,840 | 2,481,330 | 2,163,956 | 317,374 |
| Other outgo | 50,000 | - | 5 | (5) |
| Capital outlay | 15,000 | 15,000 | 6,431 | 8,569 |
| Total expenditures | 3,426,141 | 3,544,308 | 2,955,240 | 589,068 |
| Excess of Revenues Over Expenditures | 658,004 | 913,990 | 1,247,820 | 333,830 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (5,608,000) | (2,450,000) | (3,350,000) | (900,000) |
| Net Change in Fund Balances | (4,949,996) | (1,536,010) | (2,102,180) | (566,170) |
| Fund Balance - Beginning | 11,127,154 | 11,127,154 | 11,127,154 | - |
| Fund Balance - Ending | \$ 6,177,158 | \$ 9,591,144 | \$ 9,024,974 | \$ (566,170) |

¹ Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

Spencer Valley School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2021

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Total OPEB Liability | | | | |
| Changes of assumptions | \$ (21,313) | \$ 6,520 | \$ (12,332) | \$ (8,841) |
| Total OPEB Liability - Beginning | <u>52,423</u> | <u>45,903</u> | <u>58,235</u> | <u>67,076</u> |
| Total OPEB Liability - Ending | <u><u>\$ 31,110</u></u> | <u><u>\$ 52,423</u></u> | <u><u>\$ 45,903</u></u> | <u><u>\$ 58,235</u></u> |
| Covered Payroll | <u>N/A¹</u> | <u>N/A¹</u> | <u>N/A¹</u> | <u>N/A¹</u> |
| Total OPEB Liability as a Percentage of Covered Payroll | <u>N/A¹</u> | <u>N/A¹</u> | <u>N/A¹</u> | <u>N/A¹</u> |
| Measurement Date | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |

¹ The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay.
Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Spencer Valley School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------|---------------|---------------|---------------|---------------|
| CalSTRS | | | | | |
| Proportion of the net pension liability | 0.0007% | 0.0006% | 0.0007% | 0.0007% | 0.0011% |
| Proportionate share of the net pension liability | \$ 630,312 | \$ 568,332 | \$ 611,366 | \$ 617,299 | \$ 358,006 |
| State's proportionate share of the net pension liability | 324,926 | 310,063 | 350,036 | 365,189 | 321,244 |
| Total | \$ 955,238 | \$ 878,395 | \$ 961,402 | \$ 982,488 | \$ 679,250 |
| Covered payroll | \$ 345,076 | \$ 129,846 | \$ 293,666 | \$ 305,358 | \$ 281,612 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 182.66% | 437.70% | 208.18% | 202.16% | 127.13% |
| Plan fiduciary net position as a percentage of the total pension liability | 72% | 73% | 71% | 69% | 70% |
| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 |
| CalPERS | | | | | |
| Proportion of the net pension liability | 0.0009% | 0.0009% | 0.0009% | 0.0009% | 0.0007% |
| Proportionate share of the net pension liability | \$ 261,550 | \$ 263,848 | \$ 237,537 | \$ 226,366 | \$ 143,419 |
| Covered payroll | \$ 125,126 | \$ 186,275 | \$ 106,014 | \$ 75,014 | \$ 87,001 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 209.03% | 141.64% | 224.06% | 301.76% | 164.85% |
| Plan fiduciary net position as a percentage of the total pension liability | 70% | 70% | 71% | 72% | 74% |
| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 |

Note : In the future, as data becomes available, ten years of information will be presented.

Spencer Valley School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

| | 2016 | 2015 |
|--|---------------|---------------|
| CalSTRS | | |
| Proportion of the net pension liability | 0.0011% | 0.0012% |
| Proportionate share of the net pension liability | \$ 753,865 | \$ 676,071 |
| State's proportionate share of the net pension liability | 261,047 | 250,205 |
| Total | \$ 1,014,912 | \$ 926,276 |
| Covered payroll | \$ 293,412 | 315,818 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 256.93% | 214.07% |
| Plan fiduciary net position as a percentage of the total pension liability | 74% | 77% |
| Measurement Date | June 30, 2015 | June 30, 2014 |
| CalPERS | | |
| Proportion of the net pension liability | 0.0008% | 0.0007% |
| Proportionate share of the net pension liability | \$ 116,062 | \$ 80,963 |
| Covered payroll | \$ 72,891 | 74,987 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 159.23% | 107.97% |
| Plan fiduciary net position as a percentage of the total pension liability | 79% | 83% |
| Measurement Date | June 30, 2015 | June 30, 2014 |

Note : In the future, as data becomes available, ten years of information will be presented.

