



Warner Unified School District

County of San Diego
Warner Springs, California

Audit Report

June 30, 2021



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



Warner Unified School District

Table of Contents

June 30, 2021

INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	9
Statement of Net Position	11
Statement of Activities.....	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Notes to the Financial Statements.....	18
REQUIRED SUPPLEMENTARY INFORMATION	60
Budgetary Comparison Schedule – General Fund.....	60
Schedule of the District’s Proportionate Share of the Net Pension Liability - CalSTRS	61
Schedule of the District’s Contributions - CalSTRS	62
Schedule of the District’s Proportionate Share of the Net Pension Liability – CalPERS.....	63
Schedule of the District’s Contributions - CalPERS	64
Schedule of Changes in the District’s Total OPEB Liability and Related Ratios – WUSD Retiree Health Benefit Plan.....	65
Notes to Required Supplementary Information	66
COMBINING STATEMENTS AS SUPPLEMENTARY INFORMATION	70
Combining Balance Sheet – Nonmajor Governmental Funds.....	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	71
Combining Balance Sheet – Nonmajor Special Revenue Funds	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	73

Warner Unified School District

Table of Contents

June 30, 2021

OTHER SUPPLEMENTARY INFORMATION	74
Local Education Agency Organization Structure	74
Schedule of Instructional Time.....	75
Schedule of Financial Trends and Analysis.....	77
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	78
Schedule of Charter Schools.....	79
Schedule of Expenditures of Federal Awards.....	80
Notes to the Schedule of Expenditures of Federal Awards	81
OTHER INDEPENDENT AUDITORS' REPORTS	83
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	83
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	85
Independent Auditor's Report on State Compliance	87
AUDITOR'S RESULTS, FINDINGS & RECOMMENDATIONS	90
Schedule of Auditor's Results	90
Schedule of Findings and Questioned Costs.....	91
Corrective Action Plan.....	94
Schedule of Prior Year Audit Findings.....	95

Independent Auditor's Report

To the Board of Education
Warner Unified School District
Warner Springs, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022, on our consideration of Warner 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co LLP

El Cajon, California
March 31, 2022

WARNER UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Unaudited)

The discussion and analysis of Warner Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report, the District's financial statements and notes to the basic financial statements.

The Management's Discussion and Analysis (MD & A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD & A.

FINANCIAL HIGHLIGHTS

- The District's Net Position was \$2,813,811.
- The total government wide revenues were \$5,139,790. The cost of basic programs was \$4,452,114.
- The change in net position was \$687,676.

Overview of the Financial Statements

This annual report consists of the following parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, other supplementary information, and findings and recommendations. These statements are organized so the reader can understand Warner Unified School District as a financial whole, as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Basic Financial Statements

The first two statements are district-wide combined financial statements, the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the whole School District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's more significant funds with all other non-major funds presented in total in one column.

The financial statements also include notes that explain some of the supplementary information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. A comparison of the District's general fund budget is included.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using methods similar to those used by private-sector companies. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. This basis of accounting takes in account all the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2020-2021?"

The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many non-financial factors, such as the quality of education provided to assess the overall health of the District.

- Increases or decreases in the net position of the District over time are indications of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

Governmental Funds

Most of the School District's activities are reported in governmental funds. The major governmental fund of the District is the General Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS

The School District as a Whole

The District's net position was \$2.8 million at June 30, 2021. Of this amount, unrestricted net position was \$86.5 thousand, net investment in capital assets was \$2.5 million, and restricted net position was \$252.5 thousand. A Comparative analysis of government-wide statement of net position is presented in Table 1.

