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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Vallejo City Unified School District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, local education agency organization structure, schedule of average daily attendance, schedule of instructional time, reconciliation of annual financial and budget report with audited financial statements, schedule of financial trends and analysis, schedule of charter schools, and combining non-major governmental fund financial statements, listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, local education agency organization structure, schedule of average daily attendance, schedule of instructional time, reconciliation of annual financial and budget report with audited financial statements, schedule of financial trends and analysis, schedule of charter schools, and combining non-major governmental fund financial statements, listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2023 on our consideration of Vallejo City Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Vallejo City Unified School Districts 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 Vallejo City Unified School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

San Ramon, California
February 15, 2023

This section of Vallejo City Unified School District's (the District) June 30, 2022 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022, with comparative information for the year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and proprietary.

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

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

The Primary unit of the government is the Vallejo City Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

Governmental Activities - All of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A WHOLE

Net Position

The District's net deficit position was \$(35,123,119) for the fiscal year ended June 30, 2022. Of this amount, \$(190,910,370) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2022	Restated 2021
Assets		
Current and other assets	\$ 172,646,349	\$ 187,754,469
Capital assets	177,077,476	153,119,850
Total assets	<u>349,723,825</u>	<u>340,874,319</u>
Deferred outflows of resources	<u>27,315,194</u>	<u>32,391,760</u>
Liabilities		
Current liabilities	25,529,731	25,153,119
Long-term liabilities	303,899,608	390,411,518
Total liabilities	<u>329,429,339</u>	<u>415,564,637</u>
Deferred inflows of resources	<u>82,732,799</u>	<u>33,937,821</u>
Net Position		
Net investment in capital assets	91,720,988	90,421,905
Restricted	64,059,500	28,472,563
Unrestricted	<u>(190,903,607)</u>	<u>(195,130,847)</u>
Total net position (deficit)	<u>\$ (35,123,119)</u>	<u>\$ (76,236,379)</u>

The \$(190,910,370) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by 2.2 % \$(190,910,370) compared to \$(195,130,847).

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 18. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2022	2021
Revenues		
Program revenues		
Charges for services and sales	\$ 277,095	\$ 147,795
Operating grants and contributions	56,967,079	55,070,759
General revenues		
Federal and State aid not restricted	91,870,086	84,263,456
Property taxes	52,077,343	53,871,277
Other general revenues	9,641,159	5,813,482
Total revenues	210,832,762	199,166,769
Expenses		
Instruction-related	115,395,033	117,643,826
Pupil services	16,031,443	14,735,244
Administration	12,117,024	12,859,085
Plant services	19,093,050	26,249,334
All other services	7,082,952	6,376,682
Total expenses	169,719,502	177,864,171
Change in net position	\$ 41,113,260	\$ 21,302,598

Governmental Activities

As reported in the *Statement of Activities* on page 18, the cost of all of our governmental activities this year was \$169,719,502. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$52,077,343 because the cost was paid by those who benefited from the programs (\$277,095) or by other governments and organizations who subsidized certain programs with grants and contributions (\$56,967,079). We paid for the remaining “public benefit” portion of our governmental activities with \$91,870,086 in federal and state funds, and \$9,641,159 with other revenues, like interest and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
Instruction-related	\$ 115,395,033	\$ 117,643,826	\$ (73,171,788)	\$ (73,116,682)
Pupil services	16,031,443	14,735,244	(7,007,521)	(8,398,206)
Administration	12,117,024	12,859,085	(8,986,852)	(10,218,089)
Plant services	19,093,050	26,249,334	(17,867,673)	(24,959,084)
All other services	7,082,952	6,376,682	(5,441,494)	(5,953,556)
Total	\$ 169,719,502	\$ 177,864,171	\$ (112,475,328)	\$ (122,645,617)

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$147,681,507, which is a decrease of \$15,639,279, or 10.6% from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	June 30, 2021	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2022
General	\$ 58,631,485	\$ 186,000,846	\$ 170,684,119	\$ 73,948,212
Student Activity Fund	460,724	213,125	154,073	519,776
Charter Schools	925,715	3,788,216	4,277,470	436,461
Child Development	760,424	3,129,310	3,082,278	807,456
Cafeteria	959,863	6,858,128	5,878,368	1,939,623
Building	72,239,393	(228,484)	30,442,506	41,568,403
Capital Facilities	1,514,636	147,040	4,301	1,657,375
State School Building Lease-Purchase	124	(1)	-	123
County School Facilities	341,317	(2,929)	-	338,388
Special Reserve Fund for Capital Outlay Projects	6,333	(55)	-	6,278
Capital Project Component Unit	9,284,816	4,007,879	2,650,979	10,641,716
Bond Interest and Redemption	17,148,414	12,576,032	15,018,815	14,705,631
Debt Service Fund for Blended Component Units	113,526	2,643,149	2,643,704	112,971
Debt Service	934,016	3,648,162	3,583,084	999,094
Total	\$ 163,320,786	\$ 222,780,418	\$ 238,419,697	\$ 147,681,507

The primary reasons for these decreases are:

1. Our General Fund is our principal operating fund. The fund balance increased by \$15,316,727 primarily due to vacancy savings and additional cost-saving measures implemented during the year.
2. Our special revenue funds show a net increase of \$596,590 primarily due to food service program changes resulting in a net operating surplus in the Cafeteria Fund.
3. The debt service funds showed a decrease of \$2,378,260, which is the District's annual debt service payments.
4. The Building Fund decreased by \$30,670,990 due to an increase in expenditures for construction projects.
5. Other capital outlay funds increased by \$1,496,654 primarily due to increased CFD revenues.

General Fund Budgetary Highlights

The proposed Revised State budget was released on May 14th for the upcoming 2022-23 fiscal year. The state's General Fund budget has recovered significantly reflecting a \$75.7 billion surplus.

On May 14, 2021, the Governor's Budget was revised to include key points to impact K12 funding:

- Proposition 98 funding is estimated to be \$93.7 billion, which is an increase of \$17.7 billion over January estimates. Additionally, Proposition 98 funding level for 2020-21 is estimated to increase from \$82.8 billion to \$92.8 billion.
- Estimates that the Gann Limit could be exceeded for the 2020-21 and 2021-22 fiscal years by \$16.2 billion.
- Proposes an increase to the Local Control Funding Formula (LCFF) COLA by 5.07% in the following manner:
 - Increase the LCFF by the 2020-21 COLA of 2.31%
 - Increase the LCFF by 2.76% (statutory 2021-22 COLA of 1.70% plus an additional 1% to address ongoing fiscal pressures, and compounding the sum by the 2020-21 2.31% COLA)
 - $(1.70\% + 1.00\%) \times 1.0231 = 2.76\%$
- An increase of approximately \$278 million in one-time funding relating to the Individuals with Disabilities Act (IDEA). In addition, \$15 million of one-time funds are proposed to assist LEAs to develop and administer a comprehensive individualized education program; \$2.3 million to address complaints and better monitoring procedures.
- \$1.2 million to improve coordination between various agencies to support the transition from infant to preschool programs.
- K-12 LEAs are expected to receive approximately \$15.3 billion of Elementary and Secondary School Emergency Relief (ESSER III) funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the District had \$177,077,476 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$23,957,626, or 15.6%, from last year (Table 5).

Table 5

	Governmental Activities	
	2022	2021
Land and construction in progress	\$ 28,147,309	\$ 17,730,548
Buildings and improvements	145,539,725	131,671,741
Equipment	3,390,442	3,717,561
Total	\$ 177,077,476	\$ 153,119,850

This year's additions of \$23,957,626 included several vehicles, and projects related to Measure S.

Several capital projects are planned for the 2022-2023 year. We anticipate capital additions to be \$12,000,000 for the 2022-2023 year. We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Liabilities

At the end of this year, the District had \$303,899,608 in long-term liabilities outstanding versus \$390,411,518 last year, an decrease of 22.2%. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2022	Restated 2021
Long-Term Liabilities		
General obligation bonds	\$ 111,635,000	\$ 122,715,000
Bond premium	5,970,311	6,458,595
CFD bond debt	10,209,712	12,578,815
State emergency apportionment Loan	9,664,188	13,280,054
Loan premium	87,396	123,560
Leases	-	30,527
Compensated absences	1,874,880	1,975,224
Self-insurance obligation	768,000	768,000
Total OPEB liability	84,563,186	80,511,249
Aggregate net pension liability	79,126,935	151,970,494
Total	\$ 303,899,608	\$ 390,411,518

The District's general obligation bond rating continues to be "AA" (S&P) and "A1" (Moody's). The State limits the amount of general obligation debt that districts can issue to 2.5% of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$111,635,000 is below this statutorily-imposed limit.

At year-end, the District has a net pension liability of \$79,126,935 versus \$151,970,494 last year, an decrease of \$72,843,559, or 47.9%.

Other liabilities include compensated absences payable, total other postemployment benefits (OPEB) liability (not including health benefits) and other long-term liabilities. We present more detailed information regarding our long-term liabilities in Notes 9, 10 and 13 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2021-2022 ARE NOTED BELOW:

- Site modernization at Cave Elementary School, Loma Vista Elementary School, Highland Elementary School, and Pennycook Elementary School.
- Window Shade Replacements at various sites.

ECONOMIC FACTORS FOR NEXT YEAR (BUDGETS PRESENTATION)

2022-23 Assumptions:

- Project continued declining enrollment, which significantly affects funded ADA.
- 5.38% COLA for 2023-24 and 4.02% COLA for 2024-25.
- Continue to project lottery rates of \$163 per ADA for unrestricted purposes and \$65 for restricted purposes.
- Mandated Block Grant
 - \$36.82 for K-8 grades, and \$70.93 for 9-12 grades for 2023-24.
 - \$38.30 for K-8 grades, and \$73.78 for 9-12 grades for 2024-25.
- Federal revenues are expected to decrease due to the removal of one-time COVID assistance funds and remain constant thereafter.
- State revenues are expected to decrease due to the removal of one-time funds, and incorporation of net changes in State Special Education (AB602) revenue based on projected and funded ADA.
- Certificated and classified step increases are estimated to be 1.75% and 1.10%, respectively.
- Unrestricted certificated projects a reduction of six certificated positions in 2023-24 and five certificated positions in 2024-25 due to projected enrollment loss.
- Absorption of Virtual Academy and Independent Study salary & benefits (23 FTEs) since COVID funds are expected to be exhausted by 2024-25.
- Projected increase in supply and services by CPI (unrestricted and contribution programs) due to the removal of activity associated with one-time COVID assistance funds.

Uncertainties

- Outcome of the Governor's numerous proposals
- Declining Enrollment
 - Net Charter Shift
- State of Economy / Continued Growth
- Program cost overruns and contributions to programs
 - Special Education
 - Cafeteria Fund
- Negotiations

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 Roza Losa, Chief Business Officer, Business Services, at Vallejo City Unified School District, 665 Walnut Avenue, Vallejo, California, 94592, or e-mail at rloza@vcusd.org.

