

SAN MARCOS UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2021



SAN MARCOS UNIFIED SCHOOL DISTRICT
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JUNE 30, 2021

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
San Marcos Unified School District
San Marcos, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the San Marcos Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the San Marcos Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Emphasis of Matter

Change in Accounting Principle

As described in Note 15 to the basic financial statements, the San Marcos Unified School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which established accounting and financial reporting standards for the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of San Marcos Unified School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2022 on our consideration of San Marcos 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 San Marcos Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Marcos Unified School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
January 11, 2022

SAN MARCOS UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

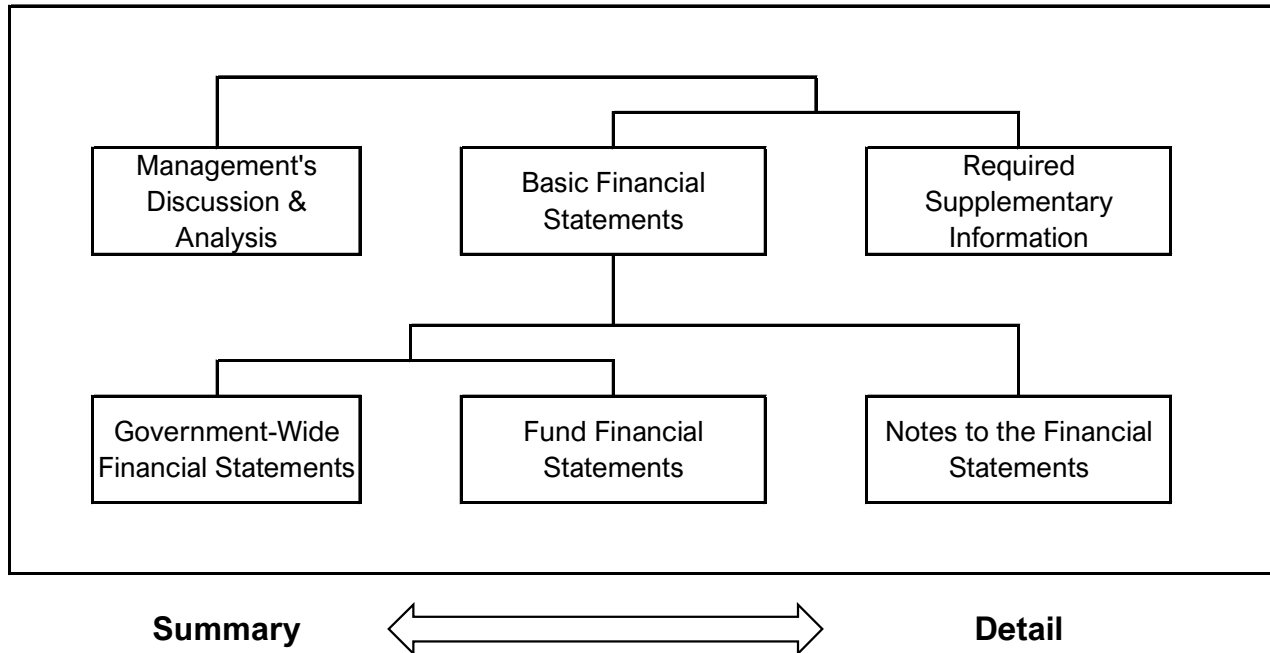
Our discussion and analysis of San Marcos Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's combined net position was \$5,142,283 at June 30, 2021. This was an increase of \$31,053,615 from the prior year, after restatement.
- Overall combined revenues were \$341,487,042 which were exceeded by expenses of \$310,433,427.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**SAN MARCOS UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

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

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity’s overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs.

 - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

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

Government-Wide Statements

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

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

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$5,142,283 at June 30, 2021, as reflected in the table below. Of this amount, \$(329,251,699) 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 that net position for day-to-day operations.

	Governmental Activities			Business-Type Activities		
	2021	2020	Net Change	2021	2020	Net Change
ASSETS						
Current and other assets	\$ 215,046,198	\$ 165,607,208	\$ 49,438,990	\$ 366,641	\$ 460,467	\$ (93,826)
Capital assets	602,523,977	613,054,277	(10,530,300)	-	-	-
Total Assets	817,570,175	778,661,485	38,908,690	366,641	460,467	(93,826)
DEFERRED OUTFLOWS OF RESOURCES	104,474,073	96,184,540	8,289,533	150,541	209,193	(58,652)
LIABILITIES						
Current liabilities	32,791,992	38,295,553	(5,503,561)	22,362	17,644	4,718
Long-term liabilities	866,029,493	839,063,202	26,966,291	905,738	820,762	84,976
Total Liabilities	898,821,485	877,358,755	21,462,730	928,100	838,406	89,694
DEFERRED INFLOWS OF RESOURCES	17,659,829	24,626,802	(6,966,973)	9,733	17,517	(7,784)
NET POSITION						
Net investment in capital assets	166,879,854	175,002,251	(8,122,397)	-	-	-
Restricted	167,514,128	117,745,032	49,769,096	-	-	-
Unrestricted	(328,831,048)	(319,886,815)	(8,944,233)	(420,651)	(186,263)	(234,388)
Total Net Position	\$ 5,562,934	\$ (27,139,532)	\$ 32,702,466	\$ (420,651)	\$ (186,263)	\$ (234,388)

**SAN MARCOS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities			Business-Type Activities		
	2021	2020	Net Change	2021	2020	Net Change
REVENUES						
Program revenues						
Charges for services	\$ 2,372,406	\$ 3,401,127	\$ (1,028,721)	\$ 68,509	\$ 2,219,126	\$ (2,150,617)
Operating grants and contributions	68,133,291	33,408,123	34,725,168	-	-	-
Capital grants and contributions	40,984,094	92,145	40,891,949	-	-	-
General revenues						
Property taxes	98,367,753	100,808,837	(2,441,084)	-	-	-
Unrestricted federal and state aid	128,752,211	130,729,368	(1,977,157)	-	-	-
Other	2,804,380	5,372,596	(2,568,216)	4,398	27,441	(23,043)
Total Revenues	341,414,135	273,812,196	67,601,939	72,907	2,246,567	(2,173,660)
EXPENSES						
Instruction	188,334,402	176,544,237	11,790,165	-	-	-
Instruction-related services	24,543,674	22,319,954	2,223,720	-	-	-
Pupil services	30,297,904	27,955,133	2,342,771	-	-	-
General administration	14,644,207	12,364,661	2,279,546	-	-	-
Plant services	26,867,682	25,202,014	1,665,668	-	-	-
Ancillary and community services	4,132,887	3,965,980	166,907	-	-	-
Debt service	18,509,559	34,913,000	(16,403,441)	-	-	-
Other outgo	1,133,589	1,778,535	(644,946)	-	-	-
Enterprise activities	812,228	113,995	698,233	1,157,295	2,648,201	(1,490,906)
Total Expenses	309,276,132	305,157,509	4,118,623	1,157,295	2,648,201	(1,490,906)
Transfers & special items	(850,000)	600,000	(1,450,000)	850,000	(600,000)	1,450,000
Change in net position	31,288,003	(30,745,313)	62,033,316	(234,388)	(1,001,634)	767,246
Net Position - Beginning, as Restated*	(25,725,069)	3,605,781	(29,330,850)	(186,263)	815,371	(1,001,634)
Net Position - Ending	\$ 5,562,934	\$ (27,139,532)	\$ 32,702,466	\$ (420,651)	\$ (186,263)	\$ (234,388)

*Beginning net position for Governmental Activities was restated for 2021 only.

The cost of all our governmental activities this year was \$309,276,132 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$98,367,753 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District’s functions related to Governmental Activities. Net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2021	2020
Instruction	\$ 107,681,006	\$ 155,868,615
Instruction-related services	21,854,263	20,496,725
Pupil services	13,426,259	19,275,165
General administration	12,143,237	11,908,395
Plant services	23,945,842	24,985,186
Ancillary and community services	3,161,522	3,497,152
Debt service	18,509,559	34,913,000
Transfers to other agencies	(3,096,771)	(2,779,700)
Enterprise activities	161,424	91,576
Total	\$ 197,786,341	\$ 268,256,114

FINANCIAL ANALYSIS OF THE DISTRICT’S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$204,642,146 which is more than this year’s restated beginning fund balance of \$151,417,049. The District’s General Fund had \$13,130,337 more in operating revenues than expenditures for the year ended June 30, 2021. The District’s Capital Facilities Fund had \$3,757,272 less in operating revenues than expenditures for the year ended June 30, 2021. The District’s County School Facilities Fund had \$40,984,095 more in operating revenues than expenditures for the year ended June 30, 2021.

CURRENT YEAR BUDGET 2020-2021

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2020-2021 the District had invested \$602,523,977 in capital assets, net of accumulated depreciation. There were no capital assets related to business-type activities for the year ended June 30, 2021.