The District's net position increased \$687,676 this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 78% of total expenses. The administrative activities of the District accounted for just 16% of total costs. The remaining 6% was spent in the areas of plant services and other expenses. (See Figure 2)

(Table 1)
Comparative Statement of Net Position

		Governmental Activities	
		June 30, 2021	June 30, 2020
Assets			
Cash	\$	2,169,437	\$ 3,004,327
Accounts receivable		1,540,862	1,031,586
Stores inventory		17,449	16,334
Capital assets		2,474,691	2,398,450
Total Assets	\$	<u>6,202,439</u>	<u>\$ 6,450,697</u>
Deferred Outflows of Resources			
Deferred outflows of resources - OPEB	\$	24,042	\$ 17,901
Deferred outflows of resources - pensions		876,989	947,757
Total Deferred Outflows of Resources	\$	<u>901,031</u>	<u>\$ 965,658</u>
Liabilities			
Accounts payable and other current liabilities	\$	395,961	\$ 1,364,008
Unearned revenue		84,283	23,585
Long-term liabilities		3,442,509	3,423,799
Total liabilities	\$	<u>3,922,753</u>	<u>\$ 4,811,392</u>
Deferred Inflows of Resources			
Deferred inflows of resources - OPEB	\$	291,992	\$ 80,303
Deferred inflows of resources - pensions		74,914	392,599
Total Deferred Inflows of Resources	\$	<u>366,906</u>	<u>\$ 472,902</u>
Net Assets			
Net investment in capital assets	\$	2,474,691	\$ 2,398,450
Restricted		252,576	162,033
Unrestricted		86,544	(428,422)
Total net position	\$	<u>2,813,811</u>	<u>\$ 2,132,061</u>

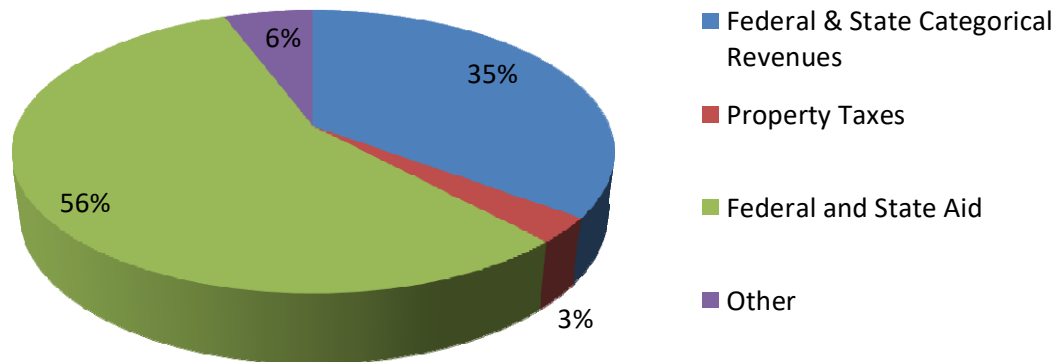
(Table 2)
Comparative Statement of Change in Net Position

	Governmental Activities	
	June 30, 2021	June 30, 2020
Revenues		
Program revenues		
Charges for services	\$ 142,568	\$ 151,024
Operating and capital grants	1,668,078	981,442
General revenues		
Taxes levied for general purposes	148,949	153,338
Federal and state aid not restricted to specific purposes	2,885,638	2,947,720
Interest and investment earnings	30,065	83,825
Miscellaneous	264,492	143,511
Total Revenues	<u>\$ 5,139,790</u>	<u>\$ 4,460,860</u>
Expenses		
Instruction	2,673,027	2,494,721
Instruction related services	223,960	90,959
Pupil support services	554,848	636,396
General administration	726,384	574,122
Plant services	200,266	482,220
Other	73,629	30,774
Total Expenses	<u>\$ 4,452,114</u>	<u>\$ 4,309,192</u>
Increase (Decrease) in net position	687,676	151,668
Net Position - Beginning Balance	2,126,135	1,980,393
Net Position - Ending Balance	<u>\$ 2,813,811</u>	<u>\$ 2,132,061</u>