Vallejo City Unified School District
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Deposits and investments	\$ 152,534,304
Receivables	19,630,027
Prepaid expense	221,076
Stores inventories	259,892
Other current assets	1,050
Capital assets not depreciated	28,147,309
Capital assets, net of accumulated depreciation	148,930,167
Total assets	349,723,825
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	4,953,837
Deferred outflows of resources related to pensions	22,361,357
Total deferred outflows of resources	27,315,194
Liabilities	
Accounts payable and accrued liabilities	17,836,167
Interest payable	1,830,585
Unearned revenue	5,862,979
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	18,317,952
Long-term liabilities other than OPEB and pensions due in more than one year	121,891,535
Total other postemployment benefit liability (OPEB)	84,563,186
Aggregate net pension liabilities	79,126,935
Total liabilities	329,429,339

Vallejo City Unified School District
Statement of Net Position
June 30, 2022

	Governmental Activities
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	10,217,364
Deferred inflows of resources related to pensions	72,515,435
Total deferred inflows of resources	82,732,799
Net Position	
Net investment in capital assets	91,720,988
Restricted for	
Debt service	12,898,530
Capital projects	1,628,021
Educational programs	14,996,646
Student activities	519,776
Child Nutrition	1,888,532
Stabilization Arrangements	24,155,210
Other Commitments	7,972,785
Unrestricted	(190,903,607)
Total net position (deficit)	\$ (35,123,119)

Vallejo City Unified School District
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 100,467,374	\$ 64,222	\$ 37,781,312	\$ (62,621,840)
Instruction-related activities				
Supervision of instruction	3,419,073	70	1,589,533	(1,829,470)
Instructional library, media, and technology	1,101,776	-	96,929	(1,004,847)
School site administration	10,406,810	19,474	2,671,705	(7,715,631)
Pupil services				
Home-to-school transportation	2,431,152	-	(34,931)	(2,466,083)
Food services	6,152,139	75,658	7,282,542	1,206,061
All other pupil services	7,448,152	6,225	1,694,428	(5,747,499)
Administration				
Data processing	2,697,295	-	89,738	(2,607,557)
All other administration	9,419,729	7,959	3,032,475	(6,379,295)
Plant services	19,093,050	11,754	1,213,623	(17,867,673)
Ancillary services	848,998	30,170	172,680	(646,148)
Enterprise services	2,087,111	-	-	(2,087,111)
Interest on long-term liabilities	4,110,967	-	-	(4,110,967)
Other outgo	35,876	61,563	1,377,045	1,402,732
Total governmental activities	169,719,502	277,095	56,967,079	(112,475,328)
General Revenues and Subventions				
Property taxes, levied for general purposes				36,028,794
Property taxes, levied for debt service				11,802,219
Taxes levied for other specific purposes				4,246,330
Federal and State aid not restricted to specific purposes				91,870,086
Interest and investment earnings				271,499
Miscellaneous				9,369,660
Subtotal, general revenues, subventions, and transfers				153,588,588
Change in Net Position				41,113,260
Net Position (deficit)- Beginning, restated				(76,236,379)
Net Position (deficit)- Ending				\$ (35,123,119)

Vallejo City Unified School District
Balance Sheet – Governmental Funds
June 30, 2022

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 75,009,845	\$ 43,058,958	\$ 33,404,812	\$ 151,473,615
Receivables	18,553,070	-	1,076,957	19,630,027
Due from other funds	1,652,669	142,339	1,597,867	3,392,875
Prepaid expenditures	220,588	-	488	221,076
Stores inventories	209,289	-	50,603	259,892
Other current assets	-	-	1,050	1,050
Total assets	\$ 95,645,461	\$ 43,201,297	\$ 36,131,777	\$ 174,978,535
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	\$ 14,151,973	\$ 1,632,894	\$ 2,049,910	\$ 17,834,777
Due to other funds	1,946,603	-	1,652,669	3,599,272
Unearned revenue	5,598,673	-	264,306	5,862,979
Total liabilities	21,697,249	1,632,894	3,966,885	27,297,028
Fund Balances				
Nonspendable	479,877	-	51,091	530,968
Restricted	13,839,204	41,568,403	30,564,602	85,972,209
Committed	32,127,995	-	-	32,127,995
Assigned	16,744,319	-	1,549,199	18,293,518
Unassigned	10,756,817	-	-	10,756,817
Total fund balances	73,948,212	41,568,403	32,164,892	147,681,507
Total liabilities and fund balances	\$ 95,645,461	\$ 43,201,297	\$ 36,131,777	\$ 174,978,535

Vallejo City Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2022

Total Fund Balance - Governmental Funds \$ 147,681,507

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

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

The cost of capital assets is	\$ 369,024,060
Accumulated depreciation is	<u>(191,946,584)</u>

Net capital assets	177,077,476
--------------------	-------------

In governmental funds, unmatured interest on long-term
 liabilities is recognized in the period when it is due. On the
 government-wide financial statements, unmatured interest on
 long-term liabilities is recognized when it is incurred. (1,830,585)

An internal service fund is used by management to charge the costs
 of the workers' compensation insurance program to the individual
 funds. The assets and liabilities of the internal service fund are
 included with governmental activities in the statement of net position. 497,696

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

Other postemployment benefits (OPEB)	4,953,837
Net pension liability	<u>22,361,357</u>

Total deferred outflows of resources	27,315,194
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Vallejo City Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2022

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

Other postemployment benefits (OPEB)	(10,217,364)
Net pension liability	<u>(72,515,435)</u>

Total deferred inflows of resources	(82,732,799)
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Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(79,126,935)
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The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.	(84,563,186)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of

General obligation bonds	\$ (117,605,311)
Community facilities district bond	(10,209,712)
Compensated absences (vacations)	(1,874,880)
State emergency apportionment loans	<u>(9,751,584)</u>

Total long-term liabilities	<u>(139,441,487)</u>
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Total net position - governmental activities	<u><u>\$ (35,123,119)</u></u>
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Vallejo City Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2022

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	\$ 122,227,017	\$ -	\$ 3,412,423	\$ 125,639,440
Federal sources	25,118,103	-	6,909,920	32,028,023
Other State sources	31,217,586	-	3,285,318	34,502,904
Other local sources	6,791,110	(228,484)	17,179,000	23,741,626
Total revenues	<u>185,353,816</u>	<u>(228,484)</u>	<u>30,786,661</u>	<u>215,911,993</u>
Expenditures				
Current				
Instruction	103,769,981	-	4,208,014	107,977,995
Instruction-related activities				
Supervision of instruction	3,540,021	-	216,261	3,756,282
Instructional library, media, and technology	1,090,057	-	61,733	1,151,790
School site administration	10,289,650	-	1,117,202	11,406,852
Pupil services				
Home-to-school transportation	3,485,441	-	-	3,485,441
Food services	461,290	-	5,676,404	6,137,694
All other pupil services	6,903,249	-	120,576	7,023,825
Administration				
Data processing	3,245,542	-	49,130	3,294,672
All other administration	8,683,387	-	674,294	9,357,681
Plant services	18,717,207	54,000	467,472	19,238,679
Ancillary services	672,216	-	154,073	826,289
Other outgo	35,876	-	-	35,876
Enterprise services	1,968,259	-	-	1,968,259
Facility acquisition and construction	4,109,467	30,388,506	9,775	34,507,748
Debt service				
Principal	109,554	-	17,064,969	16,979,128
Interest and other	25,232	-	4,182,434	4,403,061
Total expenditures	<u>167,106,429</u>	<u>30,442,506</u>	<u>34,002,337</u>	<u>231,551,272</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>18,247,387</u>	<u>(30,670,990)</u>	<u>(3,215,676)</u>	<u>(15,639,279)</u>
Other Financing Sources (Uses)				
Transfers in	647,030	-	6,221,395	6,868,425
Transfers out	(3,577,690)	-	(3,290,735)	(6,868,425)
Net Financing Sources (Uses)	<u>(2,930,660)</u>	<u>-</u>	<u>2,930,660</u>	<u>-</u>
Net Change in Fund Balances	15,316,727	(30,670,990)	(285,016)	(15,639,279)
Fund Balance - Beginning	58,631,485	72,239,393	32,449,908	163,320,786
Fund Balance - Ending	<u>\$ 73,948,212</u>	<u>\$ 41,568,403</u>	<u>\$ 32,164,892</u>	<u>\$ 147,681,507</u>

Vallejo City Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds \$ (15,639,279)

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

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

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

Depreciation and amortization expenses	\$ (10,709,898)
Capital outlays	<u>34,667,524</u>

Net expense adjustment	23,957,626
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In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

This amount is the difference between vacation earned and used. 100,344

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

16,321,234

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

(1,401,156)

Vallejo City Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2022

Governmental funds report the effect of premiums when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium amortization	524,448
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Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	11,080,000
State emergency apportionment loans	3,615,866
Community facilities district bond	2,369,103
Financed Purchases	30,527

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.

(348,722)

An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

503,269

Change in net position of governmental activities

\$ 41,113,260

Vallejo City Unified School District
Statement of Net Position – Proprietary Funds
June 30, 2022

	Governmental Activities - <u>Internal</u> <u>Service Fund</u>
Assets	
Current assets	
Deposits and investments	\$ 1,056,329
Cash with fiscal agent	4,360
Due from other funds	<u>206,397</u>
Total current assets	<u>1,267,086</u>
Total assets	<u>1,267,086</u>
Liabilities	
Current liabilities	
Accounts payable	<u>1,390</u>
Total current liabilities	<u>1,390</u>
Noncurrent liabilities	
Other noncurrent liabilities	<u>768,000</u>
Total noncurrent liabilities	<u>768,000</u>
Total liabilities	<u>769,390</u>
Net Position	
Unrestricted	<u>497,696</u>
Total net position	<u><u>\$ 497,696</u></u>

Vallejo City Unified School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2022

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for services	\$ 598,443
Total operating revenues	598,443
Operating Expenses	
Other operating cost	\$ 97,321
Total operating expenses	97,321
Operating Income	501,122
Nonoperating Revenues (Expenses)	
Fair market value adjustments	(454)
Interest income	2,601
Total nonoperating revenues (expenses)	2,147
Income before capital contributions and transfers	503,269
Change in Net Position	503,269
Total Net Position - Beginning	(5,573)
Total Net Position - Ending	\$ 497,696

Vallejo City Unified School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2022

	Governmental Activities - Internal Service Fund
Operating Activities	
Cash paid for professional services	\$ (98,163)
Cash receipts from interfund services provided	478,625
Cash payments to other suppliers of goods or services	95,640
Net Cash Provided By Operating Activities	476,102
Investing Activities	
Interest on investments	2,147
Net Change in Cash and Cash Equivalents	478,249
Cash and Cash Equivalents, Beginning	578,080
Cash and Cash Equivalents, Ending	\$ 1,056,329
Reconciliation of Operating Income to Net Cash From Operating Activities	
Operating Income	\$ 501,122
Changes in assets and liabilities	
Due from other fund	(119,818)
Accounts payable	94,798
Net Cash Provide By Operating Activities	\$ 476,102

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Vallejo City Unified School District (the District) was organized/unified on 1852 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates ten K-5 elementary , four K-8 elementary, one middle, three high schools (one of which serves as a continuation school), an adult school, one charter school, and seven childcare/preschool sites.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Vallejo City Unified School District, this includes general operations, food service, and student related activities of the District.