	Governmental Activities			Business-Type Activities		
	2021	2020	Net Change	2021	2020	Net Change
CAPITAL ASSETS						
Land	\$ 75,980,338	\$ 75,907,553	\$ 72,785	\$ -	\$ -	\$ -
Construction in progress	6,702,730	52,159,696	(45,456,966)	-	-	-
Land improvements	35,981,428	34,174,176	1,807,252	-	-	-
Buildings & improvements	631,905,593	583,685,332	48,220,261	-	-	-
Furniture & equipment	45,133,096	41,866,967	3,266,129	-	-	-
Accumulated depreciation	(193,179,208)	(174,739,447)	(18,439,761)	-	-	-
Total Capital Assets	\$ 602,523,977	\$ 613,054,277	\$ (10,530,300)	\$ -	\$ -	\$ -

Long-Term Liabilities

At year-end, the District had \$866,029,493 in long-term liabilities related to governmental activities, an increase of 3.21%. In addition, the District had long-term liabilities in the amount of \$905,738 relating to business-type activities, an increase of 10.35%, primarily related to an increase in net pension liability. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities			Business-Type Activities		
	2021	2020	Net Change	2021	2020	Net Change
LONG-TERM LIABILITIES						
Total general obligation bonds	\$ 350,065,760	\$ 353,407,156	\$ (3,341,396)	\$ -	\$ -	\$ -
Total lease revenue bonds	81,350,484	82,862,863	(1,512,379)	-	-	-
Site leases	3,780,833	4,651,390	(870,557)	-	-	-
Total CFD and RDA bonds	82,607,688	86,094,954	(3,487,266)	-	-	-
Capital leases	1,711,151	1,968,422	(257,271)	-	-	-
Early retirement incentive	756,546	1,134,819	(378,273)	-	-	-
Compensated absences	1,504,795	1,672,079	(167,284)	93,109	108,993	(15,884)
Total OPEB liability	102,210,663	100,470,461	1,740,202	-	-	-
Net pension liability	256,278,604	220,678,306	35,600,298	812,629	711,769	100,860
Less: current portion of long-term liabilities	(14,237,031)	(13,877,248)	(359,783)	-	-	-
Total Long-term Liabilities	\$ 866,029,493	\$ 839,063,202	\$ 26,966,291	\$ 905,738	\$ 820,762	\$ 84,976

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

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

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

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

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

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, please contact the Business Office at (760) 752-1212.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 175,092,962	\$ 339,043	\$ 175,432,005
Accounts receivable	39,436,416	27,598	39,464,014
Inventory	501,175	-	501,175
Prepaid expenses	15,645	-	15,645
Capital assets, not depreciated	82,683,068	-	82,683,068
Capital assets, net of accumulated depreciation	519,840,909	-	519,840,909
Total Assets	817,570,175	366,641	817,936,816
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	70,347,360	150,541	70,497,901
Deferred outflows related to OPEB	7,890,928	-	7,890,928
Deferred amount on refunding	26,235,785	-	26,235,785
Total Deferred Outflows of Resources	104,474,073	150,541	104,624,614
LIABILITIES			
Accrued liabilities	17,732,840	22,362	17,755,202
Unearned revenue	822,121	-	822,121
Long-term liabilities, current portion	14,237,031	-	14,237,031
Long-term liabilities, non-current portion	866,029,493	905,738	866,935,231
Total Liabilities	898,821,485	928,100	899,749,585
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	11,825,721	9,733	11,835,454
Deferred inflows related to OPEB	5,834,108	-	5,834,108
Total Deferred Inflows of Resources	17,659,829	9,733	17,669,562
NET POSITION			
Net investment in capital assets	166,879,854	-	166,879,854
Restricted:			
Capital projects	142,906,120	-	142,906,120
Debt service	6,788,829	-	6,788,829
Educational programs	11,826,102	-	11,826,102
Food service	4,755,248	-	4,755,248
Associated student body	1,237,829	-	1,237,829
Unrestricted	(328,831,048)	(420,651)	(329,251,699)
Total Net Position	\$ 5,562,934	\$ (420,651)	\$ 5,142,283

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 188,334,402	\$ 23,993	\$ 39,645,309	\$ 40,984,094	\$ (107,681,006)		
Instruction-related services							
Instructional supervision and administration	6,623,160	-	2,120,142	-	(4,503,018)		
Instructional library, media, and technology	2,068,645	-	30,721	-	(2,037,924)		
School site administration	15,851,869	-	538,548	-	(15,313,321)		
Pupil services							
Home-to-school transportation	5,793,617	-	539,631	-	(5,253,986)		
Food services	8,693,996	55,955	11,785,958	-	3,147,917		
All other pupil services	15,810,291	-	4,490,101	-	(11,320,190)		
General administration							
Centralized data processing	2,260,498	-	-	-	(2,260,498)		
All other general administration	12,383,709	6,120	2,494,850	-	(9,882,739)		
Plant services	26,867,682	1,374	2,920,466	-	(23,945,842)		
Ancillary services	2,335,458	-	548,843	-	(1,786,615)		
Community services	1,797,429	284,778	137,744	-	(1,374,907)		
Enterprise activities	812,228	17	650,787	-	(161,424)		
Interest on long-term debt	18,509,559	-	-	-	(18,509,559)		
Other outgo	1,133,589	2,000,169	2,230,191	-	3,096,771		
Total Governmental Activities	\$ 309,276,132	\$ 2,372,406	\$ 68,133,291	\$ 40,984,094	(197,786,341)		
BUSINESS-TYPE ACTIVITIES							
Enterprise activities	\$ 1,157,295	\$ 68,509	\$ -	\$ -	\$ (1,088,786)		
Total Business-Type Activities	1,157,295	68,509	-	-	(1,088,786)		
Total School District	\$ 310,433,427	\$ 2,440,915	\$ 68,133,291	\$ 40,984,094			\$ (198,875,127)
General revenues							
Taxes and subventions							
Property taxes, levied for general purposes					64,637,480	-	64,637,480
Property taxes, levied for debt service					14,051,035	-	14,051,035
Property taxes, levied for other specific purposes					19,679,238	-	19,679,238
Federal and state aid not restricted for specific purposes					128,752,211	-	128,752,211
Interest and investment earnings					529,306	4,398	533,704
Interagency revenues					53,376	-	53,376
Miscellaneous					2,221,698	-	2,221,698
Subtotal, General Revenue					229,924,344	4,398	229,928,742
Change in net position before transfers & special items					32,138,003	(1,084,388)	31,053,615
Internal transfers					(850,000)	850,000	-
Total Transfers & Special Items					(850,000)	850,000	-
CHANGE IN NET POSITION					31,288,003	(234,388)	31,053,615
Net Position - Beginning, as Restated					(25,725,069)	(186,263)	(25,911,332)
Net Position - Ending					\$ 5,562,934	\$ (420,651)	\$ 5,142,283

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021**

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 21,148,593	\$ 53,815,780	\$ 60,247,370	\$ 39,880,605	\$ 175,092,348
Accounts receivable	35,999,662	98,434	92,244	3,245,812	39,436,152
Due from other funds	343,070	15,134,706	-	59,372	15,537,148
Stores inventory	152,429	-	-	348,746	501,175
Prepaid expenditures	15,645	-	-	-	15,645
Total Assets	\$ 57,659,399	\$ 69,048,920	\$ 60,339,614	\$ 43,534,535	\$ 230,582,468
LIABILITIES					
Accrued liabilities	\$ 6,619,959	\$ 2,808,129	\$ -	\$ 153,156	\$ 9,581,244
Due to other funds	10,059,372	-	5,134,706	342,879	15,536,957
Unearned revenue	656,407	-	-	165,714	822,121
Total Liabilities	17,335,738	2,808,129	5,134,706	661,749	25,940,322
FUND BALANCES					
Nonspendable	508,074	-	-	358,746	866,820
Restricted	11,702,368	66,240,791	55,204,908	42,514,040	175,662,107
Committed	1,648,442	-	-	-	1,648,442
Assigned	700,000	-	-	-	700,000
Unassigned	25,764,777	-	-	-	25,764,777
Total Fund Balances	40,323,661	66,240,791	55,204,908	42,872,786	204,642,146
Total Liabilities and Fund Balances	\$ 57,659,399	\$ 69,048,920	\$ 60,339,614	\$ 43,534,535	\$ 230,582,468

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2021**

Total Fund Balance - Governmental Funds \$ 204,642,146

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

Capital assets:

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

Capital assets	\$ 795,690,477	
Accumulated depreciation	<u>(193,179,208)</u>	602,511,269

Deferred amount on refunding:

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

26,235,785

Unmatured interest on long-term debt:

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

(8,147,979)

Long-term liabilities:

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

Total general obligation bonds	\$ 350,065,760	
Total lease revenue bonds	81,350,484	
Site leases	3,780,833	
Total CFD and RDA bonds	82,607,688	
Capital leases	1,711,151	
Early retirement incentive	756,546	
Compensated absences	1,504,795	
Total OPEB liability	102,210,663	
Net pension liability	<u>256,278,604</u>	(880,266,524)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 70,347,360	
Deferred inflows of resources related to pensions	<u>(11,825,721)</u>	58,521,639

(continued on the following page)

SAN MARCOS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION, continued
JUNE 30, 2021

Deferred outflows and inflows of resources relating to OPEB:

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

Deferred outflows of resources related to OPEB	\$ 7,890,928	
Deferred inflows of resources related to OPEB	<u>(5,834,108)</u>	2,056,820