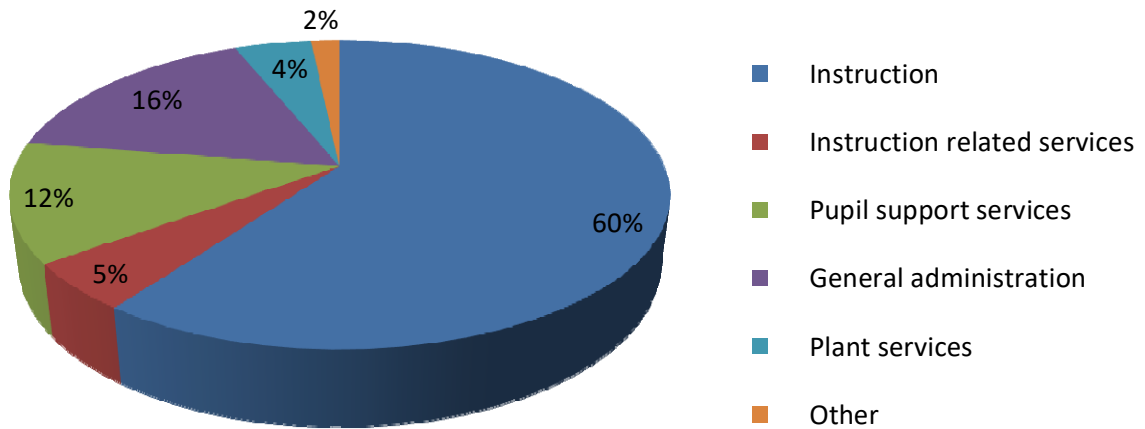
GOVERNMENTAL ACTIVITIES

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$4,452,114. The amount that our local taxpayers financed for these activities through property taxes was \$148,949. Federal and State aid not restricted to specific purposes totaled \$2,885,638. Operating grants and contributions, capital grants and contributions, and charges for services total \$1,810,646. (See Figure 1).

**Sources of Revenue for the 2020-21
Fiscal Year - Figure 1**



Expenses for the 2020-21 Fiscal Year - Figure 2



FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$3,247,504.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget regularly. The significant budget adjustments fell into the following categories:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the General Fund reflected a net decrease to the ending balance of \$288,869.

The District ended the year with a \$536,662 increase to the general fund ending balance. The State recommends available reserves of 3% of District expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District has a broad range of capital assets, including school buildings, administrative buildings, site improvements, vehicles, and equipment. Table 3 demonstrates a comparative Schedule of Capital Assets.

(Table 3)
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Net \$ Change</u>	<u>Net % Change</u>
Land	\$ 50,870	\$ 50,870	\$ 0	0.0%
Work in Progress	261,937	261,937	0	0.0%
Land Improvements	164,800	164,800	0	0.0%
Buildings & Improvements	4,552,597	4,301,616	250,981	5.8%
Equipment	1,141,124	1,354,633	(213,509)	-15.8%
Less Accumulated Depreciation:				
Land Improvements	(154,800)	(149,800)	(5,000)	3.3%
Building Improvements	(2,555,224)	(2,449,911)	(105,313)	4.3%
Equipment	<u>(986,613)</u>	<u>(1,135,695)</u>	<u>149,082</u>	<u>-13.1%</u>
Total	<u>\$ 2,474,691</u>	<u>\$ 2,398,450</u>	<u>\$ 76,241</u>	<u>3.2%</u>

Long-Term Debt and Long Term Obligations

At June 30, 2021 the District had \$3,442,509 in long-term debt and other long term obligations outstanding. Table 4 shows a comparative schedule of long-term debt and long term obligation items.

(Table 4)
Comparative Schedule of Long Term Debt and Long Term Obligations
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Net \$ Change</u>	<u>Percent Change</u>
Net OPEB liability	314,779	278,010	(36,769)	-13%
Net Pension liability	3,116,181	3,134,791	18,610	1%
Compensated Absences	<u>11,549</u>	<u>10,998</u>	<u>(551)</u>	-5%
Total	<u>\$ 3,442,509</u>	<u>\$ 3,423,799</u>	<u>\$ (18,710)</u>	

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State's economic downturns and surpluses impact the District's future dramatically. The financial well-being of the District is tied in large measure to the state funding formula which is currently not funding districts at 100%.

The latest enrollment projections indicate a slight downward trend for the next two school years. Student enrollment and attendance are primary factors in the computation of most funding formula for public schools in the State of California. While ADA growth is not budgeted until realized in the fall, future growth potential is there, but the attendance remains the focal point of every budget report.