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. For financial reporting purposes, the component units described below has a financial and operational relationship which meet the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Vallejo City Unified School District and the Community Facilities District No. 1, No. 2, and No. 3 (CFDs) have a financial and operational relationship that meets the reporting entity definition criteria of the GASB 14, *The Reporting Entity*, for inclusion of the CFDs as component units of the District. Accordingly, the financial activities of the CFDs have been included in the financial statements of the District. Individually prepared financial statements are not prepared for the Corporations.

The CFDs are community facilities districts pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 as amended by Chapter 2.5, Part I, Division 2, and Title 5 of the Government Code of the State of California established in March 30, 1989. The CFD were formed to provide financial assistance to the District for construction, rehabilitation, and acquisition of major capital facilities to support the student population.

The Mello-Roos districts' financial activities are presented in the financial statements as the Capital Projects Fund for Blended Component Units.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

In addition, under the flexibility provision of current statute that allow certain formerly restricted revenues to be used for any educational purpose, Fund 11, Adult Education Fund, does not currently meet the definition of special revenue funds as these funds are no longer primarily composed of restricted or committed revenue sources.

As a result, the General Fund reflects an increase in fund balance of \$24,401,428.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Charter Schools Fund** The Charter Schools Fund may be used by authorizing districts to account separately for the operating activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is 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 The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).
- **State School Building Lease-Purchase Fund** The State School Building Lease-Purchase Fund is used primarily to account separately for State apportionments for the reconstruction, remodeling, or replacement of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code* Section 17000 et seq.).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition IA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).
- **Capital Project Fund for Blended Component Units** The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term liabilities.

- **Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a local educational agency (*Education Code* Sections 15125-15262).
- **Debt Service Fund for Blended Component Units** The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).
- **Debt Service Fund** The Debt Service Fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term liabilities.

Proprietary Funds 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 local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

- **Internal Service Fund** Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a workers compensation program that is accounted for in an internal service fund.

Basis of Accounting - Measurement Focus

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

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

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

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

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

- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

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

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected in the year received. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be 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 at the time of purchase 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.

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the proprietary funds when consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold as follows: infrastructure of \$200,000, buildings and land improvements of \$100,000, vehicles of \$10,000, donated equipment of \$10,000, and all other items at \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 20 to 50 years; equipment, 2 to 15 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources related to pension related items and for OPEB related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2022, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

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

Stabilization Arrangement

In fiscal year 2021-2022, the governing board adopted a resolution for stabilization arrangements. Under the resolution, a portion of the fund balance of the General Fund is committed for stabilization arrangements, such as might be needed in emergency situations or when revenue shortages or budgetary imbalances occur. At June 30, 2022, \$32,127,995 of the fund balance for the General Fund was reported as committed for economic stabilization.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$64,066,263 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund insurance premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 column of the Statement of Activities.

Estimates

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

Property Tax

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

Change in Accounting Principles

Implementation of GASB Statement No. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The adoption of this standard has no significant impact to the District.

Implementation of GASB Statement No. 89

As of July 1, 2021, The District adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The implementation of this Standard establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, There is no material effect of the implementation of this standard on the beginning net position.

Implementation of GASB Statement No. 92

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022.

Implementation of GASB Statement No. 93

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument’s variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The provisions of this Statement have been implemented as of June 30, 2022.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 151,473,615
Proprietary funds	<u>1,060,689</u>
Total deposits and investments	<u><u>\$ 152,534,304</u></u>

Deposits and investments as of June 30, 2022, consist of the following:

Cash on hand and in banks	\$ 578,035
Cash in revolving	50,000
Investments	<u>151,906,269</u>
Total deposits and investments	<u><u>\$ 152,534,304</u></u>

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and/or having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Weighted Average Maturity

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

Investment Type	Reported Amount	Weighted Average Maturity
Blackrock MuniCash Institution Fund	\$ 21,448,750	60 days
County Pool	130,457,519	548 days
Total	\$ 151,906,269	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District does not have a policy for credit risk. The District’s investment in the County Pool is not required to be rated, nor has it been rated as of June 30, 2022. Below is the actual rating as of the year end for each investment type.

Investment Type	Reported Amount	Minimum Legal Rating	Rating as of Year End		
			AAAm*	AA	Unrated
Blackrock MuniCash Institution Fund	\$ 21,448,750	N/A	\$ 21,448,750	\$ -	\$ -
County Pool	130,457,519	N/A	-	-	130,457,519
Total	\$ 151,906,269		\$ 21,448,750	\$ -	\$ 130,457,519

* S&P

N/A - Not applicable

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. The District’s investment in Blackrock BLF MuniCash Institutional Fund 048 represents five percent or more the total investments that are required to be disclosed at June 30, 2022.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the District's bank balance of approximately \$480,000 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District's investment of \$21,448,750 in Blackrock MuniCash Institutional Fund 048 has a custodial credit risk exposure. The District does not have a policy limiting the amount of securities that can be held by counterparties.

Note 3 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- 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, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- 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 reasonably 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.

The District's fair value measurements are as follows at June 30, 2022:

Investment Type	Reported Amount	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Blackrock MuniCash Institution Fund	\$ 21,448,750	\$ -	\$ 21,448,750	\$ -
County Pool*	130,457,519	-	-	-
Total	<u>\$ 151,906,269</u>	<u>\$ -</u>	<u>\$ 21,448,750</u>	<u>\$ -</u>

*Net asset value

Note 4 - Receivables

Receivables at June 30, 2022, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total
Federal Government			
Categorical aid	\$ 12,912,493	\$ 932,051	\$ 13,844,544
State Government			
Categorical aid	5,140,188	139,468	5,279,656
Lottery	376,905	-	376,905
Local Government			
Other local sources	123,484	5,438	128,922
Total	<u>\$ 18,553,070</u>	<u>\$ 1,076,957</u>	<u>\$ 19,630,027</u>

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 5,682,127	\$ -	\$ -	\$ 5,682,127
Construction in progress	12,048,421	33,991,551	(23,574,790)	22,465,182
Total capital assets not being depreciated	<u>17,730,548</u>	<u>33,991,551</u>	<u>(23,574,790)</u>	<u>28,147,309</u>
Capital assets being depreciated				
Land improvements	14,328,990	861,428	-	15,190,418
Buildings and improvements	288,543,754	22,651,957	-	311,195,711
Furniture and equipment	13,821,569	737,378	(68,325)	14,490,622
Total capital assets being depreciated	<u>316,694,313</u>	<u>24,250,763</u>	<u>(68,325)</u>	<u>340,876,751</u>
Total capital assets	<u>334,424,861</u>	<u>58,242,314</u>	<u>(23,643,115)</u>	<u>369,024,060</u>
Accumulated depreciation				
Land improvements	(6,705,054)	(588,793)	-	(7,293,847)
Buildings and improvements	(164,495,949)	(9,056,608)	-	(173,552,557)
Furniture and equipment	(10,104,008)	(1,064,497)	68,325	(11,100,180)
Total accumulated depreciation	<u>(181,305,011)</u>	<u>(10,709,898)</u>	<u>68,325</u>	<u>(191,946,584)</u>
Governmental activities capital assets, net	<u>\$ 153,119,850</u>	<u>\$ 47,532,416</u>	<u>\$ (23,574,790)</u>	<u>\$ 177,077,476</u>

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

Governmental Activities	
Instruction	\$ 6,584,887
Supervision of instruction	229,072
Instructional library, media, and technology	70,240
School site administration	695,631
Home-to-school transportation	212,555
Food services	374,299
All other pupil services	428,338
Ancillary Services	50,014
Enterprise Activities	120,032
Data processing	570,665
All other administration	200,921
Plant services	1,173,244
Total depreciation expense- governmental activities	<u>\$ 10,709,898</u>

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2022, between major and non-major governmental funds, and non-major internal service funds are as follows:

Due To	Due From				Total
	General Fund	Building Fund	Non-Major Governmental Funds	Proprietary Funds	
General Fund	\$ -	\$ 142,339	\$ 1,597,867	\$ 206,397	\$ 1,946,603
Non-Major Governmental Funds	1,652,669	-	-	-	1,652,669
Total	<u>\$ 1,652,669</u>	<u>\$ 142,339</u>	<u>\$ 1,597,867</u>	<u>\$ 206,397</u>	<u>\$ 3,599,272</u>

All balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2022, consisted of the following:

Transfer To	Transfer From		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 3,577,690	\$ 3,577,690
Non-Major Governmental Funds	647,030	2,643,705	3,290,735
Total	<u>\$ 647,030</u>	<u>\$ 6,221,395</u>	<u>\$ 6,868,425</u>

The General Fund transferred to the Debt Service Fund to cover debt service payment.	\$ 3,577,690
The Capital Projects Fund for Blended Component Units transferred to the Debt Service Fund to cover debt service payments (BNY)	2,643,705
The Charter School Fund transferred to General Fund to reimburse direct services costs.	<u>647,030</u>
Total	<u>\$ 6,868,425</u>

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

Note 7 - Accounts Payable and Accrued Liabilities

Accounts payable at June 30, 2022, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Vendor payables	\$ 11,602,361	\$ 1,632,894	\$ 1,805,880	\$ 15,041,135	\$ 1,390
LCFF apportionment	-	-	244,030	244,030	-
Salaries and benefits	2,549,612	-	-	2,549,612	-
Total	\$ 14,151,973	\$ 1,632,894	\$ 2,049,910	\$ 17,834,777	\$ 1,390

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2022, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 2,215,065	\$ 118,166	\$ 2,333,231
State categorical aid	3,359,608	140,204	3,499,812
Other local	24,000	5,936	29,936
Total	\$ 5,598,673	\$ 264,306	\$ 5,862,979

Note 9 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	July 1, 2021 Restated	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities				
General obligation bonds	\$ 122,715,000	\$ (11,080,000)	\$ 111,635,000	\$ 11,645,000
Bond premium	6,458,595	(488,284)	5,970,311	488,284
CFD bonded debt	12,578,815	(2,369,103)	10,209,712	2,425,224
State emergency apportionment loan	13,280,054	(3,615,866)	9,664,188	3,723,280
Loan premium	123,560	(36,164)	87,396	36,164
Financed Purchases	30,527	(30,527)	-	-
Compensated absences	1,975,224	(100,344)	1,874,880	-
Self-Insurance liabilities	768,000	-	768,000	-
Total	\$ 157,929,775	\$ (17,720,288)	\$ 140,209,487	\$ 18,317,952

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund. Payments on the Community Facilities District (CFD) bonds are made by the Debt Service Blended Component Unit Fund. The State emergency apportionment loans are paid by the Debt Service Fund. Financed purchases are paid by the General Fund. The compensated absences and self-insurance liability are paid by the fund for which employees worked.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