Internal service funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

9,778

Total Net Position - Governmental Activities	<u>\$ 5,562,934</u>
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**SAN MARCOS UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 188,435,836	\$ -	\$ -	\$ -	\$ 188,435,836
Federal sources	21,520,369	-	-	10,585,398	32,105,767
Other state sources	33,447,813	-	40,645,593	1,278,081	75,371,487
Other local sources	16,797,739	14,646,801	338,502	21,901,331	53,684,373
Total Revenues	260,201,757	14,646,801	40,984,095	33,764,810	349,597,463
EXPENDITURES					
Current					
Instruction	163,874,141	-	-	68,367	163,942,508
Instruction-related services					
Instructional supervision and administration	6,098,878	-	-	-	6,098,878
Instructional library, media, and technology	1,728,468	-	-	-	1,728,468
School site administration	14,405,129	-	-	39,837	14,444,966
Pupil services					
Home-to-school transportation	4,775,603	-	-	-	4,775,603
Food services	736,164	-	-	7,247,856	7,984,020
All other pupil services	14,815,407	-	-	-	14,815,407
General administration					
Centralized data processing	1,830,167	-	-	-	1,830,167
All other general administration	9,945,601	765,887	-	259,267	10,970,755
Plant services	23,309,052	799,600	-	649,818	24,758,470
Facilities acquisition and maintenance	-	7,794,953	-	-	7,794,953
Ancillary services	1,627,104	-	-	658,124	2,285,228
Community services	1,712,898	-	-	-	1,712,898
Enterprise activities	667,375	-	-	2,277	669,652
Transfers to other agencies	1,133,589	-	-	-	1,133,589
Debt service					
Principal	407,033	3,604,070	-	8,002,889	12,013,992
Interest and other	4,811	5,439,563	-	12,963,438	18,407,812
Total Expenditures	247,071,420	18,404,073	-	29,891,873	295,367,366
Excess (Deficiency) of Revenues					
Over Expenditures	13,130,337	(3,757,272)	40,984,095	3,872,937	54,230,097
Other Financing Sources (Uses)					
Transfers in	-	7,776,123	-	-	7,776,123
Transfers out	(1,005,000)	-	(5,134,706)	(2,641,417)	(8,781,123)
Net Financing Sources (Uses)	(1,005,000)	7,776,123	(5,134,706)	(2,641,417)	(1,005,000)
NET CHANGE IN FUND BALANCE	12,125,337	4,018,851	35,849,389	1,231,520	53,225,097
Fund Balance - Beginning, as Restated	28,198,324	62,221,940	19,355,519	41,641,266	151,417,049
Fund Balance - Ending	\$ 40,323,661	\$ 66,240,791	\$ 55,204,908	\$ 42,872,786	\$ 204,642,146

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Governmental Funds \$ 53,225,097

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

Capital outlay:

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

Expenditures for capital outlay:	\$	8,399,471	
Depreciation expense:		(18,926,947)	(10,527,476)

Debt service:

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

11,635,719

Deferred amounts on refunding:

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

1,303,464

Unmatured interest on long-term debt:

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

761,640

Accreted interest on long-term debt:

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

(4,030,107)

Compensated absences:

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

167,284

(continued on the following page)

**SAN MARCOS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2021**

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (2,598,611)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (20,788,846)

Other liabilities not normally liquidated with current financial resources:

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: 378,273

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 1,863,257

Internal Service Funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: (101,691)

Change in Net Position of Governmental Activities	\$ 31,288,003
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**SAN MARCOS UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2021**

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Child Care Program	Self-Insurance
ASSETS		
Current assets		
Cash and investments	\$ 339,043	\$ 614
Accounts receivable	27,598	264
Total current assets	<u>366,641</u>	<u>878</u>
Non-current assets		
Capital assets, net of accumulated depreciation	-	12,708
Total non-current assets	<u>-</u>	<u>12,708</u>
Total Assets	<u>366,641</u>	<u>13,586</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	150,541	-
Total Deferred Outflows of Resources	<u>150,541</u>	<u>-</u>
LIABILITIES		
Current liabilities		
Accrued liabilities	22,362	3,617
Due to other funds	-	191
Total current liabilities	<u>22,362</u>	<u>3,808</u>
Non-current liabilities		
Compensated absences	93,109	-
Net pension liability	812,629	-
Total non-current liabilities	<u>905,738</u>	<u>-</u>
Total Liabilities	<u>928,100</u>	<u>3,808</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	9,733	-
Total Deferred Inflows of Resources	<u>9,733</u>	<u>-</u>
NET POSITION		
Restricted	-	9,778
Unrestricted	(420,651)	-
Total Net Position	<u>\$ (420,651)</u>	<u>\$ 9,778</u>

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2021**

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Child Care Program	Self-Insurance
OPERATING REVENUES		
Other local revenues	\$ 68,509	\$ -
Total operating revenues	68,509	-
OPERATING EXPENSES		
Salaries and benefits	1,130,334	72,002
Supplies and materials	1,409	2,360
Professional services	25,552	181,066
Depreciation	-	2,824
Total operating expenses	1,157,295	258,252
Operating income/(loss)	(1,088,786)	(258,252)
NON-OPERATING REVENUES/(EXPENSES)		
Interest income	4,398	1,561
Transfers in	850,000	155,000
Total non-operating revenues/(expenses)	854,398	156,561
CHANGE IN NET POSITION	(234,388)	(101,691)
Net Position - Beginning	(186,263)	111,469
Net Position - Ending	\$ (420,651)	\$ 9,778

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Child Care Program</u>	<u>Self-Insurance</u>
Cash flows from operating activities		
Cash received (paid) from assessments made to (from) other funds	\$ 81,585	\$ 31,893
Cash payments for payroll, insurance, and operating costs	(1,016,807)	(253,420)
Net cash provided by (used for) operating activities	(935,222)	(221,527)
Cash flows from non-capital financing activities		
Interfund transfers in (out)	850,000	155,000
Net cash provided by (used for) non-capital financing activities	850,000	155,000
Cash flows from investing activities		
Interest received	4,398	1,561
Net cash provided by (used for) investing activities	4,398	1,561
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(80,824)	(64,966)
CASH AND CASH EQUIVALENTS		
Beginning of year	419,867	65,580
End of year	\$ 339,043	\$ 614
Reconciliation of operating income (loss) to cash provided by (used for) operating activities		
Operating income/(loss)	\$ (1,088,786)	\$ (258,252)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	-	2,824
Changes in assets and liabilities:		
(Increase) decrease in accounts receivables	(23,900)	139
(Increase) decrease in due from other funds	36,976	31,754
(Increase) decrease in deferred outflows related to pensions	58,652	-
Increase (decrease) in accrued liabilities	4,718	1,817
Increase (decrease) in due to other funds	(74)	191
Increase (decrease) in long-term liabilities	(15,884)	-
Increase (decrease) in net pension liability	100,860	-
Increase (decrease) in deferred inflows related to pensions	(7,784)	-
Net cash provided by (used for) operating activities	\$ (935,222)	\$ (221,527)

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASBS No. 39, *Determining Whether Certain Organizations Are Component Units*, GASBS No. 61, *The Financial Reporting Entity: Omnibus* and GASBS No. 80, *Blending Requirements for Certain Component Units*. The Financial Reporting Entity, and thus are included in the financial statements of the District. 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.

Based on these criteria, the District has two blended component units, the San Marcos Community Facilities Districts and the San Marcos School Financing Authority.

C. Basis of Presentation

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Government-Wide Statements. (continued)

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

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

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

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

Major Governmental Funds

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

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

County School Facilities Fund: This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) 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.*).

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds

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

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

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b] and 52501.5[a]*).

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

Foundation Special Revenue Fund: This fund is used to account for resources received from gifts or bequests pursuant to *Education Code Section 41031* under which both earnings and principal may be used for purposes that support the District's own programs and where there is a formal trust agreement with the donor.

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

Building Fund: This 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. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

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

Capital Projects Fund for Blended Component Units: This fund 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).

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

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

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

Permanent Funds: Permanent funds were introduced as part of the governmental financial reporting model established by GASB Statement 34 to account for permanent foundations that benefit a District.

Foundation Permanent Fund: This fund is used to account for resources received from gifts or bequests pursuant to *Education Code Section 41031* that are restricted to the extent that earnings, but not principal, may be used for purposes that support the District's own programs and where there is a formal trust agreement with the donor.

Proprietary Funds

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

Child Care Enterprise Fund: This fund is used to account for revenues and expenditures of the District's after school childcare program.

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide and Proprietary Fund Financial Statements

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

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Governmental Funds

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

Revenues – Exchange and Non-Exchange Transactions

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

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

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Unearned Revenue

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

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

Expenses/Expenditures

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

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

Cash and Cash Equivalents

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

Investments

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

Inventories

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	20-50 years
Building Improvements	20-25 years
Vehicles	5-15 years
Office Equipment	5-15 years
Computer Equipment	5-15 years

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Postemployment Benefits Other Than Pensions (OPEB)

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

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

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

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

Premiums and Discounts

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

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance

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

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

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

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

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

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

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

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

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

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

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

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Fund	Governmental Activities	Business-Type Activities
Investment in county treasury	\$ 156,248,588	\$ 614	\$ 156,249,202	\$ 339,043
Cash on hand and in banks	1,238,029	-	1,238,029	-
Cash with fiscal agent	17,255,548	-	17,255,548	-
Cash in revolving fund	350,000	-	350,000	-
Other investments	183	-	183	-
Total	\$ 175,092,348	\$ 614	\$ 175,092,962	\$ 339,043

B. Policies and Practices

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

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The San Diego County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Cash with Fiscal Agent – The District maintains cash balances with Union Bank related to its Community Facilities District Bonds and Lease Revenue Bonds.

