

LA MESA-SPRING VALLEY SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2021



LA MESA-SPRING VALLEY SCHOOLS

LA MESA-SPRING VALLEY SCHOOL DISTRICT
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
La Mesa-Spring Valley School District
La Mesa, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the La Mesa-Spring Valley School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the La Mesa-Spring Valley School 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, the business-type activities, the major fund, and the aggregate remaining fund information of La Mesa-Spring Valley School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 and Note 17 to the basic financial statements, the La Mesa-Spring Valley School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which established accounting and financial reporting standards for the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the La Mesa-Spring Valley School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2022 on our consideration of La Mesa-Spring Valley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness La Mesa-Spring Valley School 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 La Mesa-Spring Valley School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
January 20, 2022

LA MESA-SPRING VALLEY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

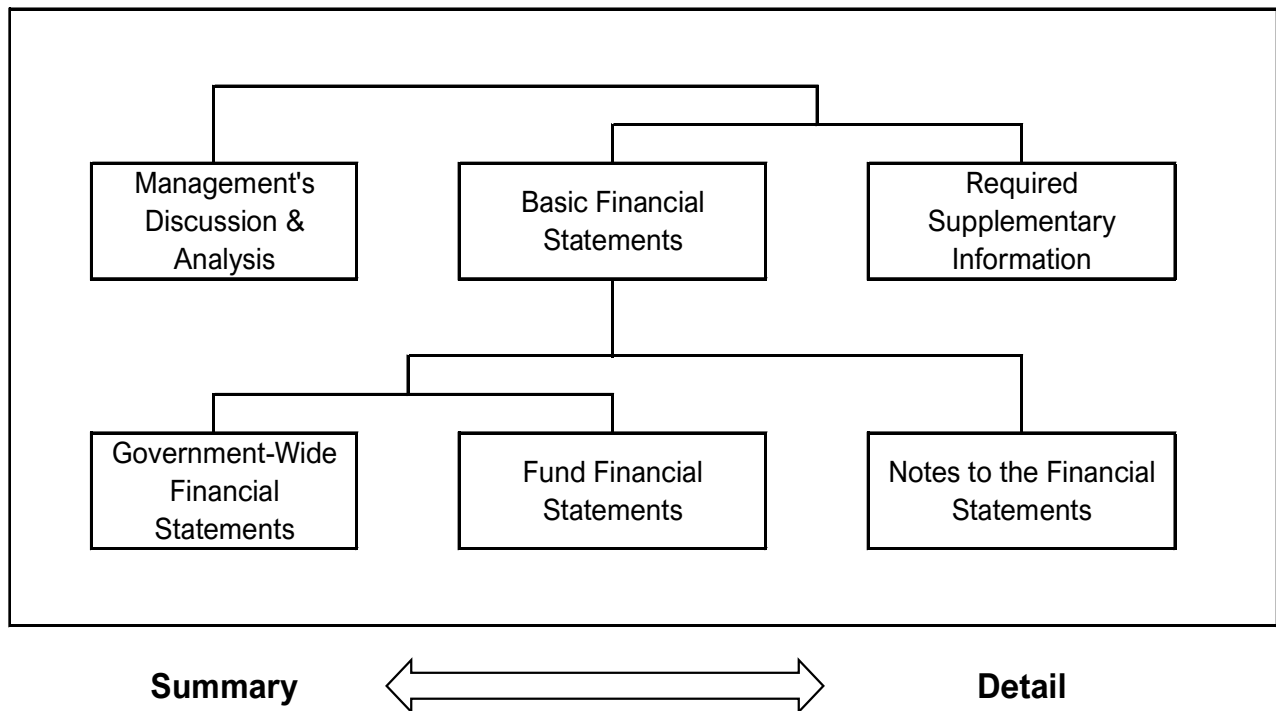
Our discussion and analysis of La Mesa-Spring Valley School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was \$(119,185,669) at June 30, 2021. This was a decrease of \$(4,387,678) from the prior year, after restatement.
- Overall revenues were \$166,450,945 which were exceeded by expenses of \$170,838,623.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

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

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
 - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

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

Government-Wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

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

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District had net position of \$(115,981,401) related to governmental activities and \$(3,204,268) related to business-type activities at June 30, 2021, as shown below:

	Governmental Activities			Business-Type Activities		
	2021	2020	Net Change	2021	2020	Net Change
ASSETS						
Current and other assets	\$ 53,391,069	\$ 33,974,594	\$ 19,416,475	\$ 94,305	\$ 997,239	\$ (902,934)
Capital assets	65,257,890	69,292,415	(4,034,525)	-	-	-
Total Assets	118,648,959	103,267,009	15,381,950	94,305	997,239	(902,934)
DEFERRED OUTFLOWS OF RESOURCES	41,084,973	45,258,667	(4,173,694)	686,696	936,211	(249,515)
LIABILITIES						
Current liabilities	20,080,573	13,213,678	6,866,895	85,622	59,463	26,159
Long-term liabilities	250,417,446	240,437,967	9,979,479	3,850,088	3,655,670	194,418
Total Liabilities	270,498,019	253,651,645	16,846,374	3,935,710	3,715,133	220,577
DEFERRED INFLOWS OF RESOURCES	5,217,314	7,933,265	(2,715,951)	49,559	65,822	(16,263)
NET POSITION						
Net investment in capital assets	41,037,115	40,196,852	840,263	-	-	-
Restricted	11,054,637	7,232,960	3,821,677	-	-	-
Unrestricted	(168,073,153)	(160,489,046)	(7,584,107)	(3,204,268)	(1,847,505)	(1,356,763)
Total Net Position	\$ (115,981,401)	\$ (113,059,234)	\$ (2,922,167)	\$ (3,204,268)	\$ (1,847,505)	\$ (1,356,763)

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The following table takes the information from the Statement and rearranges it, so you can see our total revenues, expenses, transfers, and special items for the year.

The District's total revenues relating to governmental activities were \$163,940,805, which is primarily from federal and state aid, categorical programs, and property taxes. Total expenditures relating to governmental activities were \$165,987,682, which is predominately related to educating and caring for students.

The District's business-type activities relate to providing fee-based before and after school programs to students.

	Governmental Activities			Business-Type Activities		
	2021	2020	Net Change	2021	2020	Net Change
REVENUES						
Program revenues						
Charges for services	\$ 1,942,644	\$ 2,838,055	\$ (895,411)	\$ 2,345,980	\$ 3,960,865	\$ (1,614,885)
Operating grants and contributions	45,815,286	22,240,391	23,574,895	94,261	38,677	55,584
General revenues						
Property taxes	42,116,618	40,918,173	1,198,445	-	-	-
Unrestricted federal and state aid	72,606,407	78,711,218	(6,104,811)	-	-	-
Other	1,459,850	1,922,898	(463,048)	69,899	153,752	(83,853)
Total Revenues	163,940,805	146,630,735	17,310,070	2,510,140	4,153,294	(1,643,154)
EXPENSES						
Instruction	97,374,704	87,206,437	10,168,267	-	-	-
Instruction-related services	16,415,616	16,869,030	(453,414)	-	-	-
Pupil services	20,478,634	20,726,269	(247,635)	-	-	-
General administration	9,380,708	8,736,475	644,233	-	-	-
Plant services	13,650,563	13,548,641	101,922	-	-	-
Ancillary and community services	1,800,707	1,623,512	177,195	-	-	-
Debt service	1,957,637	2,035,499	(77,862)	-	-	-
Other outgo	236,338	556,841	(320,503)	-	-	-
Depreciation	4,633,662	4,491,622	142,040	-	-	-
Other	59,113	134,164	(75,051)	4,850,941	5,617,747	(766,806)
Total Expenses	165,987,682	155,928,490	10,059,192	4,850,941	5,617,747	(766,806)
Transfers & special items	(984,038)	-	(984,038)	984,038	-	984,038
Change in net position	(3,030,915)	(9,297,755)	6,266,840	(1,356,763)	(1,464,453)	107,690
Net Position - Beginning, as Restated*	(112,950,486)	(103,761,479)	(9,189,007)	(1,847,505)	(383,052)	(1,464,453)
Net Position - Ending	\$ (115,981,401)	\$ (113,059,234)	\$ (2,922,167)	\$ (3,204,268)	\$ (1,847,505)	\$ (1,356,763)

*Beginning net position for governmental activities was restated for the 2021 year only.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District's functions. 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.