Predicting the future requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District currently maximizes restricted funds prior to utilizing unrestricted revenues in the budget development process. In addition, personnel practices will evidence early and effective intervention in identifying appropriate personnel actions that need to occur early in future school years experiencing State economic fallout. The District has an excellent track record in meeting this challenge in what has proven to be a long cycle of lean years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general over view 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 additional financial information, please contact the Director of Fiscal Services, Warner Unified School District, 30951 Highway 79, Warner Springs, California 92086.

Basic Financial Statements

Warner Unified School District

Statement of Net Position

June 30, 2021

	Governmental Activities
Assets	
Cash	\$ 2,169,437
Accounts Receivable	1,540,862
Inventory	17,449
Capital Assets:	
Land	50,870
Land Improvements	164,800
Buildings & Improvements	4,552,597
Equipment	1,141,124
Work in Progress	261,937
Less Accumulated Depreciation	(3,696,637)
Total Assets	<u>6,202,439</u>
Deferred Outflows of Resources	<u>901,031</u>
Liabilities	
Accounts Payable and Other Current Liabilities	395,961
Unearned Revenue	84,283
Long-Term Liabilities:	
Due Within One Year	11,549
Due In More Than One Year	3,430,960
Total Liabilities	<u>3,922,753</u>
Deferred Inflows of Resources	<u>366,906</u>
Net Position	
Net Investment in Capital Assets	2,474,691
Restricted For:	
Capital Projects	56,536
Educational Programs	104,256
Other Purposes (Expendable)	64,035
Other Purposes (Nonexpendable)	27,749
Unrestricted	86,544
Total Net Position	<u>\$ 2,813,811</u>

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

Warner Unified School District

Statement of Activities

For the Year Ended June 30, 2021

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital Grants	Revenue and
		Services	Grants and	and	Changes in Net
			Contributions	Contributions	Position
					Governmental
					Activities
Governmental Activities					
Instruction	\$ 2,673,027	\$ 114,402	\$ 1,041,234	\$ -	\$ (1,517,391)
Instruction-Related Services:					
Instructional Supervision and Administration	4,600	-	4,011	-	(589)
Instructional Library, Media and Technology	137,388	-	124,907	-	(12,481)
School Site Administration	81,972	-	-	-	(81,972)
Pupil Services:					
Home-to-School Transportation	268,480	6,883	9,647	-	(251,950)
Food Services	235,136	-	184,652	-	(50,484)
All Other Pupil Services	51,232	-	40,638	-	(10,594)
General Administration:					
All Other General Administration	726,384	6,688	70,812	-	(648,884)
Plant Services	200,266	13,453	131,312	-	(55,501)
Ancillary Services	69,714	1,142	60,819	-	(7,753)
Community Services	3,860	-	-	-	(3,860)
Enterprise Activities	55	-	46	-	(9)
Total Governmental Activities	<u>\$ 4,452,114</u>	<u>\$ 142,568</u>	<u>\$ 1,668,078</u>	<u>\$ -</u>	<u>(2,641,468)</u>
General Revenues					
Taxes and Subventions:					
Property Taxes, Levied for General Purposes					
					\$ 148,949
Federal and State Aid Not Restricted for Specific Purposes					2,885,638
Interest and Investment Earnings					30,065
Miscellaneous					264,492
Total General Revenues					<u>3,329,144</u>
Change in Net Position					687,676
Net Position - Beginning of Year					<u>2,126,135</u>
Net Position - Ending					<u>\$ 2,813,811</u>