C. General Authorizations

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 2 – CASH AND INVESTMENTS

C. General Authorizations (continued)

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$157,242,126 and an amortized book value of \$156,588,245. The average weighted maturity for this pool is 613 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2021, the pooled investments in the County Treasury were not exposed to credit risk.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, \$867,618 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 2 – CASH AND INVESTMENTS (continued)

G. Investment Accounting Policy

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

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

H. Fair Value

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

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

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

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

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

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

	<u>Uncategorized</u>
Investment in county treasury	<u>\$ 157,242,126</u>
Total	<u>\$ 157,242,126</u>

SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Governmental Activities	Business-Type Activities
Federal Government							
Categorical aid	\$ 6,081,301	\$ -	\$ -	\$ 2,971,673	\$ -	\$ 9,052,974	\$ -
State Government							
Apportionment	19,190,975	-	-	-	-	19,190,975	-
Categorical aid	8,579,389	-	-	193,242	-	8,772,631	-
Lottery	1,387,221	-	-	-	-	1,387,221	-
Local Government							
Other local sources	760,776	98,434	92,244	80,897	264	1,032,615	27,598
Total	\$ 35,999,662	\$ 98,434	\$ 92,244	\$ 3,245,812	\$ 264	\$ 39,436,416	\$ 27,598

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 75,907,553	\$ 72,785	\$ -	\$ 75,980,338
Construction in progress	52,159,696	6,423,605	51,880,571	6,702,730
Total Capital Assets not Being Depreciated	128,067,249	6,496,390	51,880,571	82,683,068
Capital assets being depreciated				
Land improvements	34,174,176	1,807,252	-	35,981,428
Buildings & improvements	583,685,332	48,220,261	-	631,905,593
Furniture & equipment	41,866,967	3,756,139	490,010	45,133,096
Total Capital Assets Being Depreciated	659,726,475	53,783,652	490,010	713,020,117
Less Accumulated Depreciation				
Land improvements	20,490,651	1,494,727	-	21,985,378
Buildings & improvements	116,457,635	13,667,152	-	130,124,787
Furniture & equipment	37,791,161	3,767,892	490,010	41,069,043
Total Accumulated Depreciation	174,739,447	18,929,771	490,010	193,179,208
Governmental Activities				
Capital Assets, net	\$ 613,054,277	\$ 41,350,271	\$ 51,880,571	\$ 602,523,977

**SAN MARCOS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 4 – CAPITAL ASSETS (continued)

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

Governmental Activities	
Instruction	\$ 17,953,938
Instructional supervision and administration	625
Instructional library, media, and technology	2,321
School site administration	62,729
Home-to-school transportation	131,705
Food services	74,271
All other pupil services	3,726
Centralized data processing	60,630
All other general administration	326,694
Plant services	299,744
Ancillary services	7,117
Community services	3,446
Enterprise activities	2,825
	<u>\$ 18,929,771</u>

NOTE 5 – INTERFUND TRANSACTIONS

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

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

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>			
	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 10,000,000	\$ 59,372	\$ 10,059,372
County School Facilities Fund	-	5,134,706	-	5,134,706
Non-Major Governmental Funds	342,879	-	-	342,879
Internal Service Fund	191	-	-	191
Total	<u>\$ 343,070</u>	<u>\$ 15,134,706</u>	<u>\$ 59,372</u>	<u>\$ 15,537,148</u>

Due from the General Fund to the Capital Facilities Fund for redevelopment project costs.	\$ 10,000,000
Due from the Cafeteria Special Revenue Fund to the General Fund for miscellaneous expenditures.	340,104
Due from the General Fund to the Cafeteria Special Revenue Fund costs related to Coronavirus Relief Funds.	59,372
Due from the Adult Education Fund to the General Fund for indirect costs.	2,775
Due from the County School Facilities Fund to Capital Facilities Fund for state school facilities projects.	5,134,706
Due from the Self Insurance Fund to the General Fund for risk management costs.	191
Total	<u>\$ 15,537,148</u>

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 5 – INTERFUND TRANSACTIONS (continued)

B. Operating Transfers

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

Interfund Transfers Out	Interfund Transfers In			
	Capital Facilities Fund	Internal Service Fund	Child Care Enterprise Fund	Total
General Fund	\$ -	\$ 155,000	\$ 850,000	\$ 1,005,000
County School Facilities Fund	5,134,706	-	-	5,134,706
Non-Major Governmental Funds	2,641,417	-	-	2,641,417
Total	\$ 7,776,123	\$ 155,000	\$ 850,000	\$ 8,781,123

Transfer from the Building Fund to the Capital Facilities fund to close out Building Fund.	\$ 389
Transfer from the Capital Project Fund for Blended Component Units to the Capital Facilities Fund for debt service payments.	2,641,028
Transfer from the County School Facilities Fund to the Capital Facilities Fund for state school facilities projects.	5,134,706
Transfer from the General Fund to the Internal Service Fund for safety-related expenditures and deductibles.	155,000
Transfer from the Child Care Enterprise Fund to the General Fund for Kids on Campus costs.	850,000
Total	\$ 8,781,123

NOTE 6 – ACCRUED LIABILITIES

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

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds		Internal Service Fund	District-Wide	Governmental Activities	Business-Type Activities
			Governmental Funds	Internal Service Fund				
Payroll	\$ 3,411,785	\$ 7,951	\$ 95,174	\$ 1,817	\$ -	\$ 3,516,727	\$ 22,342	
Vendors payable	3,208,174	2,800,178	57,982	1,800	-	6,068,134	20	
Unmatured interest	-	-	-	-	8,147,979	8,147,979	-	
Total	\$ 6,619,959	\$ 2,808,129	\$ 153,156	\$ 3,617	\$ 8,147,979	\$ 17,732,840	\$ 22,362	

NOTE 7 – UNEARNED REVENUE

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

	General Fund	Non-Major Governmental	
		Funds	Governmental Activities
Federal sources	\$ 30,480	\$ -	\$ 30,480
State categorical sources	600,933	-	600,933
Local sources	24,994	165,714	190,708
Total	\$ 656,407	\$ 165,714	\$ 822,121

SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 8 – LONG-TERM LIABILITIES

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

	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 285,908,597	\$ -	\$ 6,137,891	\$ 279,770,706	6,090,285
Unamortized premium	16,104,469	-	913,262	15,191,207	913,262
Accreted interest	51,394,090	7,191,868	3,482,111	55,103,847	-
Total general obligation bonds	353,407,156	7,191,868	10,533,264	350,065,760	7,003,547
Lease revenue bonds	70,468,327	-	1,350,000	69,118,327	1,530,000
Unamortized premium	11,091,204	-	528,153	10,563,051	528,153
Unamortized discount	(908,479)	-	(45,424)	(863,055)	(45,424)
Accreted interest	2,211,811	320,350	-	2,532,161	-
Total lease revenue bonds	82,862,863	320,350	1,832,729	81,350,484	2,012,729
CFD and RDA bonds	78,195,000	-	3,020,000	75,175,000	3,270,000
Unamortized premium	7,899,954	-	467,266	7,432,688	467,266
Total CFD and RDA bonds	86,094,954	-	3,487,266	82,607,688	3,737,266
Site leases	4,651,390	-	870,557	3,780,833	870,557
Capital leases	1,968,422	-	257,271	1,711,151	234,659
Early retirement incentive	1,134,819	-	378,273	756,546	378,273
Compensated absences	1,672,079	-	167,284	1,504,795	-
Total OPEB liability	100,470,461	1,740,202	-	102,210,663	-
Net pension liability	220,678,306	35,600,298	-	256,278,604	-
Total	\$ 852,940,450	\$ 44,852,718	\$ 17,526,644	\$ 880,266,524	\$ 14,237,031
Business-Type Activities					
Compensated absences	\$ 108,993	\$ -	\$ 15,884	\$ 93,109	\$ -
Net pension liability	711,769	100,860	-	812,629	-
Total	\$ 820,762	\$ 100,860	\$ 15,884	\$ 905,738	\$ -

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments on lease revenue bonds and RDA bonds are made in the Capital Facilities Fund.
- Payments on CFD bonds are made in the Capital Projects Fund for Blended Component Units.
- Payments for capital lease obligations are made in the General Fund and Capital Facilities Fund.
- Payments on site leases are made in the Capital Facilities Fund.
- Payments for early retirement incentive are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences for governmental activities, as of June 30, 2021, amounted to \$1,504,795. In addition, compensated absences related to business-type activities amounted to \$93,109 at June 30, 2021. These amounts are included as part of long-term liabilities in the government-wide financial statements.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 8 – LONG-TERM LIABILITIES (continued)

B. Early Retirement Incentive

Debt service requirements on early retirement incentives at June 30, 2021 are as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2022	\$ 378,273
2023	378,273
Total	<u>\$ 756,546</u>

C. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2021, as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2022	\$ 323,138
2023	260,475
2024	197,812
2025	197,812
2026	197,812
2027 - 2031	989,060
2032	87,825
Total minimum lease payments	<u>2,253,934</u>
Less amount representing interest	<u>(542,783)</u>
Present value of minimum lease payments	<u>\$ 1,711,151</u>

D. Site Leases

In March 2015, the District entered into a site lease agreement with Public Property Financing Corporation to finance and provide for the construction, installation, and completion of certain public improvements as defined under the site lease. The District is financing the agreement through a lease and leaseback option with the Corporation for a total of \$5,000,000 whereas financing shall be for a period of ten years at a fixed interest rate of 2.95% per annum with annual rental payments of principal and interest of \$584,658 due each March 31, beginning March 31, 2016 and through March 31, 2025.

In October 2015, the District entered into a site lease agreement with Public Property Financing Corporation of California to finance and provide for the construction, installation, and completion of certain public improvements as defined under the site lease. The District is financing the agreement through a lease and leaseback option with the Corporation for a total of \$3,320,000 whereas financing shall be for a period of nine years at a fixed interest rate of 2.85% per annum with semi-annual interest payments due each April 27 and October 27 of each year beginning April 27, 2016 and annual principal payments due each October 27 of each year beginning October 27, 2016 and through the maturity date of October 27, 2024.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 8 – LONG-TERM LIABILITIES (continued)

D. Site Leases (continued)

Commitments under the site lease agreements provide for minimum lease payments as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2022	\$ 1,009,914
2023	1,008,799
2024	1,007,399
2025	1,010,642
Total minimum lease payments	4,036,754
Less amount representing interest	(255,921)
Present value of minimum lease payments	<u>\$ 3,780,833</u>

E. General Obligation Bonds

General obligation bonds at June 30, 2021, consisted of the following:

<u>Series</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Bonds</u>			<u>Bonds</u>
					<u>Outstanding July 01, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2021</u>
1996 GO Bonds	9/6/1996	11/1/2020	3.75% - 5.35%	\$ 21,848,019	\$ 683,195	\$ -	\$ 683,195	\$ -
Election 2010, Series A	6/22/2011	8/1/2038	1.38% - 6.35%	142,046,476	22,507,249	-	1,749,029	20,758,220
Election 2010, Series B	4/25/2012	8/1/2051	5.66% - 12.00%	64,995,522	64,496,786	-	199,269	64,297,517
Election 2010, Series C	4/30/2014	8/1/2040	1.83% - 5.31%	74,702,799	2,581,367	-	476,398	2,104,969
Election 2010, Series D	10/31/2017	8/1/2021	3.00% - 4.00%	5,255,000	1,655,000	-	830,000	825,000
2017 Refunding Bonds	10/31/2017	8/1/2038	2.00% - 5.00%	109,915,000	107,220,000	-	300,000	106,920,000
2020 Refunding Bonds	1/14/2020	8/1/2040	1.62% - 3.38%	86,765,000	86,765,000	-	1,900,000	84,865,000
					<u>\$ 285,908,597</u>	<u>\$ -</u>	<u>\$ 6,137,891</u>	<u>\$ 279,770,706</u>

Debt service requirements on general obligation bonds, net of accreted interest and unamortized premium, at June 30, 2021 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 6,090,285	\$ 8,198,097	\$ 14,288,382
2023	5,201,945	9,640,981	14,842,926
2024	4,917,957	10,002,242	14,920,199
2025	5,402,972	10,175,087	15,578,059
2026	5,522,935	10,713,395	16,236,330
2027 - 2031	36,455,043	54,923,969	91,379,012
2032 - 2036	65,010,941	45,539,714	110,550,655
2037 - 2041	105,318,765	29,589,777	134,908,542
2042 - 2046	12,909,772	65,538,445	78,448,217
2047 - 2051	27,638,367	188,614,050	216,252,417
2052	5,301,724	44,653,276	49,955,000
Total	<u>\$ 279,770,706</u>	<u>\$ 477,589,033</u>	<u>\$ 757,359,739</u>

SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 8 – LONG-TERM LIABILITIES (continued)

F. Lease Revenue Bonds

Lease revenue bonds at June 30, 2021, consisted of the following:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2021
					Outstanding July 01, 2020	Additions	Deductions	
Lease Revenue Series 2010	6/3/2010	8/15/2040	2.50% - 6.81%	\$ 51,448,327	\$ 3,188,327	\$ -	\$ 705,000	\$ 2,483,327
Lease Revenue Series 2017	7/11/2017	8/15/2040	2.00% - 5.25%	69,265,000	67,280,000	-	645,000	66,635,000
					\$ 70,468,327	\$ -	\$ 1,350,000	\$ 69,118,327

Debt service requirements on the lease revenue bonds, net of accreted interest and unamortized premium, at June 30, 2021 are as follows:

Year Ended June 30,	Principal	Interest	Total
2022	\$ 1,530,000	\$ 3,359,450	\$ 4,889,450
2023	1,715,000	3,298,250	5,013,250
2024	1,945,000	3,212,500	5,157,500
2025	2,175,000	3,115,250	5,290,250
2026	2,415,000	3,006,500	5,421,500
2027 - 2031	16,400,000	12,942,000	29,342,000
2032 - 2036	14,663,327	24,487,173	39,150,500
2037 - 2041	28,275,000	4,472,025	32,747,025
Total	\$ 69,118,327	\$ 57,893,148	\$ 127,011,475

G. CFD and RDA Bonds

CFD and RDA bonds at June 30, 2021, consisted of the following:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2021
					Outstanding July 01, 2020	Additions	Deductions	
CFD 2001 Bonds	3/21/2001	9/1/2024	3.25% - 5.00%	\$ 10,380,000	\$ 670,000	\$ -	\$ 155,000	\$ 515,000
CFD #5 2014 Refunding	8/7/2014	9/1/2032	2.50% - 5.00%	17,600,000	13,580,000	-	905,000	12,675,000
CFD #4 2014 Refunding	8/7/2014	9/1/2030	2.50% - 5.00%	10,455,000	8,310,000	-	465,000	7,845,000
CFD #4 2016 Refunding	10/5/2016	9/1/2036	2.00% - 4.00%	7,625,000	6,710,000	-	300,000	6,410,000
CFD #7 Series 2019	2/7/2019	9/1/2048	2.00% - 5.00%	7,040,000	6,880,000	-	40,000	6,840,000
RDA 2018 Refunding Bonds	10/18/2018	10/1/2039	3.75% - 5.00%	39,815,000	38,630,000	-	1,155,000	37,475,000
CFD #11 Series 2019	11/21/2019	9/1/2049	2.50% - 3.125%	3,415,000	3,415,000	-	-	3,415,000
					\$ 78,195,000	\$ -	\$ 3,020,000	\$ 75,175,000

SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 8 – LONG-TERM LIABILITIES (continued)

G. CFD and RDA Bonds (continued)

Debt service requirements on the CFD and RDA bonds, net of unamortized premium, at June 30, 2021 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 3,270,000	\$ 3,461,107	\$ 6,731,107
2023	3,365,000	3,309,857	6,674,857
2024	3,500,000	3,146,707	6,646,707
2025	3,585,000	2,976,557	6,561,557
2026	3,730,000	2,802,457	6,532,457
2027 - 2031	21,425,000	11,137,538	32,562,538
2032 - 2036	17,730,000	6,271,732	24,001,732
2037 - 2041	13,330,000	2,446,397	15,776,397
2042 - 2046	2,830,000	843,687	3,673,687
2047 - 2050	2,410,000	213,800	2,623,800
Total	\$ 75,175,000	\$ 36,609,837	\$ 111,784,837

H. Other Postemployment Benefits

The District's beginning total OPEB liability was \$100,470,461 and increased by \$1,740,202 during the year ended June 30, 2021. The ending total OPEB liability at June 30, 2021 was \$102,210,663. See Note 10 for additional information regarding the total OPEB liability.

I. Net Pension Liability

The District's beginning net pension liability in the governmental activities was \$220,678,306 and increased by \$35,600,298 during the year ended June 30, 2021. The ending net pension liability in governmental activities at June 30, 2021 was \$256,278,604. The District's beginning net pension liability related to business-type activities was \$711,769 and increased by \$100,860 during the year ended June 30, 2021. The ending net pension liability in the business-type activities at June 30, 2021 was \$812,629. See Note 11 for additional information regarding the net pension liability.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 9 – FUND BALANCES

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

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 340,000	\$ -	\$ -	\$ 10,000	\$ 350,000
Stores inventory	152,429	-	-	348,746	501,175
Prepaid expenditures	15,645	-	-	-	15,645
Total non-spendable	<u>508,074</u>	<u>-</u>	<u>-</u>	<u>358,746</u>	<u>866,820</u>
Restricted					
Permanent fund balance	-	-	-	39,875	39,875
Educational programs	11,702,368	-	-	83,859	11,786,227
Food service	-	-	-	4,755,248	4,755,248
Associated student body	-	-	-	1,237,829	1,237,829
Capital projects	-	66,240,791	55,204,908	21,460,421	142,906,120
Debt service	-	-	-	14,936,808	14,936,808
Total restricted	<u>11,702,368</u>	<u>66,240,791</u>	<u>55,204,908</u>	<u>42,514,040</u>	<u>175,662,107</u>
Committed					
Other commitments	1,648,442	-	-	-	1,648,442
Total committed	<u>1,648,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,648,442</u>
Assigned					
Instructional materials	700,000	-	-	-	700,000
Total assigned	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700,000</u>
Unassigned	25,764,777	-	-	-	25,764,777
Total Fund Balance	<u>\$ 40,323,661</u>	<u>\$ 66,240,791</u>	<u>\$ 55,204,908</u>	<u>\$ 42,872,786</u>	<u>\$ 204,642,146</u>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The San Marcos Unified School District's defined benefit OPEB plan, San Marcos Unified School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single employer defined benefit plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

B. Benefits Provided

Active employees are offered a choice of HMO and PPO medical plans (several United Healthcare HMOs with varying network access, United Healthcare PPOs and a Kaiser HMO), two dental plans (Delta Premier and Delta DPO), and one vision plan (VSP). Eligible retirees under age 65 are eligible for the same medical plans as active employees. Eligible retirees upon reaching age 65 are eligible for the Kaiser Senior Advantage Plan or Hartford Medicare Supplement Plan including a Prescription Drug Plan and Medicare Part A and Part B premium reimbursements. Future retirees and retirees who turn age 65 on or after July 1, 2010 electing a Medicare Supplement Plan will be covered under the Hartford GRIP Supplement Plan and a Prescription Drug Plan.

Classified Employees

Classified employees hired prior to July 1, 2007, who retire at age 55 or older with at least 10 consecutive years of District benefit eligible service and who are covered under District health benefits at retirement are eligible to receive District-paid retiree medical benefits. Retiree medical benefits cease at age 65 except for employees hired prior to July 1, 1997 with at least 10 years of benefit eligible service at retirement. These employees are eligible to receive post-65 medical coverage including Medicare Part B and Part A premium reimbursements for the retiree only.

Spouses of retirees also receive District-paid medical up to the spouse's attainment of age 65, if the retiree is also receiving medical benefits. Effective June 30, 2012, for eligible employees retiring on or after July 1, 2007, spouse coverage will cease when the retiree attains age 65. Dental and vision coverage is available to the retiree and eligible dependents through COBRA continuation coverage only.

For eligible employees who retired or retire on or after July 1, 2007, the District pays 100% of the cost for medical coverage up to an annual maximum which shall not exceed the 2020 annual Kaiser premiums for each tier (\$601.00 monthly for single coverage, \$1,186.00 monthly for two-party coverage and \$1,672.00 monthly for family coverage). The applicable maximum is based on the applicable maximum for similarly situated active employees excluding dental and vision. Retirees with lifetime benefits are not subject to a maximum for post-65 coverage and receive Medicare Part A and Part B premium reimbursements.

For eligible employees who retired prior to July 1, 2007, the District's contribution for pre-65 coverage is limited to the "standard" UHC HMO two-party rate (currently the UHC HMO Network 1-D rate).