Spencer Valley School District
Schedule of the District Contributions
Year Ended June 30, 2021

| | 2020 | 2020 | 2019 | 2018 | 2017 |
|---|------------|------------|------------|------------|------------|
| CalSTRS | | | | | |
| Contractually required contribution | \$ 44,849 | \$ 59,008 | \$ 21,139 | \$ 42,376 | \$ 38,414 |
| Less contributions in relation to the contractually required contribution | 44,849 | 59,008 | 21,139 | 42,376 | 38,414 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 277,703 | \$ 345,076 | \$ 129,846 | \$ 293,666 | \$ 305,358 |
| Contributions as a percentage of covered payroll | 16.15% | 17.10% | 16.28% | 14.43% | 12.58% |
| CalPERS | | | | | |
| Contractually required contribution | \$ 31,356 | \$ 24,676 | \$ 33,645 | \$ 16,465 | \$ 10,418 |
| Less contributions in relation to the contractually required contribution | 31,356 | 24,676 | 33,645 | 16,465 | 10,418 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 151,478 | \$ 125,126 | \$ 186,275 | \$ 106,014 | \$ 75,014 |
| Contributions as a percentage of covered payroll | 20.700% | 19.721% | 18.062% | 15.531% | 13.888% |

Note : In the future, as data becomes available, ten years of information will be presented.

Spencer Valley School District
Schedule of the District Contributions
Year Ended June 30, 2021

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| CalSTRS | | |
| Contractually required contribution | \$ 30,217 | \$ 26,055 |
| Less contributions in relation to the contractually required contribution | <u>30,217</u> | <u>26,055</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 281,612</u> | <u>\$ 293,412</u> |
| Contributions as a percentage of covered payroll | <u>10.73%</u> | <u>8.88%</u> |
| CalPERS | | |
| Contractually required contribution | \$ 10,307 | \$ 8,580 |
| Less contributions in relation to the contractually required contribution | <u>10,307</u> | <u>8,580</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 87,001</u> | <u>\$ 72,891</u> |
| Contributions as a percentage of covered payroll | <u>11.847%</u> | <u>11.771%</u> |

Note : In the future, as data becomes available, ten years of information will be presented.

Note - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

At June 30, 2021, the District major fund exceeded the budgeted amount in total as follows:

| Funds | Expenditures and Other Uses | | |
|--------------|-----------------------------|--------------|------------|
| | Budget | Actual | Excess |
| General Fund | \$ 5,994,308 | \$ 6,305,240 | \$ 310,932 |

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The date of retirement for the active employee part of the plan changed from July 1, 2020 to December 31, 2021.

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

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



Supplementary Information
June 30, 2021

Spencer Valley School District

ORGANIZATION

The District was established in 1876 and consists of an area comprising approximately 9.9 square miles. The District operates one elementary school. There were no boundary changes during the year.

GOVERNING BOARD

| MEMBER | OFFICE | TERM EXPIRES |
|------------------------|-----------|---------------|
| Carol Muehling Frausto | President | December 2024 |
| Cindy Arntson | Member | December 2022 |
| Beau Cseri | Member | December 2022 |

ADMINISTRATION

| NAME | TITLE |
|-------------------|---|
| Kelly Bass | Superintendent/Principal |
| Kathleen McKenzie | Assistant Superintendent, Human Resources and Business Services |

Spencer Valley School District

Schedule of Instructional Time

Year Ended June 30, 2021

| Grade Level | Number of Actual Days | | Number of Days Credited Form J-13A | Total Days Offered | Status |
|--------------|-------------------------|------------------------|--|-----------------------|----------|
| | Traditional Calendar | Multitrack Calendar | | | |
| Kindergarten | 180 | N/A | - | 180 | Complied |
| Grades 1 - 3 | | | | | |
| Grade 1 | 180 | N/A | - | 180 | Complied |
| Grade 2 | 180 | N/A | - | 180 | Complied |
| Grade 3 | 180 | N/A | - | 180 | Complied |
| Grades 4 - 8 | | | | | |
| Grade 4 | 180 | N/A | - | 180 | Complied |
| Grade 5 | 180 | N/A | - | 180 | Complied |
| Grade 6 | 180 | N/A | - | 180 | Complied |
| Grade 7 | 180 | N/A | - | 180 | Complied |
| Grade 8 | 180 | N/A | - | 180 | Complied |

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

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2021.