General Obligation Bond	Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2021	Bonds Redeemed	Bonds Outstanding June 30, 2022
Refunding 2002, Series A	2002	2026	2.20% - 5.90%	\$61,060,000	\$15,950,000	\$ (4,405,000)	\$ 11,545,000
Refunding 2017, Series A	2017	2029	2.50% - 5.00%	23,555,000	20,690,000	(1,040,000)	19,650,000
Election 2018, Series 2019	2019	2049	3.00% - 5.00%	39,000,000	34,075,000	(5,635,000)	28,440,000
Election 2018, Series 2021	2021	2050	2.00% - 5.00%	52,000,000	52,000,000		52,000,000
Premium				-	6,458,595	(488,284)	5,970,311
					<u>\$ 129,173,595</u>	<u>\$ (11,568,284)</u>	<u>\$ 117,605,311</u>

Debt Service Requirements to Maturity

The annual debt service payments are as follows:

Refunding 2002			
Fiscal Year	Principal	Interest to Maturity	Total
2023	\$ 4,700,000	\$ 669,355	\$ 5,369,355
2024	5,100,000	392,055	5,492,055
2025	1,645,000	89,680	1,734,680
2026	100,000	2,950	102,950
2027	-	-	-
Total	<u>\$11,545,000</u>	<u>\$1,154,040</u>	<u>\$12,699,040</u>

Refunding 2017			
Fiscal Year	Principal	Interest to Maturity	Total
2023	\$ 905,000	\$ 916,500	\$ 1,821,500
2024	860,000	872,375	1,732,375
2025	770,000	831,625	1,601,625
2026	4,145,000	708,750	4,853,750
2027	5,475,000	468,250	5,943,250
2028-2031	7,495,000	230,938	7,725,938
Total	<u>\$19,650,000</u>	<u>\$ 4,028,438</u>	<u>\$23,678,438</u>

Series 2019

Fiscal Year	Principal	Interest to Maturity	Total
2023	\$ -	\$ 870,538	\$ 870,538
2024	-	870,538	870,538
2025	-	870,538	870,538
2026	-	870,538	870,538
2027	-	870,538	870,538
2028-2032	1,450,000	4,310,088	5,760,088
2033-2037	4,915,000	3,790,113	8,705,113
2038-2042	7,145,000	2,892,513	10,037,513
2043-2047	9,980,000	1,604,631	11,584,631
2048-2050	4,950,000	161,813	5,111,813
Total	\$ 28,440,000	\$ 17,111,848	\$ 45,551,848

Series 2021

Fiscal Year	Principal	Interest to Maturity	Total
2023	\$ 6,040,000	\$ 1,510,800	\$ 7,550,800
2024	4,340,000	1,251,300	5,591,300
2025	-	1,142,800	1,142,800
2026	-	1,142,800	1,142,800
2027	-	1,142,800	1,142,800
2028-2032	1,680,000	5,632,500	7,312,500
2033-2037	6,030,000	4,709,150	10,739,150
2038-2042	8,695,000	3,763,475	12,458,475
2043-2047	11,710,000	2,653,884	14,363,884
2048-2052	13,505,000	869,803	14,374,803
Total	\$ 52,000,000	\$ 23,819,312	\$ 75,819,312

Community Facilities District (CFD) Bond Debt

The outstanding CFDs bond debt of the District is as follows:

CFD Special Tax Bond	Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2021	Bonds Outstanding June 30, 2022	Bonds Outstanding June 30, 2022
Series 2017	2017	2026	2.41%	\$17,541,326	\$12,578,815	\$ (2,369,103)	\$ 10,209,712
					<u>\$ 12,578,815</u>	<u>\$ (2,369,103)</u>	<u>\$ 10,209,712</u>

The principal and interest payments of the CFDs bond debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 2,425,224	\$ 216,830	\$ 2,642,054
2024	2,482,687	157,690	2,640,377
2025	2,541,526	97,148	2,638,674
2026	2,478,313	36,659	2,514,972
2027	281,962	3,398	285,360
Total	<u>\$ 10,209,712</u>	<u>\$ 511,725</u>	<u>\$ 10,721,437</u>

Emergency Apportionment Loan

On June 21, 2004, Senate Bill 1190, Chapter 53, Statutes of 2004, was enacted. This legislation provided an emergency apportionment loan to the district of \$60 million. This loan provides a floating line of credit. As of June 24, 2004, the district received \$50 million of the apportionment loan amount. The legislation requires the district repay the loan, including interest at a rate of 1.50%, which the rate is earned by the State's Pooled Money Investment account on the effective date of Senate Bill 1190. The bill provides that the loan be repaid over a 20-year period.

On December 1, 2005, the State of California refinanced \$20,642,992 of the district's loan through the issuance of State School Fund Apportionment Lease Revenue Bonds, Series A 2005. The district will make monthly principal and interest payments from July to January to California Infrastructure and Economic Development Bank (I-Bank). Pursuant to Education Code section 41329.57, the state will make make-whole payments, which is the difference in interest between the average pooled money investment account rate and I-Bank interest rate.

On March 24, 2008, the district drew down the remaining \$10 million of the \$60 million authorized emergency apportionment loan. The legislation requires the district repay the loan, including interest at a rate of 1.5%, which the rate is earned. These funds were placed in the special reserve fund to pay the annual debt service and pending audit findings as they are resolved. All of the State Emergency Loan payments are deducted from the district's monthly apportionments.

The outstanding emergency apportionment loan debt of the district as of June 30, 2022 is as follows:

General Obligation Bond	Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds		Bonds
					Outstanding July 1, 2021 (Restated)	Redeemed	Outstanding June 30, 2022
I-Bank	2005	2024	1.5%	\$20,642,992	\$6,275,000	\$ (1,455,000)	\$ 4,820,000
Premium				687,116	123,560	(36,164)	87,396
State of California	2004	2024	1.5%	50,000,000 [1]	4,419,551	(1,528,852)	2,890,699
State of California	2007	2025	1.5%	10,000,000	2,585,503	(632,014)	1,953,489
					<u>\$ 13,403,614</u>	<u>\$ (3,652,030)</u>	<u>\$ 9,751,584</u>

[1] Loan was partially refinanced by I-Bank @ 12/1/05 leaving a remaining principal balance of \$25,000,000.

The annual requirements to amortize the emergency state apportionment loans are as follows:

I-Bank Loan			
Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,530,000	\$ 241,000	\$ 1,771,000
2024	1,605,000	164,500	1,769,500
2025	1,685,000	84,250	1,769,250
	<u>\$ 4,820,000</u>	<u>\$ 489,750</u>	<u>\$ 5,309,750</u>

State of California Emergency Apportionment Loan			
Year Ending June 30,	Principal	Interest	Total
2023	\$ 2,193,280	\$ 72,662	\$ 2,265,942
2024	1,990,031	39,764	2,029,795
2025	660,877	9,913	670,790
	<u>\$ 4,844,188</u>	<u>\$ 122,339</u>	<u>\$ 4,966,527</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to \$1,874,880.

Self-Insurance Liabilities

Self-insurance liabilities represent the district's estimated long-term liability to cover workers' compensation claims through June 30, 2013, after which time the district was no longer self insured. The District's continuing obligation is estimated at \$768,000 and is based upon its actuarial report as of June 30, 2020.

Note 10 - Total Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2022, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 84,023,991	\$ 4,953,837	\$ 10,217,364	\$ 4,747,387
Medicare Premium Payment (MPP) Program	539,195	-	-	(180,882)
Total	<u>\$ 84,563,186</u>	<u>\$ 4,953,837</u>	<u>\$ 10,217,364</u>	<u>\$ 4,566,505</u>

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	753
Inactive employees entitled to but not yet receiving benefits payments	294
Active employees	<u>1,359</u>
Total	<u><u>2,406</u></u>

Benefits Provided

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

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Vallejo Education Association (VEA), the local California Service Employees Association (CSEA), and Vallejo School Managers Association (VSMA). The benefit payment is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through the agreements with the District, VEA, CSEA, and VSMA. For the measurement period of June 30, 2021, the District paid \$2,534,081 in benefits.

Total OPEB Liability of the District

The District’s total OPEB liability of \$84,023,991 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

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

Discount rate	2.18 percent
Inflation	2.50 percent
Salary increases	3.00 percent
Health care cost trend rates	5.70% in 2022
Retirement age	50 to 75
Mortality	CalPERS 2017 Experience Study & CalSTRS 2016 Experience Study;

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period July 1, 2020 to June 30, 2021.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2021	\$ 79,791,172
Service cost	4,668,434
Interest	2,212,922
Differences between expected and actual experience	105,696
Changes of assumptions or other inputs	(220,152)
Benefit payments	(2,534,081)
Net change in total OPEB liability	4,232,819
Balance, June 30, 2022	<u>\$ 84,023,991</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.66% in 2021 to 2.18% in 2022.

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

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

Discount Rate	Total OPEB Liability
1% decrease (1.18%)	\$ 96,488,737
Current discount rate (2.18%)	84,023,991
1% increase (3.18%)	73,874,981

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
Current trend (-1%)	\$ 71,950,000
Current healthcare cost trend	84,023,991
Current trend (+1%)	99,437,469

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30,2022, the District recognized OPEB expense of \$4,747,387. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 3,165,349	\$ -
Differences between expected and actual experience	90,809	5,041,681
Changes of assumptions	1,697,679	5,175,683
Total	\$ 4,953,837	\$ 10,217,364

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the subsequent fiscal year. The remaining deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (2,133,969)
2024	(2,133,969)
2025	(1,818,627)
2026	(1,624,720)
2027	(786,338)
Thereafter	68,747
Total	\$ (8,428,876)

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers’ Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers’ Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2022, the District reported a liability of \$539,195 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District’s proportion of the net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District’s proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.1352%, and 0.1699%, resulting in a net decrease in the proportionate share of 0.0347%.

For the year ended June 30, 2022, the District recognized OPEB expense of \$(180,882).

Actuarial Methods and Assumptions

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

Measurement Date	June 30, 2021
Valuation Date	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.16%
Medicare Part A Premium Cost Trend Rate	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%

For the valuation as of June 30, 2020, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members’ age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial

reporting valuation was 245 or an average of 0.16% of the potentially eligible population (152,062).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021, is 2.16%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (1.16 %)	\$ 594,341
Current discount rate (2.16%)	539,195
1% increase (3.16%)	492,078

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District’s proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 490,335
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	539,195
1% increase (5.50% Part A and 6.40% Part B)	595,211

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Funds	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 50,000	\$ -	\$ 50,603	\$ 100,603
Stores inventories	209,289	-	488	209,777
Prepaid expenditures	220,588	-	-	220,588
Total nonspendable	<u>479,877</u>	<u>-</u>	<u>51,091</u>	<u>530,968</u>
Restricted				
Legally restricted programs	13,839,204	-	1,157,442	14,996,646
Student activities	-	-	519,776	519,776
Food service	-	-	1,888,532	1,888,532
Capital projects	-	41,568,403	12,269,737	53,838,140
Debt services	-	-	14,729,115	14,729,115
Total restricted	<u>13,839,204</u>	<u>41,568,403</u>	<u>30,564,602</u>	<u>85,972,209</u>
Committed				
Stabilization	24,155,210	-	-	24,155,210
Other	7,972,785	-	-	7,972,785
Total committed	<u>32,127,995</u>	<u>-</u>	<u>-</u>	<u>32,127,995</u>
Assigned				
Other	16,744,319	-	1,549,199	18,293,518
Total assigned	<u>16,744,319</u>	<u>-</u>	<u>1,549,199</u>	<u>18,293,518</u>
Unassigned				
Reserve for economic uncertainties	6,116,319	-	-	6,116,319
Remaining unassigned	4,640,498	-	-	4,640,498
Total unassigned	<u>10,756,817</u>	<u>-</u>	<u>-</u>	<u>10,756,817</u>
Total	<u>\$ 73,948,212</u>	<u>\$ 41,568,403</u>	<u>\$ 32,164,892</u>	<u>\$ 147,681,507</u>

Note 12 - Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2022, the District contracted with Alliance of Schools for Cooperative Insurance Program (SCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2022, the District participated in the North Bay School Insurance Authority, NBSIA, an insurance purchasing pool. The intent of the NBSIA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the NBSIA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the NBSIA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the NBSIA. Participation in the NBSIA is limited to districts that can meet the NBSIA selection criteria.