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

Warner Unified School District

Balance Sheet – Governmental Funds

June 30, 2021

	General Fund	Nonmajor Governmental Funds	Total
Assets			
Cash and Cash Equivalents	\$ 2,072,683	\$ 96,754	\$ 2,169,437
Accounts Receivable	1,503,061	37,801	1,540,862
Due from Other Funds	25,702	2,826	28,528
Stores Inventories	-	17,449	17,449
Total Assets	\$ 3,601,446	\$ 154,830	\$ 3,756,276
Liabilities and Fund Balance:			
Liabilities:			
Accounts Payable	\$ 394,715	\$ 1,246	\$ 395,961
Due to Other Funds	-	28,528	28,528
Unearned Revenue	84,283	-	84,283
Total Liabilities	478,998	29,774	508,772
Fund Balance:			
Nonspendable	10,300	17,449	27,749
Restricted	117,220	107,607	224,827
Assigned	659,766	-	659,766
Unassigned	2,335,162	-	2,335,162
Total Fund Balance	3,122,448	125,056	3,247,504
Total Liabilities and Fund Balances	\$ 3,601,446	\$ 154,830	\$ 3,756,276

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

Warner Unified School District

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

Total fund balances, governmental funds: \$ 3,247,504

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

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

Capital assets relating to governmental activities, at historical cost	6,171,328	
Accumulated depreciation	<u>(3,696,637)</u>	
Net		2,474,691

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

Net pension liability	3,116,181	
Total OPEB liability	314,779	
Compensated absences	<u>11,549</u>	
Total		(3,442,509)

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

Deferred outflows of resources relating to pensions	876,989	
Deferred inflows of resources relating to pensions	<u>(291,992)</u>	
Net		584,997

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

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

Deferred outflows of resources relating to OPEB	24,042	
Deferred inflows of resources relating to OPEB	<u>(74,914)</u>	
	Net	<u>(50,872)</u>
Total net position, governmental activities:		<u><u>\$ 2,813,811</u></u>

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

Warner Unified School District

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

	General Fund	Nonmajor Governmental Funds	Total
Revenues			
State Apportionment	\$ 1,586,840	\$ -	\$ 1,586,840
Education Protection Account Funds	965,077	-	965,077
Local Sources	148,949	-	148,949
Federal Revenue	955,656	154,449	1,110,105
Other State Revenue	451,588	119,054	570,642
Interest and Investment Earnings	29,284	781	30,065
Other Local Revenue	669,779	96,583	766,362
Total Revenues	<u>\$ 4,807,173</u>	<u>\$ 370,867</u>	<u>\$ 5,178,040</u>
Expenditures			
Current Expenditures:			
Instruction	2,541,026	87,405	2,628,431
Instruction - Related Services	220,725	4,600	225,325
Pupil Services	302,654	236,839	539,493
Ancillary Services	16,079	53,635	69,714
Enterprise	55	-	55
General Administration	695,630	-	695,630
Plant Services	172,134	-	172,134
Capital Outlay	258,482	-	258,482
Total Expenditures	<u>4,206,785</u>	<u>382,479</u>	<u>4,589,264</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>600,388</u>	<u>(11,612)</u>	<u>588,776</u>
Other Financing Sources (Uses):			
Transfers In	-	61,471	61,471
Transfers Out	(61,471)	-	(61,471)
Total Other Financing Sources (Uses)	<u>(61,471)</u>	<u>61,471</u>	<u>-</u>
Net Change in Fund Balance	538,917	49,859	588,776
Fund Balance, Beginning of Year	2,583,531	75,197	2,658,728
Fund Balance, End of Year	<u>\$ 3,122,448</u>	<u>\$ 125,056</u>	<u>\$ 3,247,504</u>

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

Warner Unified School District

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

Total change in fund balances, governmental funds: \$ 588,776

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	258,482	
Depreciation expense	<u>(144,080)</u>	
	Net	114,402

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (38,161)

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 amounts earned. The difference between compensated absences paid and compensated absences earned was: (551)

Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: 48,449

Other postemployment benefits (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: (25,239)

Change in net position of governmental activities: \$ 687,676

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

Warner Unified School District

Notes to the Financial Statements

For the Year Ended June 30, 2021

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The District operates under a locally elected Board of Education form of government and provides educational services to grades K-6 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, special revenue funds, capital facilities funds, debt service funds, and student-related activities.