	Net Cost of Services	
	2021	2020
Instruction	\$ 65,069,155	\$ 74,489,475
Instruction-related services	13,811,859	15,080,829
Pupil services	10,840,320	12,632,352
General administration	8,542,115	8,427,870
Plant services	12,385,067	12,845,254
Ancillary and community services	703,763	307,780
Debt service	1,957,637	2,035,499
Transfers to other agencies	236,338	542,083
Depreciation	4,633,662	4,491,622
Other	49,836	1,615,485
Total Expenses	\$ 118,229,752	\$ 132,468,249

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$34,469,443, which is more than this year's restated beginning fund balance of \$23,029,403. The District's General Fund had \$12,255,277 more in operating revenues than expenditures for the year ended June 30, 2021, and net financing uses of \$1,994,632 leading to an increase in fund balance of \$10,260,645 from the prior year.

CURRENT YEAR BUDGET 2020-2021

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2020-2021, the District had invested \$65,257,890 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2021	2020	Net Change
CAPITAL ASSETS			
Land	\$ 16,068,467	\$ 16,068,467	\$ -
Land improvements	9,101,760	9,029,671	72,089
Buildings & improvements	111,390,727	111,101,104	289,623
Furniture & equipment	15,543,033	15,305,608	237,425
Accumulated depreciation	(86,846,097)	(82,212,435)	(4,633,662)
Total Capital Assets	\$ 65,257,890	\$ 69,292,415	\$ (4,034,525)

Long-Term Liabilities

At year-end, the District had a total of \$254,267,534 in long-term liabilities – as shown below. This increase of approximately 4.17% from the prior year is primarily attributed to the increase in net pension liability. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities			Business-Type Activities		
	2021	2020	Net Change	2021	2020	Net Change
LONG-TERM LIABILITIES						
Total general obligation bonds	\$ 30,378,845	\$ 32,725,522	\$ (2,346,677)	\$ -	\$ -	\$ -
Total certificates of participation	10,017,724	10,758,640	(740,916)	-	-	-
Capital leases	440,952	897,573	(456,621)	-	-	-
JPA liability	586,112	202,189	383,923	-	-	-
Compensated absences	1,338,507	1,330,185	8,322	-	-	-
Total OPEB liability	52,410,461	49,732,494	2,677,967	-	-	-
Net pension liability	159,319,148	149,863,416	9,455,732	3,850,088	3,655,670	194,418
Less: current portion of long-term liabilities	(4,074,303)	(5,072,052)	997,749	-	-	-
Total Long-term Liabilities	\$ 250,417,446	\$ 240,437,967	\$ 9,979,479	\$ 3,850,088	\$ 3,655,670	\$ 194,418

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

In its March 2021 and June 2021 quarterly reports, the UCLA Anderson Forecast anticipated a robust recovery from the COVID-19-induced recession that began in March 2020. However, in its September 2021 quarterly report, hopes for blockbuster economic growth have been tempered by the spread of the COVID-19 delta variant and stagnating vaccination rates, which in turn have led to consumer caution and supply constraints. As a result, what could have been a couple of years of blockbuster economic performance will now likely feature solid but unspectacular growth. The economy is currently down 5.3 million payroll jobs from its pre-COVID peak, and there is little evidence to suggest that the expiration of enhanced unemployment benefits will lead to a surge in job applications.

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. Governor Gavin Newsom's "California Comeback Plan" includes a mix of ongoing and one-time investments of \$100 billion made possible by an unanticipated surge in state revenues and robust federal stimulus funding.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Landmark legislation passed in year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per-pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low-income brackets, those that are English language learners and foster youth.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADS); and (4) meeting annual compliance and audit requirements.

The May 2021 Budget Revision provides additional funding to further reduce the funding deferrals that were included in the 2020-21 Enacted Budget. The Governor's Budget in January proposed paying down \$9.2 billion of the K-12 deferrals. The May 2021 Budget Revision proposes paying down an additional \$1.1 billion, leaving a balance of \$2.6 billion at the end of the 2021-22 fiscal year.

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2021. The amount of the liability is material to the financial position of the District. Beginning in 2021-22, the CalSTRS Board has limited authority to increase or decrease rates by a maximum of 1% annually (not to exceed 20.25% of creditable compensation), the projected employer contribution rate for 2021-22 is 16.92%. The CalPERS Board adopted an employer contribution rate of 22.91% for 2021-22. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2021-22 fiscal year.

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 the Business Office, La Mesa-Spring Valley School District, 4750 Date Avenue; La Mesa, CA 91942.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 22,487,726	\$ 167,501	\$ 22,655,227
Accounts receivable	27,629,016	1,060	27,630,076
Internal balances	74,256	(74,256)	-
Inventory	268,582	-	268,582
Note receivable, current portion	50,404	-	50,404
Note receivable, non-current portion	2,881,085	-	2,881,085
Capital assets, not depreciated	16,068,467	-	16,068,467
Capital assets, net of accumulated depreciation	49,189,423	-	49,189,423
Total Assets	118,648,959	94,305	118,743,264
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	32,937,045	686,696	33,623,741
Deferred outflows related to OPEB	8,001,211	-	8,001,211
Deferred amount on refunding	146,717	-	146,717
Total Deferred Outflows of Resources	41,084,973	686,696	41,771,669
LIABILITIES			
Accrued liabilities	3,782,037	85,622	3,867,659
Current loans	12,000,000	-	12,000,000
Unearned revenue	224,233	-	224,233
Long-term liabilities, current portion	4,074,303	-	4,074,303
Long-term liabilities, non-current portion	250,417,446	3,850,088	254,267,534
Total Liabilities	270,498,019	3,935,710	274,433,729
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	3,913,487	49,559	3,963,046
Deferred inflows related to OPEB	1,303,827	-	1,303,827
Total Deferred Inflows of Resources	5,217,314	49,559	5,266,873
NET POSITION			
Net investment in capital assets	41,037,115	-	41,037,115
Restricted:			
Capital projects	2,195,962	-	2,195,962
Debt service	4,326,385	-	4,326,385
Educational programs	3,489,995	-	3,489,995
Food service	928,943	-	928,943
Associated student body	113,352	-	113,352
Unrestricted	(168,073,153)	(3,204,268)	(171,277,421)
Total Net Position	\$ (115,981,401)	\$ (3,204,268)	\$ (119,185,669)

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 97,374,704	\$ 42,484	\$ 32,263,065	\$ (65,069,155)	
Instruction-related services					
Instructional supervision and administration	2,348,865	-	843,348	(1,505,517)	
Instructional library, media, and technology	4,712,909	-	1,318,326	(3,394,583)	
School site administration	9,353,842	-	442,083	(8,911,759)	
Pupil services					
Home-to-school transportation	3,771,534	-	14,238	(3,757,296)	
Food services	5,688,393	2,477	5,891,469	205,553	
All other pupil services	11,018,707	-	3,730,130	(7,288,577)	
General administration					
Centralized data processing	831,390	-	71,369	(760,021)	
All other general administration	8,549,318	59,395	707,829	(7,782,094)	
Plant services	13,650,563	836,912	428,584	(12,385,067)	
Ancillary services	401,438	47,488	46,756	(307,194)	
Community services	1,399,269	952,057	50,643	(396,569)	
Enterprise activities	59,113	1,831	7,446	(49,836)	
Interest on long-term debt	1,957,637	-	-	(1,957,637)	
Other outgo	236,338	-	-	(236,338)	
Depreciation (unallocated)	4,633,662	-	-	(4,633,662)	
Total Governmental Activities	\$ 165,987,682	\$ 1,942,644	\$ 45,815,286	(118,229,752)	
BUSINESS-TYPE ACTIVITIES					
Enterprise activities	4,850,941	2,345,980	94,261		\$ (2,410,700)
Total Business-Type Activities	4,850,941	2,345,980	94,261		(2,410,700)
Total School District	\$ 170,838,623	\$ 4,288,624	\$ 45,909,547		\$ (120,640,452)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes				38,509,652	-
Property taxes, levied for debt service				3,555,046	-
Property taxes, levied for other specific purposes				51,920	-
Federal and state aid not restricted for specific purposes				72,606,407	-
Interest and investment earnings				379,125	-
Interagency revenues				326,717	-
Miscellaneous				754,008	69,899
Subtotal, General Revenue				116,182,875	69,899
Change in net position before transfers & special items				(2,046,877)	(2,340,801)
Internal transfers				(984,038)	984,038
Total Transfers & Special Items				(984,038)	984,038
CHANGE IN NET POSITION				(3,030,915)	(1,356,763)
Net Position - Beginning, as Restated				(112,950,486)	(1,847,505)
Net Position - Ending				\$ (115,981,401)	\$ (3,204,268)
					\$ (119,185,669)