Employees hired on or after July 1, 2007 receive no retiree health benefits.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

B. Benefits Provided (continued)

Certificated (including Confidential & Management)

Certificated employees hired prior to July 1, 1996 who retire at age 55 or older with at least 10 consecutive years of District benefit eligible service and who are covered under District health benefits at retirement are eligible to receive District-paid retiree medical benefits for life. Certificated employees hired on or after July 1, 1996 who retire at age 55 or older with at least 10 consecutive years of District benefit eligible service are eligible to receive District-paid retiree medical benefits to the retiree’s attainment of age 65.

Spouses of retirees also receive District-paid medical up to the spouse's attainment of age 65. Spousal coverage will terminate when the spouse reaches 65 years of age, regardless of the retiree’s age. Dental and vision coverage is available to the retiree and eligible dependents through COBRA continuation coverage only.

For eligible employees who retired or retire on or after July 1, 2007, the District pays 100% of the cost for medical coverage up to an annual maximum which shall not exceed the 2018 annual Kaiser premiums for each tier (\$553.00 monthly for single coverage, \$1,090.00 monthly for two-party coverage and \$1,537.00 monthly for family coverage). The applicable maximum is based on the applicable maximum for similarly situated active employees excluding dental and vision. Retirees with lifetime benefits are not subject to a maximum for post-65 coverage and receive Medicare Part A and Part B premium reimbursements.

For eligible employees who retired prior to July 1, 2007, the District’s contribution for pre-65 coverage is limited to the “standard” UHC HMO two-party rate (currently the UHC HMO Network 1-D rate).

Employees hired on or after July 1, 2007 receive no retiree health benefits.

Board Members

Board Members do not receive District-paid health benefits at retirement.

C. Contributions

For fiscal year 2020-21, the District contributed \$4,050,347 to the Plan, all of which was used for current premiums

D. Plan Membership

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	501
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	<u>615</u>
Total number of participants**	<u>1,116</u>

*Information not provided

**As of the July 1, 2020 valuation date

**SAN MARCOS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

E. Total OPEB Liability

The San Marcos Unified School District’s total OPEB liability of \$102,210,663 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2020.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of July 1, 2020 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Economic assumptions:

Inflation	2.75%
Payroll growth rate	2.75%
Discount rate	2.19%
Healthcare cost trend rates	6.25% decreasing to 4.50%

Non-economic assumptions:

Mortality:

<u>General</u>	SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019.
<u>Surviving Spouse</u>	SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019.

Termination rates:

<u>Classified</u>	Termination rates for Classified and some Management employees in PERS are based on the rates used by the most recent CalPERS pension valuation.
<u>Certificated</u>	Termination rates for Certificated employees and Management employees in STRS are based on the experience rates under the California State Teachers Retirement System (STRS) pension valuation.

Retirement rates:

Age	Percentage Retiring*	Age	Percentage Retiring*
50 -54	3.0%	63	30.0%
55 -56	10.0%	64	32.0%
57	12.0%	65	35.0%
58	15.0%	66	40.0%
59	18.0%	67	45.0%
60	18.0%	68	62.0%
61	20.0%	69	80.0%
62	25.0%	70	100.0%

The discount rate was selected from the range of three 20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, Fidelity GO AA 20 Year Bond Index. Ultimately, the S&P Municipal Bond 20 Year High Grade Rate Index was used to determine the discount rate.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

G. Changes in Total OPEB Liability

	<u>June 30, 2021</u>
Total OPEB Liability	
Service cost	\$ 1,875,616
Interest on total OPEB liability	2,668,890
Difference between expected and actual experience	(4,117,217)
Changes of assumptions	5,363,260
Benefits payments	<u>(4,050,347)</u>
Net change in total OPEB liability	1,740,202
Total OPEB liability - beginning	<u>100,470,461</u>
Total OPEB liability - ending	<u>\$ 102,210,663</u>
Covered-employee payroll	\$ 53,546,116
District's total OPEB liability as a percentage of covered-employee payroll	190.88%

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

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

	1% Decrease	Valuation Discount Rate	1% Increase
	(1.19%)	(2.19%)	(3.19%)
Total OPEB liability	\$ 115,293,890	\$ 102,210,663	\$ 91,313,696

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the San Marcos Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
	(5.25% decreasing to 3.50%)	(6.25% decreasing to 4.50%)	(7.25% decreasing to 5.50%)
Total OPEB liability	\$ 90,734,488	\$ 102,210,663	\$ 116,173,388

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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

For the year ended June 30, 2021, the San Marcos Unified School District recognized OPEB expense of \$7,020,986. At June 30, 2021, the San Marcos Unified School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,834,108
Changes in assumptions	7,890,928	-
Total	<u>\$ 7,890,928</u>	<u>\$ 5,834,108</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 4,060,028	\$ 2,893,239
2023	766,180	588,174
2024	766,180	588,174
2025	766,180	588,174
2026	766,180	588,174
2027	766,180	588,173
Total	<u>\$ 7,890,928</u>	<u>\$ 5,834,108</u>

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – PENSION PLANS

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

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 190,147,806	\$ 56,402,472	\$ 11,835,454	\$ 27,146,003
PERS Pension	66,943,427	14,095,429	-	17,407,941
Total	<u>\$ 257,091,233</u>	<u>\$ 70,497,901</u>	<u>\$ 11,835,454</u>	<u>\$ 44,553,944</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2021, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2021 was 19.10% of annual payroll reduced to 16.15% pursuant to California Senate Bill 90 (SB 90). The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$17,156,503 for the year ended June 30, 2021.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$11,093,178 to CalSTRS.

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

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

District's proportionate share of the net pension liability	\$ 190,147,806
State's proportionate share of the net pension liability associated with the District	<u>98,020,423</u>
Total	<u>\$ 288,168,229</u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2020, the District’s proportion was 0.196 percent, which was an increase of 0.017 percent from its proportion measured as of June 30, 2019.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2021, the District recognized pension expense of \$27,146,003. In addition, the District recognized pension expense and revenue of \$3,064,750 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 4,516,817	\$ -
Differences between expected and actual experience	335,524	5,362,494
Changes in assumptions	18,542,104	-
Changes in proportion and differences between District contributions and proportionate share of contributions	15,851,524	6,472,960
District contributions subsequent to the measurement date	17,156,503	-
Total	<u>\$ 56,402,472</u>	<u>\$ 11,835,454</u>

The \$17,156,503 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 6,492,143	\$ 3,366,890
2023	10,789,203	2,990,160
2024	11,782,237	2,628,986
2025	5,658,436	1,308,945
2026	2,261,977	1,275,586
2027	2,261,973	264,887
Total	<u>\$ 39,245,969</u>	<u>\$ 11,835,454</u>

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

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

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

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

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

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

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

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

*20-year geometric average

**SAN MARCOS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 287,286,848	\$ 190,147,806	\$ 109,945,848

Pension Plan Fiduciary Net Position

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

SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits Provided

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

Contributions

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2021 was 22.68% of annual payroll reduced to 20.70% pursuant to California Senate Bill 90 (SB 90). Contributions to the plan from the District were \$6,456,867 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$66,943,427 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2020, the District's proportion was 0.218 percent, which was an increase of 0.013 percent from its proportion measured as of June 30, 2019.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2021, the District recognized pension expense of \$17,407,941. At June 30, 2021, the District reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 1,393,549
Differences between expected and actual experience	3,320,189
Changes in assumptions	245,484
Changes in proportion and differences between District contributions and proportionate share of contributions	2,679,340
District contributions subsequent to the measurement date	6,456,867
Total	<u>\$ 14,095,429</u>

The \$6,456,867 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2022	\$ 2,784,696
2023	2,299,970
2024	1,888,445
2025	665,451
Total	<u>\$ 7,638,562</u>

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

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

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

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

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

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

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

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

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

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate

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

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

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

	<u>1% Decrease (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
District's proportionate share of the net pension liability	\$ 96,243,383	\$ 66,943,427	\$ 42,625,933

Pension Plan Fiduciary Net Position

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Litigation

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

C. Construction Commitments

As of June 30, 2021, the District had commitments with respect to unfinished capital projects as follows:

	Remaining Construction Commitment	Expected Date of Completion
Capital Projects		
La Mirada (Alvin Dunn)	\$ 381,958	Pending litigation
Double Peak School - Original Construction	678,440	Pending final site acquisition
San Marcos Elementary Playground	138,306	August 2021
Joli Ann Leichtag Playground	14,968	December 2021
Knob Hill Elementary - Beam Replacement	44,650	2021
Knob Hill Elementary - Beam Replacement	4,815	2021
Mission Hills High School - Shade	16,450	Pending
Richland Elementary - Reconstruction	61,166,898	December 2022
Groth Property	8,115	Pending
Double Peak School - Access Gate	82,514	June 2021
Warehouse Freezer - CNS	6,637	June 2021
Warehouse Freezer - CNS	13,207	June 2021
Total	\$ 62,556,957	

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSR). The relationship between the District and the JPA is such that the JPA is not a component unit of the District.

The JPA arranges for and provides for various types of insurance for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

Additional information can be obtained by contacting the JPA at 6401 Linda Vista Road, San Diego, California 92111.

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2021, the deferred amount on refunding was \$26,235,785.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2021, total combined deferred outflows related to pensions was \$70,497,901 and total combined deferred inflows related to pensions was \$11,835,454.

C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2021, the total deferred outflows related to other postemployment benefits was \$7,890,928 and total deferred inflows related to other postemployment benefits was \$5,834,108.