Employee Medical Benefits

The District has contracted with CalPERS to provide employee health benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District for the workers' compensation program. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience. See Note 9 for additional self-insurance liability information.

Note 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2022, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 40,926,345	\$ 15,004,965	\$ 51,970,285	\$ (1,408,242)
CalPERS	38,200,590	7,356,392	20,545,150	406,627
Total	<u>\$ 79,126,935</u>	<u>\$ 22,361,357</u>	<u>\$ 72,515,435</u>	<u>\$ (1,001,615)</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	16.92%	16.92%
Required employer contribution rate	10.828%	10.828%
Required state contribution rate		

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were \$9,103,613.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 40,926,345
State's proportionate share of the net pension liability	20,592,549
Total	\$ 61,518,894

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively was 0.0899% and 0.0975%, resulting in a net decrease in the proportionate share of 0.0076%.

For the year ended June 30, 2022, the District recognized pension expense of \$(1,408,242). In addition, the District recognized pension expense and revenue of \$704,549 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,103,613	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	-	15,241,075
Differences between projected and actual earnings on pension plan investments	-	32,373,793
Differences between expected and actual experience in the measurement of the total pension liability	102,523	4,355,417
Changes of assumptions	5,798,829	-
	<u>\$ 15,004,965</u>	<u>\$ 51,970,285</u>
Total	<u>\$ 15,004,965</u>	<u>\$ 51,970,285</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (8,221,002)
2024	(7,519,532)
2025	(7,706,140)
2026	(8,927,119)
	<u>(32,373,793)</u>
Total	<u>\$ (32,373,793)</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (1,898,732)
2024	(1,380,779)
2025	(3,402,709)
2026	(3,057,439)
2027	(2,201,026)
Thereafter	(1,754,455)
Total	\$ (13,695,140)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant 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 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2021, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 83,311,390
Current discount rate (7.10%)	40,926,345
1% increase (8.10%)	5,747,567

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2022, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	22.91%	22.91%

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total District contributions were \$6,216,006.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$38,200,590. The net pension liability was measured as of June 30, 2021. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District’s proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively was 0.1879% and 0.1873%, resulting in a net increase in the proportionate share of 0.0006%.

For the year ended June 30, 2022, the District recognized pension expense of \$406,627. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,216,006	
Change in proportion and differences between contributions made and District’s proportionate share of contributions	-	5,794,846
Differences between projected and actual earnings on pension plan investments	-	14,660,250
Differences between expected and actual experience in the measurement of the total pension liability	1,140,386	90,054
Changes of assumptions	-	-
	\$ 7,356,392	\$ 20,545,150
Total		

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (3,676,778)
2024	(3,381,127)
2025	(3,525,044)
2026	(4,077,301)
Total	\$ (14,660,250)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (2,351,261)
2024	(2,075,012)
2025	(306,862)
2026	(11,379)
Total	\$ (4,744,514)

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 64,411,559
Current discount rate (7.15%)	38,200,590
1% increase (8.15%)	16,439,862

Tax Deferred Annuity/Social Security

As established by Federal law, all public sector employees who are not members of their employer’s existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its alternative plan. The District contributes 6.2% of an employee’s gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to Social Security.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$5,783,780 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, and have been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

Note 14 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

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, 2022.

Construction Commitments

As of June 30, 2022, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Modernization at various sites		
Hogan Middle School modernization	\$ 1,527,084	07/01/25
Lincoln/Federal Terrace modernization	399,120	06/30/25
Dan Mini/Cooper modernization	2,961,917	02/01/23
Franklin fire restoration	959,875	TBD
Farragut fire restoration	619,631	10/05/22
Vallejo High School moderanization	4,708,736	06/30/24
Total	<u>\$ 11,176,363</u>	

Note 15 - Participation in Public Entity Risk Pools, Joint Powers Authorities and Other Related Party Transactions

The District is a member of the Alliance of Schools for Cooperative Insurance Program (ASCIP) and the Schools Excess Liability Fund (SELF) JPA. The District pays an annual premium to the applicable entity for property liability coverage. Payments for the insurance coverages are paid to the JPAs. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2022, the District made payments of \$1,241,577 to ASCIP for the insurance premiums.

Note 16 - Restatement of Prior Year Net Position

During the current year, the District discovered the long-term liabilities related to the state emergency apportionment loan was understated due to error started in payment schedule dated back many years. As a result, the net position as of July 1, 2021 was restated to correct the error. The following table describes the effect of the correction:

Net Position (deficit) as of July 1, 2021, as previously reported	\$ (73,797,162)
State emergency apportionment loan	<u>(2,439,217)</u>
Net Position - Beginning as Restated	<u><u>\$ (76,236,379)</u></u>

Vallejo City Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 106,130,892	\$ 106,130,892	\$ 122,227,017	\$ 16,096,125
Federal sources	10,110,168	10,110,168	25,118,103	15,007,935
Other State sources	20,963,007	20,963,007	31,217,586	10,254,579
Other local sources	3,616,337	3,616,337	6,791,110	3,174,773
Total revenues ¹	<u>140,820,404</u>	<u>140,820,404</u>	<u>185,353,816</u>	<u>44,533,412</u>
Expenditures				
Current				
Certificated salaries	51,850,064	51,850,064	54,544,923	(2,694,859)
Classified salaries	25,347,261	25,347,261	28,596,375	(3,249,114)
Employee benefits	38,462,884	38,462,884	37,070,630	1,392,254
Books and supplies	4,741,134	4,741,134	6,948,445	(2,207,311)
Services and operating expenditures	34,338,871	34,338,871	36,058,415	(1,719,544)
Other outgo	(683,560)	(683,560)	(399,998)	(283,562)
Capital outlay	103,877	103,877	4,152,853	(4,048,976)
Debt service				
Debt service - principal	22,735	22,735	109,554	(86,819)
Debt service - interest and other	325	325	25,232	(24,907)
Total expenditures ¹	<u>154,183,591</u>	<u>154,183,591</u>	<u>167,106,429</u>	<u>(12,922,838)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(13,363,187)</u>	<u>(13,363,187)</u>	<u>18,247,387</u>	<u>31,610,574</u>
Other Financing Sources (Uses)				
Transfers in	775,000	775,000	647,030	(127,970)
Transfers out	(3,877,377)	(3,877,377)	(3,577,690)	299,687
Net financing sources (uses)	<u>(3,102,377)</u>	<u>(3,102,377)</u>	<u>(2,930,660)</u>	<u>171,717</u>
Net Change in Fund Balances	(16,465,564)	(16,465,564)	15,316,727	31,782,291
Fund Balance - Beginning	58,631,485	58,631,485	58,631,485	-
Fund Balance - Ending	<u>\$ 42,165,921</u>	<u>\$ 42,165,921</u>	<u>\$ 73,948,212</u>	<u>\$ 31,782,291</u>

¹ Due to the consolidation of Fund 11, Adult Education Fund, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 71, Retiree Benefit Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the actual, original and final budgets.

Vallejo City Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 4,668,434	\$ 4,408,957	\$ 5,863,962	\$ 5,500,873	\$ 5,860,509
Interest	2,212,922	2,173,846	2,637,550	2,575,305	2,225,685
Difference between expected and actual experience	105,696	-	(8,402,803)	-	-
Changes of assumptions	(220,152)	1,297,203	(5,744,881)	1,601,860	(4,631,194)
Benefit payments	<u>(2,534,081)</u>	<u>(3,190,981)</u>	<u>(3,792,209)</u>	<u>(3,829,515)</u>	<u>(3,900,843)</u>
Net change in total OPEB liability	4,232,819	4,689,025	(9,438,381)	5,848,523	(445,843)
Total OPEB Liability - Beginning	<u>79,791,172</u>	<u>75,102,147</u>	<u>84,540,528</u>	<u>78,692,005</u>	<u>79,137,848</u>
Total OPEB Liability - Ending	<u>\$ 84,023,991</u>	<u>\$ 79,791,172</u>	<u>\$ 75,102,147</u>	<u>\$ 84,540,528</u>	<u>\$ 78,692,005</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

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

Vallejo City Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2022

Year ended June 30,	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability	0.1352%	0.1699%	0.1760%	0.1875%	0.1944%
Proportionate share of the net OPEB liability	\$ 539,195	\$ 720,077	\$ 655,273	\$ 717,570	\$ 788,693
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.80%	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

Vallejo City Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2022

	2022	2021	2020	2019	2018
CalSTRS					
Proportion of the net pension liability	0.0899%	0.0975%	0.0995%	0.1044%	0.1074%
Proportionate share of the net pension liability	\$ 40,926,345	\$ 94,500,795	\$ 89,835,881	\$ 95,992,420	\$ 99,314,226
State's proportionate share of the net pension liability	20,592,549	48,715,171	49,011,471	54,960,150	58,753,457
Total	\$ 61,518,894	\$ 143,215,966	\$ 138,847,352	\$ 150,952,570	\$ 158,067,683
Covered payroll	\$ 41,029,220	\$ 46,864,708	\$ 56,333,704	\$ 56,352,924	\$ 57,919,841
Proportionate share of the net pension liability as a percentage of its covered payroll	99.75%	201.65%	159.47%	170.34%	171.47%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%	69%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
CalPERS					
Proportion of the net pension liability	0.1879%	0.1873%	0.2085%	0.2261%	0.2355%
Proportionate share of the net pension liability	\$ 38,200,590	\$ 57,469,699	\$ 60,751,310	\$ 60,296,387	\$ 56,222,902
Covered payroll	\$ 24,503,918	\$ 18,907,246	\$ 29,210,148	\$ 30,008,576	\$ 30,019,304
Proportionate share of the net pension liability as a percentage of its covered payroll	155.90%	303.96%	207.98%	200.93%	187.29%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%	72%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