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 15,367,647	\$ 7,120,079	\$ 22,487,726
Accounts receivable	26,702,557	926,459	27,629,016
Due from other funds	1,004,603	123,186	1,127,789
Stores inventory	130,721	137,861	268,582
Total Assets	\$ 43,205,528	\$ 8,307,585	\$ 51,513,113
LIABILITIES			
Accrued liabilities	\$ 3,668,561	\$ 97,343	\$ 3,765,904
Due to other funds	771,189	282,344	1,053,533
Current loans	12,000,000	-	12,000,000
Unearned revenue	152,438	71,795	224,233
Total Liabilities	16,592,188	451,482	17,043,670
FUND BALANCES			
Nonspendable	174,371	137,861	312,232
Restricted	3,352,528	7,718,242	11,070,770
Unassigned	23,086,441	-	23,086,441
Total Fund Balances	26,613,340	7,856,103	34,469,443
Total Liabilities and Fund Balances	\$ 43,205,528	\$ 8,307,585	\$ 51,513,113

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2021

Total Fund Balance - Governmental Funds \$ 34,469,443

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

Capital assets:

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

Capital assets	\$ 152,103,987	
Accumulated depreciation	<u>(86,846,097)</u>	65,257,890

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

146,717

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owing at the end of the period was:

(16,133)

Note receivable:

In governmental funds, receivables are recognized only to the extent that they are "available", meaning it will be collected in one year. In the government-wide statements, long-term receivables are recognized. The amount of receivables that were not recognized in governmental funds, but are recognized in the government-wide statements, is:

2,931,489

Long-term liabilities:

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

Total general obligation bonds	\$ 30,378,845	
Total certificates of participation	10,017,724	
Capital leases	440,952	
JPA liability	586,112	
Compensated absences	1,338,507	
Total OPEB liability	52,410,461	
Net pension liability	<u>159,319,148</u>	(254,491,749)

(continued on the following page)

LA MESA-SPRING VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION, continued
JUNE 30, 2021

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 32,937,045	
Deferred inflows of resources related to pensions	<u>(3,913,487)</u>	29,023,558

Deferred outflows and inflows of resources relating to OPEB:

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

Deferred outflows of resources related to OPEB	\$ 8,001,211	
Deferred inflows of resources related to OPEB	<u>(1,303,827)</u>	6,697,384

Total Net Position - Governmental Activities		<u>\$ (115,981,401)</u>
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**LA MESA-SPRING VALLEY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
LCFF sources	\$ 108,382,093	\$ -	\$ 108,382,093
Federal sources	18,542,148	5,504,195	24,046,343
Other state sources	20,416,683	1,472,786	21,889,469
Other local sources	9,880,235	4,358,768	14,239,003
Total Revenues	157,221,159	11,335,749	168,556,908
EXPENDITURES			
Current			
Instruction	93,155,971	520,128	93,676,099
Instruction-related services			
Instructional supervision and administration	2,071,752	159,314	2,231,066
Instructional library, media, and technology	4,214,955	-	4,214,955
School site administration	8,563,060	82,955	8,646,015
Pupil services			
Home-to-school transportation	3,294,042	-	3,294,042
Food services	5,318	5,133,284	5,138,602
All other pupil services	10,662,519	-	10,662,519
General administration			
Centralized data processing	829,885	-	829,885
All other general administration	7,129,045	236,462	7,365,507
Plant services	12,373,439	12,479	12,385,918
Facilities acquisition and maintenance	301,417	60,295	361,712
Ancillary services	322,881	42,884	365,765
Community services	1,212,075	-	1,212,075
Enterprise activities	53,062	2,236	55,298
Transfers to other agencies	11,324	-	11,324
Debt service			
Principal	507,168	4,540,916	5,048,084
Interest and other	257,969	375,995	633,964
Total Expenditures	144,965,882	11,166,948	156,132,830
Excess (Deficiency) of Revenues Over Expenditures	12,255,277	168,801	12,424,078
Other Financing Sources (Uses)			
Transfers in	-	1,010,594	1,010,594
Transfers out	(1,994,632)	-	(1,994,632)
Net Financing Sources (Uses)	(1,994,632)	1,010,594	(984,038)
NET CHANGE IN FUND BALANCE	10,260,645	1,179,395	11,440,040
Fund Balance - Beginning, as Restated	16,352,695	6,676,708	23,029,403
Fund Balance - Ending	\$ 26,613,340	\$ 7,856,103	\$ 34,469,443

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

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Governmental Funds \$ 11,440,040

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

Capital outlay:

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

Expenditures for capital outlay:	\$ 599,137	
Depreciation expense:	(4,633,662)	(4,034,525)

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

5,048,084

Deferred amounts on refunding:

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

(146,717)

Note receivable payments:

In governmental funds, payments received for the long-term note receivable are recorded as revenues. In the government-wide statements, the principal portion of payments received for the long-term note receivable are recorded as a reduction of the note. The principal payments received during the period were:

(48,310)

Unmatured interest on long-term debt:

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

51,353

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(1,477,291)

(continued on the following page)

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2021**

Compensated absences:

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

(8,322)

Postemployment benefits other than pensions (OPEB):

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

(2,879,730)

Pensions:

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

(10,564,995)

Other liabilities not normally liquidated with current financial resources:

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:

(434,470)

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:

23,968

Change in Net Position of Governmental Activities

\$ (3,030,915)

LA MESA-SPRING VALLEY SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2021

	Business-Type Activities
	Child Care
	Enterprise Fund
ASSETS	
Current assets	
Cash and investments	\$ 167,501
Accounts receivable	1,060
Due from other funds	650,552
Total current assets	819,113
Total Assets	819,113
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	686,696
Total Deferred Outflows of Resources	686,696
LIABILITIES	
Current liabilities	
Accrued liabilities	85,622
Due to other funds	724,808
Total current liabilities	810,430
Non-current liabilities	
Net pension liability	3,850,088
Total non-current liabilities	3,850,088
Total Liabilities	4,660,518
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	49,559
Total Deferred Inflows of Resources	49,559
NET POSITION	
Unrestricted	(3,204,268)
Total Net Position	\$ (3,204,268)

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

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2021**

	Business-Type Activities
	Child Care Enterprise Fund
OPERATING REVENUES	
Charges for services	\$ 2,421,206
Other local revenues	83,200
Total operating revenues	<u>2,504,406</u>
OPERATING EXPENSES	
Salaries and benefits	4,272,083
Supplies and materials	63,180
Professional services	515,678
Total operating expenses	<u>4,850,941</u>
Operating loss	<u>(2,346,535)</u>
NON-OPERATING REVENUES	
Interest income	5,734
Transfers in	984,038
Total non-operating revenues	<u>989,772</u>
CHANGE IN NET POSITION	(1,356,763)
Net Position - Beginning	(1,847,505)
Net Position - Ending	<u>\$ (3,204,268)</u>

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

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2021**

	Business-Type Activities
	Child Care
	Enterprise Fund
Cash flows from operating activities	
Cash received from user charges	\$ 2,421,206
Cash received (paid) from assessments made to (from) other funds	(258,862)
Cash payments for payroll, insurance, and operating costs	(4,055,561)
Net cash provided by (used for) operating activities	(1,893,217)
Cash flows from non-capital financing activities	
Interfund transfers in (out)	984,038
Net cash provided by (used for) non-capital financing activities	984,038
Cash flows from investing activities	
Interest received	5,734
Net cash provided by (used for) investing activities	5,734
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(903,445)
CASH AND CASH EQUIVALENTS	
Beginning of year	1,070,946
End of year	\$ 167,501
Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income/(loss)	\$ (2,346,535)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivables	6,061
(Increase) decrease in due from other funds	(348,123)
(Increase) decrease in deferred outflows related to pensions	249,515
Increase (decrease) in accrued liabilities	26,159
Increase (decrease) in due to other funds	341,551
Increase (decrease) in net pension liability	194,418
Increase (decrease) in deferred inflows related to pensions	(16,263)
Net cash provided by (used for) operating activities	\$ (1,893,217)

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The La Mesa-Spring Valley School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

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

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Education.