NOTE 15 – RESTATEMENT OF NET POSITION AND FUND BALANCE

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

	Governmental Activities
Net Position - Beginning, as Previously Reported	\$ (27,139,532)
Restatement	1,414,463
Net Position - Beginning, as Restated	<u>\$ (25,725,069)</u>
	Student Activity Fund
Fund Balance - Beginning, as Previously Reported	\$ -
Restatement	1,414,463
Fund Balance - Beginning, as Restated	<u>\$ 1,414,463</u>

NOTE 16 – SUBSEQUENT EVENTS

Community Facilities District Bonds

On October 21, 2021, the Community Facilities District No. 8 of the San Marcos Unified School District issued \$3,085,000 of Series 2021 Special Tax Bonds to acquire and/or construct certain school facilities eligible to be financed through the District. Interest on the special tax bonds is payable on March 1, 2022, and semiannually thereafter on March 1 and September 1 each year. The bonds will mature from September 1, 2022 through September 1, 2051.

REQUIRED SUPPLEMENTARY INFORMATION

**SAN MARCOS UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 188,632,221	\$ 188,294,969	\$ 188,435,836	\$ 140,867
Federal sources	10,626,106	26,554,319	22,449,294	(4,105,025)
Other state sources	17,105,186	31,809,320	33,447,813	1,638,493
Other local sources	14,045,563	15,358,375	15,868,814	510,439
Total Revenues	230,409,076	262,016,983	260,201,757	(1,815,226)
EXPENDITURES				
Certificated salaries	108,701,355	110,250,691	109,688,039	562,652
Classified salaries	35,308,581	35,227,866	34,891,927	335,939
Employee benefits	69,995,999	69,565,099	70,521,898	(956,799)
Books and supplies	7,953,028	14,495,568	8,465,221	6,030,347
Services and other operating expenditures	21,101,428	23,954,154	21,827,959	2,126,195
Capital outlay	283,500	404,246	768,484	(364,238)
Other outgo				
Excluding transfers of indirect costs	1,244,566	1,319,232	1,167,160	152,072
Transfers of indirect costs	(265,519)	(266,294)	(259,268)	(7,026)
Total Expenditures	244,322,938	254,950,562	247,071,420	7,879,142
Excess (Deficiency) of Revenues Over Expenditures	(13,913,862)	7,066,421	13,130,337	6,063,916
Other Financing Sources (Uses)				
Transfers out	(150,000)	(1,018,184)	(1,005,000)	13,184
Net Financing Sources (Uses)	(150,000)	(1,018,184)	(1,005,000)	13,184
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning	28,198,324	28,198,324	28,198,324	-
Fund Balance - Ending	\$ 14,134,462	\$ 34,246,561	\$ 40,323,661	\$ 6,077,100

*Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include a reclassification of federal revenues for the Medi-Cal Billing Option and Medi-Cal Administrative Activities programs to local revenues, as well as a reclassification of early retirement incentive payments.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability				
Service cost	\$ 1,875,616	\$ 1,520,925	\$ 1,520,925	\$ 1,502,989
Interest on total OPEB liability	2,668,890	3,039,430	3,217,173	3,141,241
Difference between expected and actual experience	(4,117,217)	6,915,195	-	-
Changes of assumptions	5,363,260	9,881,544	3,929,075	1,116,086
Benefits payments	(4,050,347)	4,050,347	4,142,717	3,889,875
Net change in total OPEB liability	1,740,202	3,476,357	4,524,456	361,731
Total OPEB liability - beginning	100,470,461	96,994,104	92,469,648	92,831,379
Total OPEB liability - ending	<u>\$ 102,210,663</u>	<u>\$ 100,470,461</u>	<u>\$ 96,994,104</u>	<u>\$ 92,469,648</u>
Covered-employee payroll	\$ 53,546,116	\$ 52,113,000	\$ 48,533,202	\$ 49,683,000
District's total OPEB liability as a percentage of covered-employee payroll	190.88%	192.79%	199.85%	186.12%

See accompanying note to required supplementary information.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.196%	0.179%	0.184%	0.178%	0.169%	0.173%	0.158%
District's proportionate share of the net pension liability	\$ 190,147,806	\$ 161,726,277	\$ 169,130,100	\$ 164,366,199	\$ 140,102,044	\$ 112,420,785	\$ 91,746,090
State's proportionate share of the net pension liability associated with the District	98,020,423	88,233,194	96,835,366	97,238,448	74,044,823	62,274,619	53,878,755
Total	<u>\$ 288,168,229</u>	<u>\$ 249,959,471</u>	<u>\$ 265,965,466</u>	<u>\$ 261,604,647</u>	<u>\$ 214,146,867</u>	<u>\$ 174,695,404</u>	<u>\$ 145,624,845</u>
District's covered payroll	\$ 106,674,619	\$ 97,697,753	\$ 98,882,242	\$ 94,544,459	\$ 86,061,631	\$ 76,961,227	\$ 70,088,800
District's proportionate share of the net pension liability as a percentage of its covered payroll	178.25%	165.54%	171.04%	173.85%	162.79%	146.07%	130.90%
Plan fiduciary net position as a percentage of the total pension liability	71.80%	72.60%	71.00%	69.50%	70.00%	74.00%	76.50%

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.218%	0.205%	0.204%	0.199%	0.191%	0.188%	0.191%
District's proportionate share of the net pension liability	\$ 66,943,427	\$ 59,663,798	\$ 54,407,937	\$ 47,410,470	\$ 37,980,557	\$ 27,763,644	\$ 21,671,798
District's covered payroll	\$ 32,651,119	\$ 28,693,151	\$ 27,118,428	\$ 25,371,097	\$ 23,287,617	\$ 20,946,258	\$ 20,042,126
District's proportionate share of the net pension liability as a percentage of its covered payroll	205.03%	207.94%	200.63%	186.87%	163.09%	132.55%	108.13%
Plan fiduciary net position as a percentage of the total pension liability	70.00%	70.00%	70.80%	71.90%	73.90%	79.40%	83.40%

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 17,156,503	\$ 17,783,302	\$ 16,323,634	\$ 14,236,449	\$ 11,893,693	\$ 8,813,587	\$ 6,658,167
Contributions in relation to the contractually required contribution*	(17,156,503)	(17,783,302)	(16,323,634)	(14,236,449)	(11,893,693)	(8,813,587)	(6,658,167)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 105,864,021	\$ 106,674,619	\$ 97,697,753	\$ 98,882,242	\$ 94,544,459	\$ 86,061,631	\$ 76,961,227
Contributions as a percentage of covered payroll	16.21%	16.67%	16.71%	14.40%	12.58%	10.24%	8.65%

*Amounts do not include on-behalf contributions

**SAN MARCOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 6,456,867	\$ 6,024,583	\$ 5,111,048	\$ 4,076,409	\$ 3,523,538	\$ 3,179,710	\$ 2,641,574
Contributions in relation to the contractually required contribution*	(6,456,867)	(6,024,583)	(5,111,048)	(4,076,409)	(3,523,538)	(3,179,710)	(2,641,574)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 31,599,540	\$ 32,651,119	\$ 28,693,151	\$ 27,118,428	\$ 25,371,097	\$ 23,287,617	\$ 20,946,258
Contributions as a percentage of covered payroll	20.43%	18.45%	17.81%	15.03%	13.89%	13.65%	12.61%

*Amounts do not include on-behalf contributions

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Changes in Total OPEB Liability and Related Ratios

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

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for OPEB.

Changes in Assumptions

The discount rate has changed since the prior measurement date from 2.66% to 2.19%. Additionally, the payroll growth rate changed since the prior measurement date from 3.00% to 2.75%.

Schedule of the District Contributions for OPEB

This 10-year schedule is not required to be presented as there was no actuarially determined contribution, nor any contribution requirement established by statute or contract.

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

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

Changes in Benefit Terms

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

Changes in Assumptions

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

Schedule of District Contributions

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
 FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Employee benefits	\$ 69,565,099	\$ 70,521,898	\$ 956,799
Capital outlay	\$ 404,246	\$ 768,484	\$ 364,238

SUPPLEMENTARY INFORMATION

**SAN MARCOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>AL Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 2,225,127
Comprehensive Support and Improvement for LEAs	84.010	15438	169,994
Subtotal Title I, Part A			<u>2,395,121</u>
Adult Education: Adult Secondary Education	84.002	13978	27,058
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	500,852
Title III			
Title III, English Learner Student Program	84.365	14346	386,303
Title III, Immigrant Education Program	84.365	15146	28,368
Subtotal Title III			<u>414,671</u>
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	127,603
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	322,698
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,208,819
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	233,848
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	102,774
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,143
Subtotal Special Education Cluster			<u>3,546,584</u>
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	67,247
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants: [1]			
Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	1,201,696
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	554,739
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	2,575,919
Subtotal Education Stabilization Fund Discretionary Grants			<u>4,332,354</u>
Total U. S. Department of Education			<u>11,734,188</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO:			
Child Nutrition Cluster [1]			
School Breakfast Program - Basic	10.553	13525	182,304
School Breakfast Program - Needy	10.553	13526	2,345,873
National School Lunch Program	10.555	13391	3,921,746
USDA Commodities [2]	10.555	*	436,944
Subtotal Child Nutrition Cluster			<u>6,886,867</u>
CACFP Claims - Centers and Family Day Care [1]	10.558	13393	3,568,639
Fresh Fruit and Vegetable Program	10.582	14968	102,834
Total U. S. Department of Agriculture			<u>10,558,340</u>
U. S. DEPARTMENT OF DEFENSE:			
<i>Passed through California Department of Airforce:</i>			
Airforce Junior ROTC	12.800	*	71,520
Total U. S. Department of Defense			<u>71,520</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through San Diego County Office of Education:</i>			
Demonstration Grants for Domestic Victims of Severe Forms of Human Trafficking	93.327	*	14,598
Total U. S. Department of Health & Human Services			<u>14,598</u>
U. S. DEPARTMENT OF THE TREASURY:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding:			
Coronavirus Relief Fund (CRF): Learning Loss Mitigation [1]	21.019	25517	8,964,724
Total U. S. Department of the Treasury			<u>8,964,724</u>
Total Federal Expenditures			<u>\$ 31,343,370</u>