Vallejo City Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2022

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Proportion of the net pension liability	<u>0.1129%</u>	<u>0.1163%</u>	<u>0.1147%</u>
Proportionate share of the net pension liability	\$ 91,289,985	\$ 78,309,471	\$ 67,021,066
State's proportionate share of the net pension liability	<u>51,969,760</u>	<u>41,417,078</u>	<u>40,470,213</u>
Total	<u>\$ 143,259,745</u>	<u>\$ 119,726,549</u>	<u>\$ 107,491,279</u>
Covered payroll	<u>\$ 57,191,957</u>	<u>\$ 53,905,822</u>	<u>51,414,037</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>159.62%</u>	<u>145.27%</u>	<u>130%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS			
Proportion of the net pension liability	<u>0.2327%</u>	<u>0.2282%</u>	<u>0.2201%</u>
Proportionate share of the net pension liability	\$ 45,968,211	\$ 33,630,727	\$ 24,992,357
Covered payroll	<u>\$ 27,882,274</u>	<u>\$ 25,237,949</u>	<u>25,237,976</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>164.87%</u>	<u>133.25%</u>	<u>99%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

Vallejo City Unified School District
Schedule of the District's Contributions
Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Contractually required contribution	\$ 9,103,613	\$ 6,626,219	\$ 8,013,865	\$ 9,171,127	\$ 8,131,727	\$ 7,286,316	\$ 6,136,697	\$ 4,786,837
Less contributions in relation to the contractually required contribution	9,103,613	6,626,219	8,013,865	9,171,127	8,131,727	7,286,316	6,136,697	4,786,837
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 53,803,859	\$ 41,029,220	\$ 46,864,708	\$ 56,333,704	\$ 56,352,924	\$ 57,919,841	\$ 57,191,957	\$ 53,905,822
Contributions as a percentage of covered payroll	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS								
Contractually required contribution	\$ 6,216,006	\$ 5,072,311	\$ 3,728,698	\$ 5,275,937	\$ 4,660,632	\$ 4,169,081	\$ 3,303,213	\$ 2,970,759
Less contributions in relation to the contractually required contribution	6,216,006	5,072,311	3,728,698	5,275,937	4,660,632	4,169,081	3,303,213	2,970,759
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 27,132,283	\$ 24,503,918	\$ 18,907,246	\$ 29,210,148	\$ 30,008,576	\$ 30,019,304	\$ 27,882,274	\$ 25,237,949
Contributions as a percentage of covered payroll	22.910%	20.700%	19.721%	18.0620%	15.5310%	13.8880%	11.8470%	11.7710%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

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

At June 30, 2022, the District major fund exceeded the budgeted amount in total as follows:

Funds	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	\$ 154,183,591	\$ 167,106,429	\$ 12,922,838

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

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

- *Changes in Benefit Terms* – There were no changes of benefit terms that impact the valuation.
- *Changes of Assumptions* – The discount rate was changed from 2.66% to 2.18% since the previous valuation.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.21% to 2.16% since the previous valuation.

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

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

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

Schedule of the District's Contributions

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

Vallejo City Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Education			
Passed Through California Department of Education (CDE)			
COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	\$ 4,500
COVID-19: Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	135,838
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	2,675,510
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	1,690,988
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	8,935,930
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	<u>2,901</u>
Subtotal			<u>13,445,667</u>
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	2,833,812
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	2,107
COVID-19: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement Supporting Inclusive Practices	84.027	15638	1,417
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	13693	74,954
Subtotal			<u>124,810</u>
Subtotal			<u>3,037,100</u>
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	75,123
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,000
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	<u>74,972</u>
Subtotal			<u>151,095</u>
Total Special Education Cluster			<u>3,188,195</u>
Adult Education: Adult Secondary Education (Section 231)	84.002	14508	98,752
Adult Education: Adult Basic Education & ELA (Section 231)	84.002A	13978	124,065
Adult Education: English Literacy & Civics Education - Local Grant	84.002A	14109	<u>25,172</u>
Subtotal			<u>247,989</u>
Title I Grants to Local Educational Agencies	84.010	14329	4,209,775
ESEA: ESSA School Improvement (CSI) Funding	84.010	15438	<u>230,246</u>
Subtotal			<u>4,440,021</u>

Vallejo City Unified School District
Schedule of Expenditures of Federal Awards
June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
ESEA (ESSA): Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	560,992
ESEA (ESSA) : Title III, English Learner Student Program	84.365	14346	53,328
ESEA (ESSA) Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	402,474
Navy Junior Reserve Officers Training Corps	*	**	124,117
Special Education-Grants for Infants and Families	84.181	23761	130,374
Department of Rehabilitation: Workability II, Transitions Partnership Program	84.126	10006	<u>534,574</u>
Total U.S. Department of Education			<u>23,127,731</u>
Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
MEAL SUPPLEMENTS IN NATIONAL SCHOOL LUNCH PROGRAM	10.555	13755	1,970
COVID-19 SNP Emergency Operational Costs Reimbursement	10.555	15637	494,456
NSL Sec 4	10.555	13523	360,760
NSL Sec 11	10.555	13524	3,452,715
School Breakfast Basic	10.553	13525	924,973
School Breakfast Needy	10.553	13526	55,325
Commodities	10.555	13755	<u>534,241</u>
Total Child Nutrition Cluster			<u>5,824,440</u>
COVID-19: Pandemic EBT Local Administrative Grant	10.649	15644	5,814
COVID-19: CACFP Emergency Operational Costs Reimbursement	10.558	15577	89,599
Child Nutrition: CACFP Claims - Centers and Family Day Care Homes	10.558	13529	505,320
Child Nutrition: CCFP Cash in Lieu of Commodities	10.558	13534	<u>28,155</u>
Total U.S. Department of Agriculture			<u>6,453,328</u>
Federal Communications Commission			
Emergency Connectivity Fund Program	32.009	N/A	<u>2,000,000</u>
Total Federal Communications Commission			<u>2,000,000</u>
U.S. Department of Health and Human Services			
Passed Through California Department of Education			
CCDF Cluster			
COVID-19: Coronavirus Response and Relief Supplemental Appropriation	93.575	15555	48,271
COVID-19: ARP California State Preschool Program One-time Stipend	93.575	15640	16,800
Child Development: Federal Family Child Care Homes	93.575	10039	<u>434,457</u>
Total U.S. Department of Health and Human Services			<u>499,528</u>
Total Federal Financial Assistance			<u>\$ 32,080,587</u>

* Federal Financial Assistance Listing/Federal CFDA number not available

** Pass Through Entity Identifying Number not available

ORGANIZATION

The Vallejo City Unified School District was established in 1852 and consists of an area comprising approximately 52 square miles. The District operates ten K-5 elementary, four K-8 elementary, one middle school, three high schools (one of which serves as a continuation school), an adult school, one charter school and seven childcare/preschool sites. There were no boundary changes during the year.

In July 2004, a State administrator was appointed and granted authority to carry out the responsibilities formerly handled by the Board of Trustees. In February 2014, full control over all areas of operations was returned to the Board of Trustees.

The Board of Education at June 30, 2022 was comprised of the following members:

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Christy Gardner	President	November 2024
Dr. Latyna Young	Vice President	November 2024
John Fox	Trustee	November 2026
Carlos Flores	Trustee	November 2026
Glenn Amboy	Trustee	November 2026

The State Trustee at June 30, 2021 was: Mel Iizuka (May 2013 to present)

ADMINISTRATION

NAME	TITLE
William Spalding	Superintendent
Gigi Patrick, Ed.D	Assistant Superintendent, Human Resources
Mitchell Romao	Assistant Superintendent, Operations
Cheri Summers	Assistant Superintendent, Teaching & Learning
Dr. Mike Santos	Assistant Superintendent, Student Support Services
Rosa Loza	Chief Business Official

Vallejo City Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2022

	Final Report		As Adjusted per Audit	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA				
Transitional kindergarten through third	2,934.04	2,962.92	2,934.04	2,962.92
Fourth through sixth	2,051.98	2,055.99	2,051.98	2,055.99
Seventh and eighth	1,083.49	1,085.26	1,083.49	1,085.26
Ninth through twelfth	2,391.94	2,476.59	2,390.94	2,475.59
Total Regular ADA	8,461.45	8,580.76	8,460.45	8,579.76
Extended Year Special Education				
Transitional kindergarten through third	2.79	2.79	2.79	2.79
Fourth through sixth	2.06	2.06	2.06	2.06
Seventh and eighth	0.96	0.96	0.96	0.96
Ninth through twelfth	7.97	7.97	7.97	7.97
Total Extended Year Special Education	13.78	13.78	13.78	13.78
Special Education, Nonpublic, Nonsectarian Schools				
Transitional kindergarten through third	3.84	4.62	3.84	4.62
Fourth through sixth	5.15	5.28	5.15	5.28
Seventh and eighth	4.78	4.86	4.78	4.86
Ninth through twelfth	8.70	9.00	8.70	9.00
Total Special Education, Nonpublic, Nonsectarian Schools	22.47	23.76	22.47	23.76
Extended Year Special Education, Nonpublic, Nonsectarian Schools				
Transitional kindergarten through third	0.26	0.26	0.26	0.26
Fourth through sixth	0.18	0.18	0.18	0.18
Seventh and eighth	0.14	0.14	0.14	0.14
Ninth through twelfth	0.31	0.31	0.31	0.31
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.89	0.89	0.89	0.89
Community Day School				
Ninth through twelfth	13.49	13.80	13.49	13.80
Total Community Day School	13.49	13.80	13.49	13.80
Total ADA	8,512.08	8,632.99	8,511.08	8,631.99

Vallejo City Unified School District
 Schedule of Average Daily Attendance
 Year Ended June 30, 2022

Vallejo Charter School
 All ADA are Classroom Based

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	133.93	134.73
Fourth through sixth	109.20	108.98
Seventh and eighth	91.01	91.24
Total Regular ADA	334.14	334.95

Vallejo City Unified School District
 Schedule of Instructional Time
 Year Ended June 30, 2022

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,000	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,416	180	N/A	Complied
Grade 2		50,416	180	N/A	Complied
Grade 3		50,416	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		54,040	180	N/A	Complied
Grade 5		54,040	180	N/A	Complied
Grade 6		54,243	180	N/A	Complied
Grade 7		54,243	180	N/A	Complied
Grade 8		54,243	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,808	180	N/A	Complied
Grade 10		64,808	180	N/A	Complied
Grade 11		64,808	180	N/A	Complied
Grade 12		64,808	180	N/A	Complied

The District did not file J-13A during 2021-22.