B. Component Units

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

The La Mesa-Spring Valley Educational Foundation is a nonprofit organization that supports the La Mesa Spring Valley School District. It was established in 1983 by a group of citizens. The foundation provides a formalized avenue for raising funds to directly support public education in the La Mesa-Spring Valley School District. The La Mesa-Spring Valley Educational Foundation is not a component unit of the La Mesa-Spring Valley School District as it does not meet the criteria noted above.

C. Basis of Presentation

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Government-Wide Statements (continued)

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

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

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

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

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds

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

Student Activity Fund: This fund may be used to account for student body activities that do not meet the fiduciary criteria established in GASB Statement No. 84.

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

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

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

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Proprietary Funds

Enterprise Funds: Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Child Care Enterprise Fund: The District maintains the childcare before and after school (parent paid) program in the Child Care Enterprise Fund.

D. Basis of Accounting – Measurement Focus

Government-Wide and Proprietary Fund Financial Statements

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net 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 net position should be reported as restricted when constraints placed on its use 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 results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

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

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

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.

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. 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. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. 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 resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund 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 obligations of the funds.

Postemployment Benefits Other Than Pensions (OPEB)

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

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

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 – June 30, 2021

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Premiums and Discounts

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

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. 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 and after non-operating revenues/expenses in proprietary 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 activities columns of the statement of activities.

G. 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.

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. 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.

I. 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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2019. The District has implemented this Statement as of June 30, 2021.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has not yet determined the impact on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has not yet determined the impact on the financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This standard's primary objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. A portion of this statement was effective upon issuance, while the majority of this statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This standard's primary objectives are to increase consistency and comparability related to reporting fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective for periods beginning after June 15, 2021. The District has not yet determined the impact on the financial statements.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities	Business-Type Activities
Investment in county treasury	\$ 22,330,724	\$ 167,501
Cash on hand and in banks	113,352	-
Cash in revolving fund	43,650	-
Total	\$ 22,487,726	\$ 167,501

B. 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; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The San Diego County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is 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.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

D. 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 manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$22,592,173 and an amortized book value of \$22,498,225. The average weighted maturity for this pool is 613 days.

E. 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 investments in the County Treasury are not required to be rated. As of June 30, 2021, the pooled investments in the County Treasury were rated AA+ by Standard and Poor's.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS (continued)

F. 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. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the San Diego County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2021 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 22,592,173
Total	<u>\$ 22,592,173</u>

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 3 – RECEIVABLES

A. Accounts Receivable

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

	General Fund	Non-Major Governmental Funds	Governmental Activities	Business-Type Activities
Federal Government				
Categorical aid	\$ 4,107,490	\$ 844,872	\$ 4,952,362	\$ -
State Government				
Apportionment	18,107,139	-	18,107,139	-
Categorical aid	2,828,800	67,443	2,896,243	-
Lottery	775,665	-	775,665	-
Local Government				
Other local sources	883,463	14,144	897,607	1,060
Total	\$ 26,702,557	\$ 926,459	\$ 27,629,016	\$ 1,060

B. Note Receivable

The District had a note receivable outstanding at June 30, 2021 in the amount of \$2,931,489 related to the sale of the Spring Valley Elementary site. At June 30, 2021, the principal balance expected to be collected in less than a year was \$50,404 and the non-current portion of the note receivable was \$2,881,085.

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 16,068,467	\$ -	\$ -	\$ 16,068,467
Total Capital Assets not Being Depreciated	16,068,467	-	-	16,068,467
Capital assets being depreciated				
Land improvements	9,029,671	72,089	-	9,101,760
Buildings & improvements	111,101,104	289,623	-	111,390,727
Furniture & equipment	15,305,608	237,425	-	15,543,033
Total Capital Assets Being Depreciated	135,436,383	599,137	-	136,035,520
Less Accumulated Depreciation				
Land improvements	4,406,769	344,927	-	4,751,696
Buildings & improvements	66,716,303	3,597,840	-	70,314,143
Furniture & equipment	11,089,363	690,895	-	11,780,258
Total Accumulated Depreciation	82,212,435	4,633,662	-	86,846,097
Governmental Activities				
Capital Assets, net	\$ 69,292,415	\$ (4,034,525)	\$ -	\$ 65,257,890

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2021 were as follows:

Due To Other Funds	Due From Other Funds			
	General Fund	Non-Major Governmental Funds	Child Care Enterprise Fund	Total
General Fund	\$ -	\$ 120,637	\$ 650,552	\$ 771,189
Non-Major Governmental Funds	282,344	-	-	282,344
Child Care Enterprise Fund	722,259	2,549	-	724,808
Total	\$ 1,004,603	\$ 123,186	\$ 650,552	\$ 1,778,341

Due from the General Fund to the Cafeteria Fund to clear bad debt for student lunches.	\$ 120,637
Due from the General Fund to the Child Care Enterprise Fund for reimbursement of program costs.	650,552
Due from the Child Development Fund to the General Fund for OPEB contributions and indirect costs.	21,248
Due from the Cafeteria Fund to the General Fund for allocation of indirect costs.	222,503
Due from the Capital Facilities Fund to the General Fund for 3% administrative costs and other program costs.	38,593
Due from the Child Care Enterprise Fund to the General Fund for OPEB contributions and other program costs.	722,259
Due from the Child Care Enterprise Fund to the Cafeteria Fund to reimburse for ESS snacks provided.	2,549
Total	\$ 1,778,341

B. Interfund Transfers

Interfund transfers taking place during the year ended June 30, 2021 were as follows:

Interfund Transfers Out	Interfund Transfers In			
	General Fund	Non-Major Governmental Funds	Child Care Enterprise Fund	Total
General Fund	\$ 1,010,594	\$ 984,038	\$ 1,994,632	
Total	\$ 1,010,594	\$ 984,038	\$ 1,994,632	

Transfer from the General Fund to the Special Reserve Fund for Capital Outlay Projects for Proposition 39 projects debt service payments.	\$ 1,010,568
Transfer from the General Fund to the Child Care Enterprise Fund to support program costs.	984,038
Transfer from the General Fund to the Cafeteria Fund to clear bad debt for student lunches.	26
Total	\$ 1,994,632

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2021 consisted of the following:

	General Fund	Non-Major Governmental Funds	District-Wide	Governmental Activities	Business-Type Activities
Payroll	\$ 2,059,683	\$ 60,455	\$ -	\$ 2,120,138	\$ 79,993
Vendors payable	1,512,793	36,888	-	1,549,681	5,629
Due to grantor government	96,085	-	-	96,085	-
Unmatured interest	-	-	16,133	16,133	-
Total	\$ 3,668,561	\$ 97,343	\$ 16,133	\$ 3,782,037	\$ 85,622

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2021 consisted of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal sources	\$ 152,438	\$ -	\$ 152,438
Local sources	-	71,795	71,795
Total	\$ 152,438	\$ 71,795	\$ 224,233

NOTE 8 – TAX AND REVENUE ANTICIPATION NOTES (TRAN)

A. Series 2020 TRAN

In August 2020, the District issued \$5,815,000 of Tax and Revenue Anticipation Notes bearing interest at approximately 3 percent. The notes were issued to supplement cash flows. Repayment terms required that the scheduled amounts be deposited with the fiscal agent by January 2021. As of June 30, 2021, the District had paid off these notes in full.

B. Series 2020 B-2 TRAN

In March 2021, the District issued \$12,000,000 of Tax Revenue Anticipation Notes bearing interest at 0.25 percent. The notes were issued to supplement cash flows. The notes mature on January 31, 2022 with repayment pledges scheduled to begin in July 2021 and continuing through November 2021.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 9 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2021 consisted of the following:

	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 32,677,587	\$ 1,477,291	\$ 3,800,000	\$ 30,354,878	\$ 2,336,472
Unamortized premium	47,935	-	23,968	23,967	23,967
Total general obligation bonds	32,725,522	1,477,291	3,823,968	30,378,845	2,360,439
Direct placement certificates of participation	10,758,640	-	740,916	10,017,724	759,930
Total certificates of participation	10,758,640	-	740,916	10,017,724	759,930
Capital leases	897,573	-	456,621	440,952	367,822
JPA liability	202,189	434,470	50,547	586,112	586,112
Compensated absences	1,330,185	8,322	-	1,338,507	-
Total OPEB liability	49,732,494	2,677,967	-	52,410,461	-
Net pension liability	149,863,416	9,455,732	-	159,319,148	-
Total	\$ 245,510,019	\$ 14,053,782	\$ 5,072,052	\$ 254,491,749	\$ 4,074,303
	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021	Balance Due In One Year
Business-Type Activities					
Net pension liability	\$ 3,655,670	\$ 194,418	\$ -	\$ 3,850,088	\$ -
Total	\$ 3,655,670	\$ 194,418	\$ -	\$ 3,850,088	\$ -

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for certificates of participation are made in the Special Reserve Fund for Capital Outlay Projects.
- Payments for capital lease obligations are made in the General Fund.
- Payments for the JPA liability are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2021 amounted to \$1,338,507. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Other Postemployment Benefits

The District's beginning total OPEB liability was \$49,732,494 and increased by \$2,677,967 during the year ended June 30, 2021. The ending total OPEB liability at June 30, 2021 was \$52,410,461. See Note 11 for additional information regarding the total OPEB liability.