[1] - Major Program

[2] - In-Kind Contribution

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

See accompanying note to supplementary information.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2021**

Grade Level	2020-21 Planned Number of Days	2020-21 Actual Number of Days	Credited Days Per the Approved Form J-13A*	Status
Kindergarten	180	178	2	Complied
Grade 1	180	178	2	Complied
Grade 2	180	178	2	Complied
Grade 3	180	178	2	Complied
Grade 4	180	178	2	Complied
Grade 5	180	178	2	Complied
Grade 6	180	178	2	Complied
Grade 7	180	178	2	Complied
Grade 8	180	178	2	Complied
Grade 9	180	180	0	Complied
Grade 10	180	180	0	Complied
Grade 11	180	180	0	Complied
Grade 12	180	180	0	Complied

*The District received an approved Form J-13A for two instructional days at San Elijo Elementary School, San Elijo Middle School, and Double Peak School.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

	2022 (Budget)	2021	2020	2019
General Fund - Budgetary Basis				
Revenues And Other Financing Sources	\$ 255,699,506	\$ 260,201,757	\$ 238,120,174	\$ 237,461,834
Expenditures And Other Financing Uses	263,233,139	248,076,420	242,688,251	235,508,081
Net change in Fund Balance	\$ (7,533,633)	\$ 12,125,337	\$ (4,568,077)	\$ 1,953,753
Ending Fund Balance	\$ 32,790,027	\$ 40,323,661	\$ 28,198,324	\$ 32,766,401
Available Reserves*	\$ 11,196,148	\$ 25,764,777	\$ 20,206,194	\$ 22,219,431
Available Reserves As A Percentage Of Outgo	4.25%	10.39%	8.33%	9.43%
Long-term Liabilities	\$ 866,029,493	\$ 880,266,524	\$ 852,940,450	\$ 838,412,474
Average Daily Attendance At P-2**	20,063	20,063	20,063	20,127

The General Fund ending fund balance has increased by \$7,557,260 over the past two years. The fiscal year 2021-22 budget projects a decrease of \$7,533,633. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2021-22 fiscal year. Total long-term obligations have increased by \$41,854,050 over the past two years.

Average daily attendance has decreased by 64 ADA over the past two years. No change in ADA is anticipated during the 2021-22 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

There were no adjustments necessary to reconcile fund balances between the Annual Financial and Budget Report with the Audited Financial Statements.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2021**

Charter #	Charter School	Status	Included in Audit Report
1983	Pivot Charter School - San Diego II	Active	No

**SAN MARCOS UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2021**

	Student Activity	Adult Education	Foundation	Special Reserve	Capital Projects	Bond Interest and	Foundation	Non-Major		
	Fund	Fund	Special Revenue	Fund for Capital	Fund for Blended	Redemption Fund	Permanent Fund	Governmental		
			Fund	Outlay Projects	Component Units			Funds		
		Cafeteria Fund	Building Fund							
ASSETS										
Cash and investments	\$ 1,237,829	\$ 23,866	\$ 2,179,429	\$ 53,937	\$ -	\$ 1,365,526	\$ 20,043,404	\$ 14,936,808	\$ 39,806	\$ 39,880,605
Accounts receivable	-	17,131	3,152,348	94	-	2,362	73,808	-	69	3,245,812
Due from other funds	-	-	59,372	-	-	-	-	-	-	59,372
Stores inventory	-	-	348,746	-	-	-	-	-	-	348,746
Total Assets	\$ 1,237,829	\$ 40,997	\$ 5,739,895	\$ 54,031	\$ -	\$ 1,367,888	\$ 20,117,212	\$ 14,936,808	\$ 39,875	\$ 43,534,535
LIABILITIES										
Accrued liabilities	\$ -	\$ 8,394	\$ 120,083	\$ -	\$ -	\$ -	\$ 24,679	\$ -	\$ -	\$ 153,156
Due to other funds	-	2,775	340,104	-	-	-	-	-	-	342,879
Unearned revenue	-	-	165,714	-	-	-	-	-	-	165,714
Total Liabilities	-	11,169	625,901	-	-	-	24,679	-	-	661,749
FUND BALANCES										
Non-spendable	-	-	358,746	-	-	-	-	-	-	358,746
Restricted	1,237,829	29,828	4,755,248	54,031	-	1,367,888	20,092,533	14,936,808	39,875	42,514,040
Total Fund Balances	1,237,829	29,828	5,113,994	54,031	-	1,367,888	20,092,533	14,936,808	39,875	42,872,786
Total Liabilities and Fund Balance	\$ 1,237,829	\$ 40,997	\$ 5,739,895	\$ 54,031	\$ -	\$ 1,367,888	\$ 20,117,212	\$ 14,936,808	\$ 39,875	\$ 43,534,535

See accompanying note to supplementary information.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2021**

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Foundation Special Revenue Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Foundation Permanent Fund	Non-Major Governmental Funds
REVENUES										
Federal sources	\$ -	\$ 27,058	\$ 10,558,340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,585,398
Other state sources	-	91,603	1,105,372	-	-	-	-	81,106	-	1,278,081
Other local sources	481,089	347	84,147	517	389	13,014	7,189,956	14,131,492	380	21,901,331
Total Revenues	481,089	119,008	11,747,859	517	389	13,014	7,189,956	14,212,598	380	33,764,810
EXPENDITURES										
Current										
Instruction	-	68,367	-	-	-	-	-	-	-	68,367
Instruction-related services										
School site administration	-	39,837	-	-	-	-	-	-	-	39,837
Pupil services										
Food services	-	-	7,247,856	-	-	-	-	-	-	7,247,856
General administration										
All other general administration	-	2,775	256,492	-	-	-	-	-	-	259,267
Plant services	-	-	178,957	-	-	-	470,861	-	-	649,818
Ancillary services	657,723	-	-	401	-	-	-	-	-	658,124
Enterprise activities	-	-	2,277	-	-	-	-	-	-	2,277
Debt service										
Principal	-	-	-	-	-	-	1,865,000	6,137,889	-	8,002,889
Interest and other	-	-	-	-	-	-	1,698,669	11,264,769	-	12,963,438
Total Expenditures	657,723	110,979	7,685,582	401	-	-	4,034,530	17,402,658	-	29,891,873
Excess (Deficiency) of Revenues Over Expenditures	(176,634)	8,029	4,062,277	116	389	13,014	3,155,426	(3,190,060)	380	3,872,937
Other Financing Sources (Uses)										
Transfers out	-	-	-	-	(389)	-	(2,641,028)	-	-	(2,641,417)
Net Financing Sources (Uses)	-	-	-	-	(389)	-	(2,641,028)	-	-	(2,641,417)
NET CHANGE IN FUND BALANCE	(176,634)	8,029	4,062,277	116	-	13,014	514,398	(3,190,060)	380	1,231,520
Fund Balance - Beginning, as Restated	1,414,463	21,799	1,051,717	53,915	-	1,354,874	19,578,135	18,126,868	39,495	41,641,266
Fund Balance - Ending	\$ 1,237,829	\$ 29,828	\$ 5,113,994	\$ 54,031	\$ -	\$ 1,367,888	\$ 20,092,533	\$ 14,936,808	\$ 39,875	\$ 42,872,786

See accompanying note to supplementary information.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2021**

The Board of Supervisors of San Diego County adopted a resolution on May 27, 1975, creating a new unified school district comprising the area of Rich-Mar Union School District named "San Marcos Unified School District". The District serves the San Marcos community located in north San Diego County. The District operates ten elementary schools providing instruction in grades kindergarten through five, two schools providing instruction in grades kindergarten through eight, three middle schools, two comprehensive high schools, one continuation high school, one alternative high school, and sponsors one charter school.

GOVERNING BOARD

Member	Office	Term Expires
Stacy Carlson	President	December 2022
Sydney Kerr	Vice President	December 2022
Jamie Chamberlin	Clerk	December 2024
Sarah Ahmad	Member	December 2024
Carlos Ulloa, Ed.D.	Member	December 2024

DISTRICT ADMINISTRATORS

Andrew Johnsen, Ed.D.
Superintendent

Michael Taylor*
Assistant Superintendent of Business Services

Tiffany Campbell, Ed.D.
Assistant Superintendent of Instructional Services

Henry Voros
Assistant Superintendent of Human Resources

Lourdes Hernandez
Executive Director of Finance

* Resigned as of September 15, 2021. Erin Garcia was appointed as the new Assistant Superintendent of Business Services on September 22, 2021.

**SAN MARCOS UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2021**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

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

	AL	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 32,105,767
Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	<u>(762,397)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 31,343,370</u>

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

Schedule of Instructional Time

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

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2021**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Charter Schools

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

Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

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

OTHER INDEPENDENT AUDITORS' REPORTS

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

Governing Board
San Marcos Unified School District
San Marcos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of San Marcos Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the San Marcos Unified School District's basic financial statements, and have issued our report thereon dated January 11, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Marcos 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*.

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.

Christy White, Inc.

San Diego, California
January 11, 2022

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

Governing Board
San Marcos Unified School District
San Marcos, California

Report on Compliance for Each Major Federal Program

We have audited San Marcos Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of San Marcos Unified School District's major federal programs for the year ended June 30, 2021. San Marcos 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.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of San Marcos Unified School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Christy White, Inc.

San Diego, California
January 11, 2022

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

Governing Board
San Marcos Unified School District
San Marcos, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Marcos Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810 as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about San Marcos Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on State Compliance

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

Procedures Performed

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

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

Christy White, Inc.

San Diego, California
January 11, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SAN MARCOS UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.425C, 84.425D</u>	<u>Education Stabilization Fund Discretionary Grants</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
<u>10.558</u>	<u>CACFP Claims - Centers and Family Day Care</u>
<u>21.019</u>	<u>Coronavirus Relief Fund (CRF): Learning Loss Mitigation</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 940,301</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

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

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

**SAN MARCOS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

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