Vallejo City Unified School District

Schedule of Instructional Time

Year Ended June 30, 2022

Vallejo Charter School

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Traditional Calendar		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	38,640	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,700	180	N/A	Complied
Grade 2		50,700	180	N/A	Complied
Grade 3		50,700	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		54,360	180	N/A	Complied
Grade 5		54,360	180	N/A	Complied
Grade 6		55,480	180	N/A	Complied
Grade 7		55,480	180	N/A	Complied
Grade 8		55,480	180	N/A	Complied

Vallejo City Unified School District
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
 Year Ended June 30, 2022

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General Fund	Building Fund	Non-Major Fund	Proprietary Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance				
Balance, June 30, 2022	\$ 74,545,718	\$ 42,049,732	\$ 32,776,581	\$ 577,696
Unaudited Actuals				
Decrease in				
Cash in county treasury	(597,506)	(481,329)	(367,659)	-
Increase in				
Accounts payable	-	-	(244,030)	-
Long-term liability	-	-	-	(80,000)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance, June 30, 2022				
Audited Financial Statements	<u>\$ 73,948,212</u>	<u>\$ 41,568,403</u>	<u>\$ 32,164,892</u>	<u>\$ 497,696</u>

Vallejo City Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2022

	(Budget) 2023 ¹	2022	2021 ¹	2020 ¹
General Fund				
Revenues	\$ 179,230,890	\$ 185,353,816	\$ 164,588,162	\$ 154,087,298
Other sources	775,000	647,030	669,347	543,706
Total Revenues and Other Sources	<u>180,005,890</u>	<u>186,000,846</u>	<u>165,257,509</u>	<u>154,631,004</u>
Expenditures	178,798,867	167,106,429	144,159,755	145,413,554
Other uses and transfers out	3,883,084	3,577,690	2,054,633	4,075,304
Total Expenditures and Other Uses	<u>182,681,951</u>	<u>170,684,119</u>	<u>146,214,388</u>	<u>149,488,858</u>
Increase/(Decrease) in Fund Balance	<u>(2,676,061)</u>	<u>15,316,727</u>	<u>19,043,121</u>	<u>5,142,146</u>
Ending Fund Balance	<u>\$ 71,272,151</u>	<u>\$ 73,948,212</u>	<u>\$ 58,631,485</u>	<u>\$ 39,588,364</u>
Available Reserves ²	<u>\$ 6,307,003</u>	<u>\$ 10,756,817</u>	<u>\$ 9,014,391</u>	<u>\$ 8,398,486</u>
Available Reserves as a Percentage of Total Outgo	<u>3.45%</u>	<u>6.30%</u>	<u>6.17%</u>	<u>5.62%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 303,899,608</u>	<u>\$ 387,972,301</u>	<u>\$ 344,434,200</u>
K-12 Average Daily Attendance at P-2	<u>8,378</u>	<u>8,512</u>	<u>10,270</u>	<u>10,270</u>

The General Fund balance has increased by \$34,359,848 over the past two years. The fiscal year 2022-2023 budget projects a decrease of \$2,676,061 (4%). For a district this size, the State recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in the past the three years and anticipates incurring an operating deficit during the 2022-2023 fiscal year. Total long-term liabilities have decreased by \$40,534,592 over the past two years.

Average daily attendance has decreased by 1,758 over the past two years. An additional decline of 134 ADA is anticipated during fiscal year 2022-2023.

¹ Financial information for 2023, 2021, and 2020 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

Vallejo City Unified School District
Schedule of Charter Schools
Year Ended June 30, 2022

<u>Name of Charter School</u>	<u>Charter Number</u>	<u>Included in Audit Report</u>
Vallejo Charter School	940	Included
Caliber: ChangeMakers Academy	1779	Not included
Mare Island Technology Academy	181	Not included
MIT Academy	372	Not included
MIT Griffin Academy Middle	1912	Not included
Griffin Academy High	2083	Not included

Vallejo City Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2022

	Student Activity Fund	Charter Schools Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	State School Building Lease Purchase Fund
Assets						
Deposits and investments	\$ 514,639	\$ 2,365,855	\$ 994,311	\$ 1,062,494	\$ 1,657,375	\$ 123
Receivables	5,437	14,369	155,715	901,436	-	-
Due from other funds	-	-	-	2,722	-	-
Prepaid expenditures	-	-	-	488	-	-
Stores inventories	-	-	-	50,603	-	-
Other current assets	-	-	-	1,050	-	-
Total assets	\$ 520,076	\$ 2,380,224	\$ 1,150,026	\$ 2,018,793	\$ 1,657,375	\$ 123
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 300	\$ 367,096	\$ 56,358	\$ 31,011	\$ -	\$ -
Due to other funds	-	1,401,385	235,794	15,490	-	-
Unearned revenue	-	175,282	50,418	32,669	-	-
Total liabilities	300	1,943,763	342,570	79,170	-	-
Fund Balances						
Nonspendable	-	-	-	51,091	-	-
Restricted	519,776	436,461	720,981	1,888,532	1,335,890	-
Assigned	-	-	86,475	-	321,485	123
Total fund balances	519,776	436,461	807,456	1,939,623	1,657,375	123
Total liabilities and fund balances	\$ 520,076	\$ 2,380,224	\$ 1,150,026	\$ 2,018,793	\$ 1,657,375	\$ 123

Vallejo City Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2022

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Debt Service Fund	Non-Major Governmental Funds
\$ 338,388	\$ 6,278	\$ 10,641,716	\$ 14,705,631	\$ 112,971	\$ 1,005,031	\$ 33,404,812
-	-	-	-	-	-	1,076,957
-	-	-	-	-	1,595,145	1,597,867
-	-	-	-	-	-	488
-	-	-	-	-	-	50,603
-	-	-	-	-	-	1,050
<u>\$ 338,388</u>	<u>\$ 6,278</u>	<u>\$ 10,641,716</u>	<u>\$ 14,705,631</u>	<u>\$ 112,971</u>	<u>\$ 2,600,176</u>	<u>\$ 36,131,777</u>
-	-	-	-	-	-	-
-	-	-	-	-	1,595,145	\$ 2,049,910
-	-	-	-	-	-	1,652,669
-	-	-	-	-	5,937	264,306
-	-	-	-	-	1,601,082	3,966,885
-	-	-	-	-	-	51,091
292,131	-	10,641,716	14,705,631	23,484	-	30,564,602
46,257	6,278	-	-	89,487	999,094	1,549,199
<u>338,388</u>	<u>6,278</u>	<u>10,641,716</u>	<u>14,705,631</u>	<u>112,971</u>	<u>999,094</u>	<u>32,164,892</u>
<u>\$ 338,388</u>	<u>\$ 6,278</u>	<u>\$ 10,641,716</u>	<u>\$ 14,705,631</u>	<u>\$ 112,971</u>	<u>\$ 2,600,176</u>	<u>\$ 36,131,777</u>

Vallejo City Unified School District
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental
Funds
Year Ended June 30, 2022

	Student Activity Fund	Charter Schools Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	State School Building Lease Purchase Fund
Revenues						
Local Control Funding Formula	\$ -	\$ 3,412,423	\$ -	\$ -	\$ -	\$ -
Federal sources	-	5,437	451,154	6,453,329	-	-
Other State sources	-	391,585	2,560,030	333,703	-	-
Other local sources	213,125	(21,229)	118,126	71,096	147,040	(1)
Total revenues	213,125	3,788,216	3,129,310	6,858,128	147,040	(1)
Expenditures						
Current						
Instruction	-	2,346,187	1,861,827	-	-	-
Instruction-related activities						
Supervision of instruction	-	20,887	195,374	-	-	-
Instructional library, media and technology	-	61,733	-	-	-	-
School site administration	-	325,192	792,010	-	-	-
Pupil services						
Food services	-	-	-	5,676,404	-	-
Administration						
All other administration	-	239,263	233,067	201,964	-	-
Plant services	-	467,472	-	-	-	-
Ancillary services	154,073	-	-	-	-	-
Facility acquisition and construction	-	-	-	-	4,301	-
Debt service						
Principal	-	-	-	-	-	-
Interest and other	-	-	-	-	-	-
Total expenditures	154,073	3,630,440	3,082,278	5,878,368	4,301	-
Excess (Deficiency) of Revenues Over Expenditures	59,052	157,776	47,032	979,760	142,739	(1)
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(647,030)	-	-	-	-
Net Financing Sources (Uses)	-	(647,030)	-	-	-	-
Net Change in Fund Balances	59,052	(489,254)	47,032	979,760	142,739	(1)
Fund Balance - Beginning,	460,724	925,715	760,424	959,863	1,514,636	124
Fund Balance - Ending	\$ 519,776	\$ 436,461	\$ 807,456	\$ 1,939,623	\$ 1,657,375	\$ 123

Vallejo City Unified School District
 Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental
 Funds
 Year Ended June 30, 2022

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Debt Service Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,412,423
-	-	-	-	-	-	6,909,920
-	-	-	-	-	-	3,285,318
(2,929)	(55)	4,007,879	12,576,032	(556)	70,472	17,179,000
(2,929)	(55)	4,007,879	12,576,032	(556)	70,472	30,786,661
-	-	-	-	-	-	4,208,014
-	-	-	-	-	-	216,261
-	-	-	-	-	-	61,733
-	-	-	-	-	-	1,117,202
-	-	-	-	-	-	5,676,404
-	-	-	-	-	-	674,294
-	-	-	-	-	-	467,472
-	-	-	-	-	-	154,073
-	-	5,474	-	-	-	9,775
-	-	-	11,080,001	2,369,102	3,615,866	17,064,969
-	-	1,800	3,938,814	274,602	(32,782)	4,182,434
-	-	7,274	15,018,815	2,643,704	3,583,084	34,002,337
(2,929)	(55)	4,000,605	(2,442,783)	(2,644,260)	(3,512,612)	(3,215,676)
-	-	-	-	2,643,705	3,577,690	6,221,395
-	-	(2,643,705)	-	-	-	(3,290,735)
-	-	(2,643,705)	-	2,643,705	3,577,690	2,930,660
(2,929)	(55)	1,356,900	(2,442,783)	(555)	65,078	(285,016)
341,317	6,333	9,284,816	17,148,414	113,526	934,016	32,449,908
\$ 338,388	\$ 6,278	\$ 10,641,716	\$ 14,705,631	\$ 112,971	\$ 999,094	\$ 32,164,892

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Vallejo City Unified School District (the District) under programs of the federal government for the year ended June 30, 2022. The information 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets (or net position or fund balance), or cash flows of District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the District had food commodities totaling \$50,603 in inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

	CFDA Number	Amount
Description		
Total Federal Revenues reported on the financial statements		\$ 32,028,023
Coronavirus Response and Relief Supplemental Appropriations Act - One-time Stipend	10.558	48,271
Federal Family Child Care Homes	93.596	103
Navy Junior Reserve Officers Training Corps	N/A	4,190
Total Schedule of Expenditures of Federal Awards		\$ 32,080,587

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

These schedules are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.



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

To the Governing Board
Vallejo City Unified School District
Vallejo, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vallejo City Unified School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Vallejo City Unified School District’s basic financial statements and have issued our report thereon dated February 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vallejo City Unified 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 Vallejo City Unified School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Vallejo City Unified School District’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-002 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vallejo City Unified 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*.

Vallejo City Unified School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Vallejo City Unified School District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Vallejo City Unified School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



San Ramon, California
February 15, 2023



CPAs & BUSINESS ADVISORS

Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Governing Board
Vallejo City Unified School District
Vallejo, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Vallejo City Unified School District’s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Vallejo City Unified School District’s major federal programs for the year ended June 30, 2022. Vallejo City Unified 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.

In our opinion, Vallejo City Unified School District complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Vallejo City Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Vallejo City Unified School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Vallejo City Unified School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Vallejo City Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Vallejo City Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

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

San Ramon, California
February 15, 2023



Independent Auditor's Report on State Compliance

To the Governing Board
Vallejo City Unified School District
Vallejo, California

Report on Compliance

Qualified and Unmodified Opinions on State Compliance

We have audited Vallejo City Unified School District's (the District) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2022.