C. Net Pension Liability

The District's beginning net pension liability was \$153,519,086 and increased by \$9,650,150 during the year ended June 30, 2021. The ending net pension liability at June 30, 2021 was \$163,169,236. See Note 12 for additional information regarding the net pension liability.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 9 – LONG-TERM LIABILITIES (continued)

D. General Obligation Bonds

On March 5, 2002, the voters of the La Mesa-Spring Valley School District approved by more than 55% Proposition M, authorizing the issuance and sale of \$44,000,000 of general obligation bonds. On June 26, 2002, the District issued Series A of the Election of 2002 General Obligation Bonds in the amount of \$31,330,140. On March 9, 2005, the District refunded a portion of the Series A bonds and issued Series B bonds. On March 26, 2014, the District issued 2014 Series A and B Refunding Bonds to refund a portion of the 2005 bonds.

- The remaining outstanding 2005 General Obligation Refunding Bonds consist of current interest serial bonds of \$735,000 with a stated interest rate of 4.125% and fully maturing on August 1, 2021. The principal balance outstanding as of June 30, 2021 is \$735,000.
- The remaining outstanding 2002 General Obligation Series A bond issue consists of capital appreciation serial bonds of \$440,140 with a yield of 5.71% and fully maturing on February 1, 2027. The balance outstanding as of June 30, 2021 is \$1,381,680 which includes accreted interest.
- The 2002 General Obligation Series B bond issue consists of: (a) current interest serial bonds of \$240,000 with a stated interest rate of 3.0% and fully maturing on August 1, 2005; and, (b) capital appreciation serial bonds of \$12,429,709 with a yield ranging from 4.9% to 5.2% and fully maturing on August 1, 2028. The balance outstanding as of June 30, 2021 is \$27,958,198 which includes accreted interest on the capital appreciation bonds.
- The 2014 Series A General Obligation Refunding Bonds consist of tax-exempt current interest serial bonds of \$5,465,000 with stated interest rates ranging from 2.0% to 3.0% and fully maturing on August 1, 2021. The principal balance outstanding as of June 30, 2021 is \$280,000.
- The 2014 Series B General Obligation Refunding Bonds consist of current interest serial bonds of \$11,950,000 with stated interest rates ranging from 0.657% to 3.349% and fully maturing on August 1, 2020. There is no remaining principal balance on these bonds as of June 30, 2021.

The net proceeds received for the 2014 Series A and Series B Refunding Bonds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the 2005 General Obligation Bonds that were advance refunded. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's financial statements. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized as an expense over the life of the bond. Deferred charges on refunding of \$293,434 remain to be amortized. This refunding reduced total debt service payments by \$650,097 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$606,442. As of June 30, 2021, the principal balance outstanding on the defeased debt amounted to \$315,000 and the principal balance on the 2014 Series A and B Refunding Bonds amounted to \$280,000.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 9 – LONG-TERM LIABILITIES (continued)

D. General Obligation Bonds (continued)

The annual requirements to amortize all general obligation bonds payable outstanding at June 30, 2021 were as follows:

Year Ended June 30,	Principal	Interest	Total
2022	\$ 2,336,472	\$ 1,667,887	\$ 4,004,359
2023	1,761,767	2,413,233	4,175,000
2024	1,721,469	2,643,531	4,365,000
2025	1,697,876	2,857,124	4,555,000
2026	1,671,133	3,093,867	4,765,000
2027 - 2029	4,696,132	11,023,868	15,720,000
Accretion	16,470,029	(16,470,029)	-
Total	\$ 30,354,878	\$ 7,229,481	\$ 37,584,359

E. Certificates of Participation

In September 2016, the District entered into an equipment lease/purchase agreement in the amount of \$12,373,081, bearing interest at approximately 2.55 percent. The agreement was entered into for an energy efficiency project. Payments include principal and interest and were scheduled to continue until September 2032. As of June 30, 2021, the annual requirements to amortize the certificates of participation were as follows:

Year Ended June 30,	Principal	Interest	Total
2022	\$ 759,930	\$ 250,638	\$ 1,010,568
2023	779,432	231,136	1,010,568
2024	799,434	211,134	1,010,568
2025	819,950	190,619	1,010,569
2026	840,992	169,577	1,010,569
2027 - 2031	4,539,981	512,860	5,052,841
2032 - 2033	1,478,005	37,847	1,515,852
Total	\$ 10,017,724	\$ 1,603,811	\$ 11,621,535

F. Capital Leases

The District has entered into various capital leases for copiers, equipment, and vehicles. Future minimum lease payments under these agreements are as follows:

Year Ended June 30,	Lease Payment
2022	\$ 383,217
2023	66,832
2024	7,916
Total minimum lease payments	457,965
Less amount representing interest	(17,013)
Present value of minimum lease payments	\$ 440,952

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 9 – LONG-TERM LIABILITIES (continued)

G. JPA Liability

As of June 30, 2021, the District reported a deficit balance of approximately \$586,112 in its property and liability fund with the San Diego County Schools Risk Management JPA. The District plans to repay this balance within one year.

NOTE 10 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2021:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable			
Revolving cash	\$ 43,650	\$ -	\$ 43,650
Stores inventory	130,721	137,861	268,582
Total non-spendable	174,371	137,861	312,232
Restricted			
Educational programs	3,352,528	137,467	3,489,995
Food service	-	928,943	928,943
Associated student body	-	113,352	113,352
Capital projects	-	2,195,962	2,195,962
Debt service	-	4,342,518	4,342,518
Total restricted	3,352,528	7,718,242	11,070,770
Unassigned	23,086,441	-	23,086,441
Total Fund Balance	\$ 26,613,340	\$ 7,856,103	\$ 34,469,443

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy targets a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses, inclusive of the minimum required by California Education Code. The District also assigns an additional 2 percent reserve.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. Details of the plan are included below. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

B. Benefits Provided

Employees having reached the minimum retirement age (55 years) and accepting retirement benefits as provided under the Public Employees' Retirement System (PERS) or State Teachers' Retirement System and having a minimum of ten (10) years in this district served during the past fifteen (15) years, will have group health and dental insurance benefits extended to them. Premiums for health and dental insurance benefits shall be paid by the District to the in-force carrier until the retiree reaches age sixty-five (65) or becomes eligible for Medicare.

In addition, the retiring employee shall have the option of having dependents included under the same coverage, for medical and dental only, with the retiree making the premium payment for such dependent coverage. Retirees may add dependent medical coverage during the open enrollment period. Dependent coverage may be discontinued, at the retiree's option, at any subsequent date. Payment for dependents' premiums shall be remitted semi-annually to the District on due dates as designated.

C. Contributions

For fiscal year 2020-2021, the District contributed \$2,351,905 to the Plan, all of which was used for current premiums.