Spencer Valley School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2021

| | (Budget) 2022 ¹ | 2021 | 2020 | 2019 |
|--|-------------------------------|--------------|---------------|---------------|
| General Fund ³ | | | | |
| Revenues | \$ 4,458,298 | \$ 4,176,647 | \$ 4,280,624 | \$ 4,056,949 |
| Expenditures | 3,544,308 | 2,955,240 | 2,966,003 | 2,649,638 |
| Other uses and transfers out | 2,450,000 | 3,450,000 | 1,100,000 | 13,950 |
| Total Expenditures and Other Uses | 5,994,308 | 6,405,240 | 4,066,003 | 2,663,588 |
| Increase/(Decrease) in Fund Balance | (1,536,010) | (2,228,593) | 214,621 | 1,393,361 |
| Ending Fund Balance | \$ 7,362,551 | \$ 8,898,561 | \$ 11,127,154 | \$ 10,912,533 |
| Available Reserves ² | \$ 2,361,375 | \$ 3,594,487 | \$ 6,034,717 | \$ 6,247,022 |
| Available Reserves as a Percentage of Total Outgo | 39.39% | 56.12% | 148.42% | 234.53% |
| Long-Term Liabilities | N/A | \$ 937,602 | \$ 907,640 | \$ 919,916 |
| K-12 Average Daily Attendance at P-2 | 44 | 44 | 44 | 39 |

The General Fund balance has decreased by \$2,013,972 over the past two years. The fiscal year 2021-2022 budget projects a further decrease of \$1,536,010 (17.26%). For a district this size, the State recommends available reserves of at least 5.0% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$17,686 over the past two years.

Average daily attendance has increased by 5 over the past two years. No additional growth of ADA is anticipated during fiscal year 2021-2022.

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 with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

³ General Fund amounts include activity related to the consolidation of the Special Reserve Fund for Other Than Capital Outlay Projects, as required by GASB Statement No. 54.

Spencer Valley School District
Schedule of Charter Schools
Year Ended June 30, 2021

| <u>Name of Charter School</u> | <u>Charter Number</u> | <u>Included in Audit Report</u> |
|--|---------------------------|-------------------------------------|
| California Virtual Academy @ San Diego | 0493 | No |
| Insight @ San Diego | 1371 | No |

Note 1 - Purpose of Schedules

Local Education Agency Organization Structure

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

Schedule of Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of Education Code Section 43504.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District and displays information for each Charter School on whether or not the Charter School is included in the School District audit.



Independent Auditor's Reports
June 30, 2021

Spencer Valley School District



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 Directors
Spencer Valley School District
Santa Ysabel, California

We have audited, 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, the financial statements of the governmental activities and each major fund of Spencer Valley School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 24, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
January 24, 2022



Independent Auditor's Report on State Compliance

To the Board of Directors
Spencer Valley School District
Santa Ysabel, California

Report on State Compliance

We have audited Spencer Valley School District's (the District) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

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

| | Procedures Performed |
|---|-------------------------|
| LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS | |
| Attendance and Distance Learning | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Instructional Time | Yes |
| Instructional Materials | Yes |
| Ratios of Administrative Employees to Teachers | Yes |
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | No, see below |
| Gann Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| K-3 Grade Span Adjustment | Yes |
| Apprenticeship: Related and Supplemental Instruction | No, see below |
| Comprehensive School Safety Plan | Yes |
| District of Choice | No, see below |
| SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS | |
| California Clean Energy Jobs Act | No, see below |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Independent Study - Course Based | No, see below |
| CHARTER SCHOOLS | |
| Attendance | No, see below |
| Mode of Instruction | No, see below |
| Nonclassroom-Based Instruction/Independent Study | No, see below |
| Determination of Funding for Nonclassroom-Based Instruction | No, see below |
| Charter School Facility Grant Program | No, see below |

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

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

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

The Charter Schools are independent of the District; therefore, we did not perform any procedures related to charter schools.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
January 24, 2022



Schedule of Findings and Questioned Costs
June 30, 2021

Spencer Valley School District

Financial Statements

| | |
|---|---------------|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting | |
| Material weaknesses identified | No |
| Significant deficiencies identified not considered to be material weaknesses | None Reported |
| Noncompliance material to financial statements noted? | No |

State Compliance

| | |
|---|------------|
| Type of auditor's report issued on compliance for programs | Unmodified |
|---|------------|

None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.