Qualified Opinion on Independent Study, School Accountability Report Card, and Unduplicated Local Control Funding Formula Pupil Counts

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022, except as described in the accompanying Schedule of Findings and Questioned Costs.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Matters Giving Rise to Qualified Opinion on Independent Study, School Accountability Report Card, and Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Independent Study, School Accountability Report Card, and Unduplicated Local Control Funding Formula Pupil Counts as reported in findings 2022-003, 2022-004, and 2022-005.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and

- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No (see below)
Comprehensive School Safety Plan	Yes
District of Choice	No (see below)
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No (see below)
After/Before School Education and Safety Programs	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	No (see below)
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	No (see below)
In Person Instruction Grant	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No (see below)
Determination of Funding for Nonclassroom-Based Instruction	No (see below)
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	No (see below)

Early Retirement Incentive

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

Juvenile Court Schools

We did not perform Juvenile Court Schools procedures because the program is not offered by the District.

Middle or Early College High Schools

We did not perform Middle or Early College High Schools procedures because the program is not offered by the District.

Apprenticeship: Related and Supplemental Instruction

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

District of Choice

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

California Clean Energy Jobs Act

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

Independent Study - Course Based

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

Career Technical Education Incentive Grant

We did not perform Career Technical Education Incentive Grant procedures because the District did not receive funding for this grant.

Nonclassroom-Based Instruction/Independent Study/Determination of Funding for Nonclassroom-Based Instruction

We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study nor for Determination of Funding for Nonclassroom-Based Instruction because the Charter School is classroom-based.

Charter School Facility Grant Program

Additionally, we did not perform procedures for the Charter School Facility Grant Program because the District did not receive funding for this program.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-003, 2022-004, and 2022-005.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with compliance requirement 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 is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-003, 2022-004, and 2022-005 to be material weaknesses.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over state compliance is solely to describe the scope of our testing of internal control over state compliance and the results of that testing based on the 2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Accordingly, this report is not suitable for any other purpose.



San Ramon, California
February 15, 2023

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Special Education Cluster (IDEA)	84.027, 84.173
COVID-19: Elementary and Secondary School Emergency Relief Fund	84.425C, 84.425D, 84.425U
COVID-19: Emergency Connectivity Fund Progra,	32.009
Dollar threshold used to distinguish between type A and type B programs	\$962,418
Auditee qualified as low-risk auditee?	No

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for programs	Qualified
Unmodified for all programs except for the following programs which were qualified	

Name of Program
Independent Study
School Accountability Report Card
Unduplicated Local Control Funding Formula Pupil Counts

The following findings represent significant deficiencies and material weaknesses related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code
30000

AB 3627 Finding Type
Internal Control

2022-001 Year End Account Reconciliations (30000)
(Significant Deficiencies)

Criteria

A good system of internal accounting control contemplates an adequate system for recording, processing, and reconciling account balances to the financial statements.

Condition

During the audit, we noted passed (uncorrected) adjustments for various account balances. In addition, we noted that payroll liability accounts have not been reconciled.

Effect

Payroll liabilities might be over/understated due to lack of reconciliations. The uncorrected differences were not deemed to have a material impact to the financial statement at this time.

Cause

The District did not reconcile account balances during its year end closing process.

Recommendation

We recommend management continue its effort to include account balance reconciliation as part of the year-end closing procedures to ensure all account balances correct for the fiscal year.

Repeat Finding (Yes or No)

Yes (#2021-002).

Corrective Action Plan and Views of Responsible Officials

The District agrees with the auditor’s opinion. Business Services have written procedures and deadlines; however, staff training on reconciliations has not occurred.

Responsible Staff: Cleo Chaney, Director, Fiscal Accountability

Potential Implementation Deadline:

- March 31, 2023 – Staff Training
- August 31, 2023 – Completed Reconciliation

2022-002 Restatement and Material Audit Adjustments (30000)
(Material Weakness)

Criteria

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Additionally, management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP).

Condition

We were requested to draft the financial statements and related notes to the financial statements. The prior year financial statements contained an error that was discovered during the current year. The error was due to an understatement of long-term liabilities related to the state emergency apportionment loan. In addition, we noted the charter school apportionment revenue was overstated which required an audit adjustment.

Effect

The long-term liabilities were understated by \$2,439,217. Charter school apportionment revenue was overstated by \$244,030.

Cause

The restatement was caused by the difference noted based on confirmation with CDE on the I-Bank loan. The overstatement of charter school revenue appears to be due to lack account balance reconciliation.

Recommendation

We recommend management improve internal controls over financial statement preparation process and ensure all account balances are reconciled timely in order for the financial statements to be presented accurately.

Repeat Finding (Yes or No)

No.

Corrective Action Plan and Views of Responsible Officials

The District will ensure that Balance Sheet lines and the long-term liabilities are reconciled annually.

Responsible Staff: Cleo Chaney, Director, Fiscal Accountability.

None reported.

The following findings represent instances of noncompliance and material weaknesses in internal controls over compliance that are required to be reported by the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
10000	Independent Study – Long Term
40000	State Compliance
72000	School Accountability Report Card

2022-003 10000 – Independent Study – Long Term

Criteria or Specific Requirements

According to 2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting prescribed in the California Code of Regulations and published by the Education Audit Appeals Panel, the District must maintain on file a current written agreement for each independent study pupil.

Condition

We noted 1 student out of 25 tested did not have the required written agreement on file.

Questioned Costs

1 ADA or \$13,021 (Projected questioned cost for the grade span is \$50,380).

Effect

The District is not in compliance with Independent Study Program requirements related to the maintenance of written agreement for each pupil enrolled in independent study.

Cause

Written agreements for each student enrolled in the long-term independent study program are not always maintained.

Repeat Finding (Yes or No)

No

Recommendation

The District needs to revise the Second Period Attendance Report and the Annual Period Attendance Report to reflect the audited ADA for independent study program.

Corrective Action Plan and Views of Responsible Officials

Responsible Staff: Mike Santo, Assistant Superintendent, Student Services and Cleo Chaney, Direct, Fiscal Accountability.

The District audited all 2022-23 master agreements for compliance and completion. The master agreement is being moved to an online platform for the 2023-24 school year.

2022-004 40000 –Unduplicated Local Control Funding Formula

Criteria or Specific Requirements

According to 2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting prescribed in the California Code of Regulations and published by the Education Audit Appeals Panel, the District must maintain supporting document for each student reported on CALPADS for unduplicated local control funding.

Condition

We noted 1 student out of 60 tested for the English Learner (EL) designation did not have the supporting documentation to show the student was eligible for the EL designation.

Questioned Costs

1 ADA or \$10,951 (projected questioned costs for the school is \$19,466).

Effect

The District was not in compliance with Unduplicated Local Control Funding Formula requirements for EL designation count.

Cause

Supporting documents were not always maintained for students indicated as EL designation.

Repeat Finding (Yes or No)

No

Recommendation

Management should review the compliance requirements for Unduplicated Local Control Funding Formula program and implement procedures to ensure supporting documents are on file for each student indicated as EL designation.

Corrective Action Plan and Views of Responsible Officials

Responsible Staff: Cleo Chaney, Director, Fiscal Accountability and Cassie Gossett, Director of Categorical Grant.

The District will check all EL student files for completeness after testing occurs and prior to start of the annual audit.

2022-005 72000 –School Accountability Report Card (SARC)

Criteria or Specific Requirements

According to 2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting prescribed in the California Code of Regulations and published by the Education Audit Appeals Panel, the District is required to annually complete the Facility Inspection Tool (FIT) developed by the Office of Public School Construction and approved by the State Allocation Board. The information contained in the FIT should be reported in SARC.

Condition

During our review of the SARC reports for Dan Mini ES, Federal Terrance ES, Glen Cove ES, Lincoln ES, Hogan MS, Jesse Bethel HS, John Finney HS, Vallejo Charter, we noted the information related to School Facility Conditions reported on SARC was based on the 2021 FIT report, however, we were not able to obtain the FIT reports prepared in 2021 to complete the test.

Questioned Costs

None.

Effect

We are not able to verify the consistency of the information contained in FIT to the SARC report.

Cause

We were unable to obtain the 2021 FIT reports to complete the test.

Repeat Finding (Yes or No)

No

Recommendation

Management should review the compliance requirements related to SARC reporting and establish procedures to ensure FIT is completed each year and the related information is properly included in the SARC report for the school.

Corrective Action Plan and Views of Responsible Officials

Responsible Staff: Mitchell Romao, Assistant Superintendent, Operations, and Rebecca Oraboni, Director, Facilities and Planning.

The District staff will review the information for FIT submitted in the SARC report for accuracy. All documentation will be retained for audit.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

2021-001 Material Audit Adjustment (30000)
 (Material Weakness)

Criteria

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are being prepared for the audit and free from material misstatement, whether due to error or fraud.

Condition

We noted a material difference in debt principal payments between the general ledger and the roll forward debt payment schedules. Per further investigation, it was noted that one of the principal payments was incorrectly posted through journal entries. As a result, an audit adjustment was necessary to present the financial statements in accordance with Generally Accepted Accounting Principles.

Effect

Debt principal payment and the accounts payable were understated by \$1.4 million.

Cause

The District's internal control procedures failed to prevent, or detect on a timely basis, material errors in the financial statements.

Recommendation

We recommend management implementing procedures to include timely reconciliation of all account balances to ensure financial statements are free from material misstatements.

Repeat Finding (Yes or No)

No.

Current Status

Implemented.

2021-002 Year End Account Reconciliations (30000)
 (Significant Deficiencies)

Criteria

A good system of internal accounting control contemplates an adequate system for recording, processing, and reconciling account balances to the financial statements.

Condition

During the audit, we noted passed (uncorrected) adjustments for various account balances. In addition, we noted that payroll liability accounts have not been reconciled.

Effect

Payroll liabilities might be over/understated due to lack of reconciliations. The uncorrected differences were not deemed to have a material impact to the financial statement at this time.

Cause

The District did not reconcile account balances during its year end closing process.

Recommendation

We recommend management continue its effort to include account balance reconciliation as part of the year-end closing procedures to ensure all account balances correct for the fiscal year.

Repeat Finding (Yes or No)

Yes (#2020-001).

Current Status

Not implemented, see current year finding 2022-001.

2021-003 61000 - Classroom Teacher Salaries

Criteria or Specific Requirements

Per Education Code *Section 41372*, the District shall be expended 55 percent of the District's current cost of education for classroom teacher's salaries.

Condition

The District's expenditures on classroom teacher's salaries did not meet the percentage requirements of Education Code *section 41372*.

Questioned Costs

The amount deficient was \$2,314,785.

Context

The District's minimum percentage required is 55%. The percentage spent by the District was 53.10%.

Effect

The District was not in compliance with the Classroom Teacher Salaries requirements for the fiscal year 2020-2021.

Cause

The deficiency in expenditures for classroom teachers appears due to the District excluded teacher salaries that were funded by ESSER and CRF.

Repeat Finding (Yes or No)

No

Current Status

Implemented.