D. Plan Membership

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	154
Inactive employees entitled to but not receiving benefits	-
Participating active employees	1,203
Total number of participants*	1,357

*As of the June 30, 2020 valuation date

E. Total OPEB Liability

The La Mesa-Spring Valley School District's total OPEB liability of \$52,410,461 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

F. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

Economic assumptions:

Inflation	2.75%
Salary increases	3.00%
Discount rate	2.19%
Healthcare cost trend rates	6.25% for 2021 and decreasing 0.25% for each year thereafter

Non-economic assumptions:

Mortality:

General	SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019
Surviving Spouses	SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019

Retirement rates:

Percent Retiring*							
Age	Classic						PEPRA
	5 YOS	10 YOS	20 YOS	30 YOS	40 YOS	50 YOS	All YOS
55	2.0%	3.8%	7.3%	19.2%	36.0%	0.0%	20.0%
60	4.4%	7.2%	13.0%	19.7%	29.1%	0.0%	15.0%
65	12.0%	15.6%	22.9%	33.3%	40.0%	40.0%	35.0%
70	12.0%	15.6%	22.9%	33.3%	40.0%	40.0%	100.0%
75+	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* Of those having met eligibility to receive District paid benefits. The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

The actuarial assumptions used in the June 30, 2020 valuation were based on a review of plan experience during the period July 1, 2019 to June 30, 2020.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

G. Changes in Total OPEB Liability

	<u>June 30, 2021</u>
Total OPEB Liability	
Service Cost	\$ 2,742,714
Interest on total OPEB liability	1,364,765
Difference between expected and actual experience	(834,478)
Changes of assumptions	1,756,871
Benefits payments	<u>(2,351,905)</u>
Net change in total OPEB liability	2,677,967
Total OPEB liability - beginning	<u>49,732,494</u>
Total OPEB liability - ending	<u>\$ 52,410,461</u>
 Covered-employee payroll	 \$ 82,209,064
 District's total OPEB liability as a percentage of covered-employee payroll	 63.8%

H. 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 percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease	Valuation Discount Rate	1% Increase
	(1.19%)	(2.19%)	(3.19%)
Total OPEB liability	\$ 56,300,146	\$ 52,410,461	\$ 48,731,756

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend 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 healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Valuation Trend Rate	1% Increase
	(5.25% decreasing to 3.50%)	(6.25% decreasing to 4.50%)	(7.25% decreasing to 5.50%)
Total OPEB liability	\$ 46,699,446	\$ 52,410,461	\$ 59,123,262

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$5,231,635. At June 30, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,190,040
Changes in assumptions	8,001,211	113,787
Total	<u>\$ 8,001,211</u>	<u>\$ 1,303,827</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 1,343,039	\$ 218,883
2023	1,343,039	218,883
2024	1,343,039	218,886
2025	1,343,039	180,955
2026	1,343,039	180,955
Thereafter	1,286,016	285,265
Total	<u>\$ 8,001,211</u>	<u>\$ 1,303,827</u>

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 12 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 108,312,506	\$ 24,546,374	\$ 3,598,525	\$ 14,547,786
PERS Pension	54,856,730	9,077,367	364,521	11,184,742
Total	\$ 163,169,236	\$ 33,623,741	\$ 3,963,046	\$ 25,732,528

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 12 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2021, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2021 was 19.10% of annual payroll reduced to 16.15% pursuant to California Senate Bill 90 (SB 90). The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$9,726,326 for the year ended June 30, 2021.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$6,318,871 to CalSTRS.

Pension Liabilities, Pension Expense, and 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:

District's proportionate share of the net pension liability	\$ 108,312,506
State's proportionate share of the net pension liability associated with the District	55,834,658
Total	\$ 164,147,164

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to 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. At June 30, 2020, the District's proportion was 0.112 percent, which was consistent with its proportion measured as of June 30, 2019.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 12 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

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

For the year ended June 30, 2021, the District recognized pension expense of \$14,547,786. In addition, the District recognized pension expense and revenue of \$1,751,078 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
Differences between projected and actual earnings on plan investments	\$ 2,572,882	\$ -
Differences between expected and actual experience	191,122	3,054,598
Changes in assumptions	10,562,004	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,494,040	543,927
District contributions subsequent to the measurement date	9,726,326	-
Total	\$ 24,546,374	\$ 3,598,525

The \$9,726,326 reported as 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 year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 2,277,099	\$ 960,203
2023	4,724,803	745,610
2024	5,491,288	554,488
2025	1,840,737	557,841
2026	321,821	538,841
2027	164,300	241,542
Total	\$ 14,820,048	\$ 3,598,525

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 12 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2018.

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 current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%
	<hr/> 100% <hr/>	

*20-year geometric average

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 12 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan'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 the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 163,645,109	\$ 108,312,506	\$ 62,627,650

Pension Plan Fiduciary Net Position

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 12 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2021 was 22.68% of annual payroll reduced to 20.70% pursuant to California Senate Bill 90 (SB 90). Contributions to the plan from the District were \$5,013,537 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$54,856,730 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to 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. At June 30, 2020, the District's proportion was 0.179 percent, which was consistent with its proportion measured as of June 30, 2019.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 12 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

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

For the year ended June 30, 2021, the District recognized pension expense of \$11,184,742. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 1,141,943	\$ -
Differences between expected and actual experience	2,720,725	-
Changes in assumptions	201,162	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	364,521
District contributions subsequent to the measurement date	5,013,537	-
Total	<u>\$ 9,077,367</u>	<u>\$ 364,521</u>

The \$5,013,537 reported as 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 year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 1,409,262	\$ 184,431
2023	1,188,432	94,785
2024	920,834	85,305
2025	545,302	-
Total	<u>\$ 4,063,830</u>	<u>\$ 364,521</u>

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 12 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 12 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

Actuarial Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	<u>100.0%</u>		

*An expected inflation of 2.00% used for this period.

**An expected inflation of 2.92% used for this period.

Discount Rate

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 78,866,552	\$ 54,856,730	\$ 34,929,782

Pension Plan Fiduciary Net Position

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally 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.

B. 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 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The La Mesa-Spring Valley School District participates in two joint ventures under joint powers agreement (JPA), the San Diego County Schools Risk Management JPA (RM) and Facilities Joint Powers Authority (FACJPA). The relationship between the District and the JPA's is such that the JPA's are not a component unit of the District for financial reporting purposes.

The RM JPA arranges for and provides workers' compensation, health, and property and liability insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA. As of June 30, 2020, the District had an estimated deficit balance of \$586,112 in its property and liability fund. In order to eliminate the deficit balance, the District will repay the remaining liability within one year.

The FACJPA consists of other districts within the county and the San Diego County Office of Education (SDCOE). The JPA is intended to provide members with the opportunity to achieve planning and construction savings by pooling the resources of its members and providing efficiencies and economies of scale which would potentially be unavailable if the members undertook planning and construction projects on an individual basis. The JPA also strives to develop alliances with SDCOE, Division of the State Architect, and the Office of Public School Construction.

The FACJPA provides management of facilities planning and construction and expertise on a range of facilities and construction needs from technical support to master planning construction projects. Contracts for FACJPA services are negotiated on a case-by-case basis when the district utilizes FACJPA services.

Condensed audited financial information for the most currently available year is available from the JPA.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 15 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2021, the deferred amount on refunding was \$146,717.

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 12. At June 30, 2021, total deferred outflows related to pensions was \$33,623,741 and total deferred inflows related to pensions was \$3,963,046.

C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2021, total deferred outflows related to other postemployment benefits was \$8,001,211 and total deferred inflows related to other postemployment benefits was \$1,303,827.

NOTE 16 – SUBSEQUENT EVENTS

Series 2021A TRAN

In August 2021, the District issued \$19,000,000 of Tax and Revenue Anticipation Notes bearing interest at 0.25 percent. The notes were issued to supplement cash flows. Repayment terms require that the amounts be deposited with the fiscal agent, where half of the payment is due by January 2022, and the remaining half is due by April 2022.

2020 Election, Series A General Obligation Bonds

In August 2021, the District issued \$48,000,000 of 2020 Election, Series A general obligation bonds to finance construction, facilities improvements, and modernization projects. The bonds bear interest rates ranging from 0.15% to 4.00% and mature through August 2051.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 17 – RESTATEMENT OF NET POSITION AND FUND BALANCE

The beginning net position for Governmental Activities and the beginning fund balance for the Student Activity Fund have been restated due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. Based on the clarifications provided by GASB Statement No. 84 and California Education Code regarding associated student body (ASB) accounts, it has been determined that the District's ASB accounts are not fiduciary because they do not meet the criteria established by GASB Statement No. 84, paragraph 11(c)(2) regarding administrative involvement. The effect on beginning balances is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	\$ (113,059,234)
Restatement	108,748
Net Position - Beginning, as Restated	<u>\$ (112,950,486)</u>
	Student Activity Fund
Fund Balance - Beginning, as Previously Reported	\$ -
Restatement	108,748
Fund Balance - Beginning, as Restated	<u>\$ 108,748</u>

REQUIRED SUPPLEMENTARY INFORMATION

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	\$ 108,699,242	\$ 108,421,226	\$ 108,382,093	\$ (39,133)
Federal sources	17,737,150	18,848,932	18,887,539	38,607
Other state sources	13,837,876	13,804,664	20,416,683	6,612,019
Other local sources	9,447,639	9,266,741	9,522,853	256,112
Total Revenues	149,721,907	150,341,563	157,209,168	6,867,605
EXPENDITURES				
Certificated salaries	59,573,230	62,042,041	64,126,164	(2,084,123)
Classified salaries	24,502,018	22,817,067	24,795,048	(1,977,981)
Employee benefits	36,860,833	37,072,070	38,621,655	(1,549,585)
Books and supplies	12,085,428	7,870,052	6,338,887	1,531,165
Services and other operating expenditures	10,403,098	11,659,139	10,218,639	1,440,500
Capital outlay	4,066,725	4,047,244	533,791	3,513,453
Other outgo				
Excluding transfers of indirect costs	540,123	555,123	551,447	3,676
Transfers of indirect costs	(115)	(172,580)	(219,749)	47,169
Total Expenditures	148,031,340	145,890,156	144,965,882	924,274
Excess (Deficiency) of Revenues				
Over Expenditures	1,690,567	4,451,407	12,243,286	7,791,879
Other Financing Sources (Uses)				
Transfers in	102,275	102,275	48,532	(53,743)
Transfers out	(1,091,344)	(2,486,224)	(2,040,657)	445,567
Net Financing Sources (Uses)	(989,069)	(2,383,949)	(1,992,125)	391,824
NET CHANGE IN FUND BALANCE	701,498	2,067,458	10,251,161	8,183,703
Fund Balance - Beginning	14,149,438	14,149,438	14,149,438	-
Fund Balance - Ending	\$ 14,850,936	\$ 16,216,896	\$ 24,400,599	\$ 8,183,703

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for other than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54. In addition, the revenues for Medi-Cal and Medi-Cal Administrative Activities have been reclassified from federal revenues to local revenues in the Statement of Revenues, Expenditures, and Changes in Fund Balances.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability				
Service Cost	\$ 2,742,714	\$ 2,574,537	\$ 2,344,655	\$ 2,304,605
Interest on total OPEB liability	1,364,765	1,335,301	1,393,457	1,310,764
Difference between expected and actual experience	(834,478)	(613,161)	-	-
Changes of assumptions	1,756,871	7,880,898	968,228	(265,499)
Benefits payments	<u>(2,351,905)</u>	<u>(2,522,081)</u>	<u>(2,195,486)</u>	<u>(2,062,012)</u>
Net change in total OPEB liability	2,677,967	8,655,494	2,510,854	1,287,858
Total OPEB liability - beginning	<u>49,732,494</u>	<u>41,077,000</u>	<u>38,566,146</u>	<u>37,278,288</u>
Total OPEB liability - ending	<u>\$ 52,410,461</u>	<u>\$ 49,732,494</u>	<u>\$ 41,077,000</u>	<u>\$ 38,566,146</u>
 Covered-employee payroll	 \$ 82,209,064	 \$ 79,814,625	 \$ 77,489,927	 \$ 77,170,000
 District's total OPEB liability as a percentage of covered-employee payroll	 63.8%	 62.3%	 53.0%	 50.0%

See accompanying note to required supplementary information.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.112%	0.112%	0.109%	0.111%	0.110%	0.109%	0.108%
District's proportionate share of the net pension liability	\$ 108,312,506	\$ 101,387,148	\$ 100,032,549	\$ 103,030,712	\$ 88,841,804	\$ 73,338,752	\$ 62,830,893
State's proportionate share of the net pension liability associated with the District	55,834,658	55,313,904	57,273,593	60,952,595	50,583,500	38,788,011	37,940,006
Total	<u>\$ 164,147,164</u>	<u>\$ 156,701,052</u>	<u>\$ 157,306,142</u>	<u>\$ 163,983,307</u>	<u>\$ 139,425,304</u>	<u>\$ 112,126,763</u>	<u>\$ 100,770,899</u>
District's covered payroll	\$ 61,068,582	\$ 61,112,773	\$ 58,402,383	\$ 58,723,651	\$ 55,678,200	\$ 50,079,904	\$ 47,889,273
District's proportionate share of the net pension liability as a percentage of its covered payroll	177.4%	165.9%	171.3%	175.5%	159.6%	146.4%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.179%	0.179%	0.174%	0.175%	0.174%	0.170%	0.169%
District's proportionate share of the net pension liability	\$ 54,856,730	\$ 52,131,938	\$ 46,261,789	\$ 41,687,164	\$ 34,404,987	\$ 25,009,168	\$ 19,189,143
District's covered payroll	\$ 25,960,367	\$ 25,157,073	\$ 23,059,860	\$ 22,309,439	\$ 20,927,505	\$ 18,815,176	\$ 17,744,048
District's proportionate share of the net pension liability as a percentage of its covered payroll	211.3%	207.2%	200.6%	186.9%	164.4%	132.9%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 9,726,326	\$ 10,312,963	\$ 9,783,624	\$ 8,426,863	\$ 7,349,557	\$ 5,952,372	\$ 4,456,783
Contributions in relation to the contractually required contribution*	(9,726,326)	(10,312,963)	(9,783,624)	(8,426,863)	(7,349,557)	(5,952,372)	(4,456,783)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 60,483,825	\$ 61,068,582	\$ 61,112,773	\$ 58,402,383	\$ 58,723,651	\$ 55,678,200	\$ 50,079,904
Contributions as a percentage of covered payroll	16.08%	16.89%	16.01%	14.43%	12.52%	10.69%	8.90%

*Amounts do not include on-behalf contributions

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 5,013,537	\$ 4,732,600	\$ 4,184,764	\$ 3,374,019	\$ 2,925,764	\$ 2,335,190	\$ 2,221,323
Contributions in relation to the contractually required contribution*	(5,013,537)	(4,732,600)	(4,184,764)	(3,374,019)	(2,925,764)	(2,335,190)	(2,221,323)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 25,438,592	\$ 25,960,367	\$ 25,157,073	\$ 23,059,860	\$ 22,309,439	\$ 20,927,505	\$ 18,815,176
Contributions as a percentage of covered payroll	19.71%	18.23%	16.63%	14.63%	13.11%	11.16%	11.81%

*Amounts do not include on-behalf contributions

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for other postemployment benefits.

Changes in Assumptions

The discount rate as of the June 30, 2021 measurement date was 2.19%, while the discount rate in the previous measurement was 2.66%.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

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

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2021, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 62,042,041	\$ 64,126,164	\$ 2,084,123
Classified salaries	\$ 22,817,067	\$ 24,795,048	\$ 1,977,981
Employee benefits	\$ 37,072,070	\$ 38,621,655	\$ 1,549,585

SUPPLEMENTARY INFORMATION

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A [1]			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 2,383,229
Comprehensive Support and Improvement for LEAs	84.010	15438	184,913
Subtotal Title I, Part A			<u>2,568,142</u>
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	248,400
Title III, English Learner Student Program	84.365	14346	254,247
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	196,006
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,615,489
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	44,647
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	8,938
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	154,627
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	2,362
Subtotal Special Education Cluster			<u>2,826,063</u>
IDEA Early Intervention Grants, Part C	84.181	23761	25,919
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants: [1]			
Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	917,262
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	2,078,323
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	1,364,641
Subtotal Education Stabilization Fund Discretionary Grants			<u>4,360,226</u>
Total U. S. Department of Education			<u>10,479,003</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO:			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	1,263,781
National School Lunch Program	10.555	13391	2,560,748
Meal Supplements	10.555	*	6,892
USDA Commodities [2]	10.555	*	242,380
Subtotal Child Nutrition Cluster			<u>4,073,801</u>
CACFP Claims - Centers and Family Day Care [1]	10.558	13393	1,389,602
Total U. S. Department of Agriculture			<u>5,463,403</u>
U. S. DEPARTMENT OF THE TREASURY:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding:			
Coronavirus Relief Fund (CRF): Learning Loss Mitigation [1]	21.019	25516	8,063,145
Total U. S. Department of the Treasury			<u>8,063,145</u>
Total Federal Expenditures			<u>\$ 24,005,551</u>

[1] - Major Program

[2] - In-Kind Contribution

* - Pass-Through Entity Identifying Number not available or not applicable

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2021**

Grade Level	2020-21 Number of Days	Status
Kindergarten	180	Complied
Grade 1	180	Complied
Grade 2	180	Complied
Grade 3	180	Complied
Grade 4	180	Complied
Grade 5	180	Complied
Grade 6	180	Complied
Grade 7	180	Complied
Grade 8	180	Complied

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

	2022 (Budget)	2021	2020	2019
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 170,878,165	\$ 157,257,700	\$ 142,267,303	\$ 141,798,912
Expenditures And Other Financing Uses	170,058,525	147,006,539	139,519,630	139,043,235
Net change in Fund Balance	\$ 819,640	\$ 10,251,161	\$ 2,747,673	\$ 2,755,677
Ending Fund Balance	\$ 25,220,239	\$ 24,400,599	\$ 14,149,438	\$ 11,401,765
Available Reserves*	\$ 22,391,680	\$ 23,086,441	\$ 6,388,846	\$ 9,218,614
Available Reserves As A Percentage Of Outgo	13.17%	15.70%	4.58%	6.63%
Long-term Liabilities	\$ 250,417,446	\$ 254,491,749	\$ 245,510,019	\$ 232,663,988
Average Daily Attendance At P-2***	10,430	11,219	11,219	11,479

The General Fund balance has increased by \$12,998,834 over the past two years. The fiscal year 2020-21 budget projects an increase of \$819,640. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2021-22 fiscal year. Total long-term obligations have increased by \$21,827,761 over the past two years.

Average daily attendance has decreased by 260 ADA over the past two years. A further decrease of 789 ADA is anticipated during the 2021-22 fiscal year.

* Available reserves consist of all unassigned fund balance within the General Fund and the Special Reserve Fund for other than Capital Outlay Projects.

** The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for other than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

***Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Child Care Enterprise Fund
June 30, 2021, annual financial and budget report fund balance/net position	\$ 24,400,599	\$ 2,212,741	\$ 8,683
Adjustments and reclassifications:			
Increase (decrease) in total fund balances/net position:			
Allocation of net pension liability (GASB 68)	-	-	(3,212,951)
Fund balance transfer (GASB 54)	2,212,741	(2,212,741)	-
Net adjustments and reclassifications	2,212,741	(2,212,741)	(3,212,951)
June 30, 2021, audited financial statement fund balance/net position	<u>\$ 26,613,340</u>	<u>\$ -</u>	<u>\$ (3,204,268)</u>

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2021**

Charter #	Charter School	Status	Included in Audit Report
1901	Sparrow Academy	Active	No

See accompanying note to supplementary information.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2021

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
ASSETS							
Cash and investments	\$ 113,352	\$ 160,370	\$ 275,768	\$ 1,447,933	\$ 780,138	\$ 4,342,518	\$ 7,120,079
Accounts receivable	-	13,367	906,608	5,150	1,334	-	926,459
Due from other funds	-	-	123,186	-	-	-	123,186
Stores inventory	-	-	137,861	-	-	-	137,861
Total Assets	\$ 113,352	\$ 173,737	\$ 1,443,423	\$ 1,453,083	\$ 781,472	\$ 4,342,518	\$ 8,307,585
LIABILITIES							
Accrued liabilities	\$ -	\$ 15,022	\$ 82,321	\$ -	\$ -	\$ -	\$ 97,343
Due to other funds	-	21,248	222,503	38,593	-	-	282,344
Unearned revenue	-	-	71,795	-	-	-	71,795
Total Liabilities	-	36,270	376,619	38,593	-	-	451,482
FUND BALANCES							
Non-spendable	-	-	137,861	-	-	-	137,861
Restricted	113,352	137,467	928,943	1,414,490	781,472	4,342,518	7,718,242
Total Fund Balances	113,352	137,467	1,066,804	1,414,490	781,472	4,342,518	7,856,103
Total Liabilities and Fund Balance	\$ 113,352	\$ 173,737	\$ 1,443,423	\$ 1,453,083	\$ 781,472	\$ 4,342,518	\$ 8,307,585

See accompanying note to supplementary information.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
REVENUES							
Federal sources	\$ -	\$ 40,792	\$ 5,463,403	\$ -	\$ -	\$ -	\$ 5,504,195
Other state sources	-	834,415	605,981	-	-	32,390	1,472,786
Other local sources	47,488	1,592	13,507	568,007	167,899	3,560,275	4,358,768
Total Revenues	47,488	876,799	6,082,891	568,007	167,899	3,592,665	11,335,749
EXPENDITURES							
Current							
Instruction	-	520,128	-	-	-	-	520,128
Instruction-related services							
Instructional supervision and administration	-	159,314	-	-	-	-	159,314
School site administration	-	82,955	-	-	-	-	82,955
Pupil services							
Food services	-	-	5,133,284	-	-	-	5,133,284
General administration							
All other general administration	-	36,440	183,309	16,713	-	-	236,462
Plant services	-	926	-	-	11,553	-	12,479
Facilities acquisition and maintenance	-	-	-	54,249	6,046	-	60,295
Ancillary services	42,884	-	-	-	-	-	42,884
Enterprise activities	-	-	2,236	-	-	-	2,236
Debt service							
Principal	-	-	-	-	740,916	3,800,000	4,540,916
Interest and other	-	-	-	-	269,652	106,343	375,995
Total Expenditures	42,884	799,763	5,318,829	70,962	1,028,167	3,906,343	11,166,948
Excess (Deficiency) of Revenues Over Expenditures	4,604	77,036	764,062	497,045	(860,268)	(313,678)	168,801
Other Financing Sources (Uses)							
Transfers in	-	-	26	-	1,010,568	-	1,010,594
Net Financing Sources (Uses)	-	-	26	-	1,010,568	-	1,010,594
NET CHANGE IN FUND BALANCE	4,604	77,036	764,088	497,045	150,300	(313,678)	1,179,395
Fund Balance - Beginning, as Restated	108,748	60,431	302,716	917,445	631,172	4,656,196	6,676,708
Fund Balance - Ending	\$ 113,352	\$ 137,467	\$ 1,066,804	\$ 1,414,490	\$ 781,472	\$ 4,342,518	\$ 7,856,103

See accompanying note to supplementary information.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2021

La Mesa-Spring Valley School District was formed in 1915 and is located in the eastern portion of San Diego County. The District encompasses approximately 26 square miles including the City of La Mesa, a portion of the City of El Cajon and the unincorporated communities of Mt. Helix, Casa de Oro, and Spring Valley. There were no changes in the boundaries of the District during the current year. The District currently operates sixteen elementary schools (grades K-6), one middle school (grades 7-8), one literacy academy (grades K-3), and three specialty academies (grades 4-8).

GOVERNING BOARD

Member	Office	Term Expires
Rebecca McRae	President	December 2022
Chardá Bell-Fontenot	Vice President	December 2022
Megan Epperson	Clerk	December 2022
Minerva Martinez Scott	Member	December 2024
Sarah Rhiley	Member	December 2024

DISTRICT ADMINISTRATORS

David Feliciano
Superintendent

Jennifer Nerat
Assistant Superintendent, Business Services

Ernesto Villanueva
Assistant Superintendent, Human Resources

Guido Magliato
Assistant Superintendent, Learning Support

Deann Ragsdale
Assistant Superintendent, Educational Services

Margaret Jacobsen
Executive Director, Educational Services

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2021

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The District has not elected to use the 10 percent de minimis indirect cost rate.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2021 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2021.

	AL	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 24,046,343
Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - One-time Stipend	93.575	<u>(40,792)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 24,005,551</u>

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

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.

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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

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 District audit.

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

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.

OTHER INDEPENDENT AUDITORS' REPORTS

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

Independent Auditors' Report

Governing Board
La Mesa-Spring Valley School District
La Mesa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of La Mesa-Spring Valley School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the La Mesa-Spring Valley School District's basic financial statements, and have issued our report thereon dated January 20, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 blue ink that reads "Christy White, Inc." in a cursive script.

San Diego, California
January 20, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

Governing Board
La Mesa-Spring Valley School District
La Mesa, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in blue ink that reads "Christy White, Inc." in a cursive script.

San Diego, California
January 20, 2022

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

Governing Board
La Mesa-Spring Valley School District
La Mesa, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of La Mesa-Spring Valley School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about La Mesa-Spring Valley School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of La Mesa-Spring Valley School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, La Mesa-Spring Valley School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2021.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine La Mesa-Spring Valley School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	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
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools	
Independent Study-Course Based; for charter schools	Not Applicable
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

Christy White, Inc.

San Diego, California
January 20, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A</u>
<u>84.425C, 84.425D</u>	<u>Education Stabilization Fund Discretionary Grants</u>
<u>21.019</u>	<u>CRF: Learning Loss Mitigation</u>
<u>10.558</u>	<u>CACFP</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no financial statement findings or questioned costs for the year ended June 30, 2021.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2021

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related and Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

There were no state award findings or questioned costs for the year ended June 30, 2021.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

There were no findings or questioned costs for the year ended June 30, 2020.