2. Component Units

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

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

3. Basis of Presentation

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

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

Major Governmental Funds

The District reports the following major governmental funds:

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

Non-Major Governmental Funds

The District reports the following non-major governmental funds categorized by the fund type:

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

Associated Student Body Fund: This fund is used to account separately for the activities of associated student body organizations operated by the District.

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

4. Basis of Accounting – Measurement Focus

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

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

5. Encumbrances

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

6. Budgets and Budgetary Accounting

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

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

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

7. Revenues and Expenses

a. Revenues – Exchange and Non-Exchange

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

b. Expenses/Expenditures

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

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

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

c. Capital Assets

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

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

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

d. Compensated Absences

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

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

e. Unearned Revenue

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

f. Interfund Activity

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

g. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

h. Minimum Fund Balance Policy

The District maintains a minimum reserve, within the general fund, of at least 4%. The minimum reserve shall apply towards the established minimum Reserve for Economic Uncertainties or an amount that meets or exceeds the requirements by law. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

i. GASB 54 Fund Presentation

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

j. Deferred Inflows and Deferred Outflows of Resources

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

k. Pensions

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

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

1. 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 to June 30, 2021

9. Property Taxes

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

10. Use of Estimates

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

11. Fair Value Measurements

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

12. New Accounting Pronouncements

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

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

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

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

B. Compliance and Accountability

1. Finance Related Legal and Contractual Provisions

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

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

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

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

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

C. Fair Value Measurements

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

	<u>Amount</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
External investment pools measured at fair value				
San Diego County Treasury	\$ 2,129,515	\$ -	\$ 2,129,515	\$ -
Total investments by fair value level	\$ 2,129,515	\$ -	\$ 2,129,515	\$ -

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

D. Cash and Investments

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

	General Fund	Nonmajor Governmental Funds	Total
Cash in County Treasury	\$ 2,053,806	\$ 66,852	\$ 2,120,658
Fair Market Value Adjustment	8,577	280	8,857
Cash in Bank	-	29,622	29,622
Revolving Cash	10,300		10,300
Total Cash and Cash Equivalents	<u>\$ 2,072,683</u>	<u>\$ 96,754</u>	<u>\$ 2,169,437</u>

1. Cash in County Treasury

In accordance with Education Code §41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$2,120,658 as of June 30, 2021). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$2,129,515. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks (\$29,622 as of June 30, 2021) and in revolving fund (\$10,300 as of June 30, 2021) are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

4. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

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

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer's Investment Pool	Unrated	Not Applicable	\$ 2,129,515

b. Custodial Credit Risk

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

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

c. Concentration of Credit Risk

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

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District maintains pooled investments with the San Diego County Treasury with a fair value of \$2,129,515. The average weighted maturity for this pool was 613 days at June 30, 2021.

e. Foreign Currency Risk

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

5. Investment Accounting Policy

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

E. Accounts Receivable

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

	General Fund	Nonmajor Governmental Funds	Total
Federal Government:			
Special Education	\$ 12,547	\$ -	\$ 12,547
Child Nutrition Program	-	20,973	20,973
Indian Education	10,000	-	10,000
Title I	51,500	-	51,500
Title II	14,681	-	14,681
Title IV	2,500	-	2,500
Title V	6,600	-	6,600
Career and Technical Education	3,550	-	3,550
MTSS Program	23,500	-	23,500
State Government:			
Expanded Learning Opportunity	11,226	-	11,226
Lottery	12,578	-	12,578
K-12 Strong Workforce	56,415	-	56,415
Special Education	137,664	-	137,664
California State Preschool Program	-	15,074	15,074
Child Nutrition Program	-	1,754	1,754
Agricultural Career Technical Education	6,500	-	6,500
Local Sources			
In Lieu Property Tax Overpayment	510,622	-	510,622
Charter Oversight Fees	458,125	-	458,125
Other Local Sources	185,053	-	185,053
Total Accounts Receivable	<u>\$ 1,503,061</u>	<u>\$ 37,801</u>	<u>\$ 1,540,862</u>

F. Unearned Revenue

Unearned revenue balances as of June 30, 2021 consisted of:

	General Fund
Federal Programs	
ESSER II	\$ 37,761
Other Federal	2,592
State Programs	
In Person Instruction	43,930
Total unearned revenue	<u>\$ 84,283</u>

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

G. Capital Assets

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

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 50,870	\$ -	\$ -	\$ 50,870
Work in progress	261,937	-	-	261,937
Total capital assets not being depreciated	312,807	-	-	312,807
Capital assets being depreciated:				
Land improvements	164,800	-	-	164,800
Buildings and improvements	4,301,616	250,981	-	4,552,597
Equipment	1,354,633	7,501	221,010	1,141,124
Total capital assets being depreciated	5,821,049	258,482	221,010	5,858,521
Less accumulated depreciation for:				
Land improvements	(149,800)	(5,000)	-	(154,800)
Buildings and improvements	(2,449,911)	(105,313)	-	(2,555,224)
Equipment	(1,135,695)	(33,767)	(182,849)	(986,613)
Total accumulated depreciation	(3,735,406)	(144,080)	(182,849)	(3,696,637)
Total capital assets being depreciated, net	2,085,643	114,402	38,161	2,161,884
Governmental activities capital assets, net	\$ 2,398,450	\$ 114,402	\$ 38,161	\$ 2,474,691

Depreciation was charged to functions as follows:

Instruction	\$ 87,368
Pupil Services	19,510
Community Services	3,860
General Administration	3,219
Plant Services	30,123
	<u>\$ 144,080</u>

H. Short Term Debt Activity

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

I. Interfund Balances & Activities

1. Due to and From Other Funds

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

<u>Interfund Receivable (Due From Other Funds)</u>	<u>Interfund Payable (Due To Other Funds)</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Cafeteria Fund	\$ 24,953	End of Year Cash Flow
General Fund	Child Development Fund	3,576	Earlier deposit to wrong account
Child Development Fund	General Fund	2,826	Earlier deposit to wrong account
	Total	<u>\$ 31,355</u>	

2. Transfers to and From Other Funds

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

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Cafeteria Fund	\$ 46,471	Shortage of revenue over expense
General Fund	Child Development Fund	15,000	Shortage of revenue over expense
	Total	<u>\$ 61,471</u>	

J. Accounts Payable

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

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Vendors payable	\$ 163,624	\$ 1,246	\$ 164,870
Payroll and related benefits	5,901	-	5,901
Charter School transfers	225,190	-	225,190
Total accounts payable	<u>\$ 394,715</u>	<u>\$ 1,246</u>	<u>\$ 395,961</u>

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

K. Fund Balance Classifications of the Governmental Funds

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

	General Fund	Nonmajor Governmental Funds	Total
Nonspendable Fund Balance			
Revolving Cash	\$ 10,300	\$ -	\$ 10,300
Stores	-	17,449	17,449
Total Nonspendable Fund Balance	10,300	17,449	27,749
Restricted Fund Balance			
Special Ed	11,199	-	11,199
ELO Grant	104,256	-	104,256
Ongoing & Major Maintenance	1,765	-	1,765
Capital Projects	-	56,536	56,536
Student Activity Funds	-	29,572	29,572
Child Development Program	-	19,947	19,947
Child Nutrition Program	-	1,552	1,552
Total Restricted Fund Balance	117,220	107,607	224,827
Assigned Fund Balance			
Playground	100,000	-	100,000
Roofing Project	250,000	-	250,000
Bus Purchase	150,000	-	150,000
Special Reserves	159,766	-	159,766
Total Assigned Fund Balance	659,766	-	659,766
Unassigned Fund Balance			
For Economic Uncertainties	170,735	-	170,735
Other Unassigned	2,164,427	-	2,164,427
Total Unassigned Fund Balance	2,335,162	-	2,335,162
Total Fund Balance	\$ 3,122,448	\$ 125,056	\$ 3,247,504

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

L. Long Term Obligations

1. Long-Term Obligation Activity

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Net Pension Liability*	\$ 3,134,791	\$ -	\$ 18,610	\$ 3,116,181	\$ -
Total OPEB Liability*	278,010	57,310	20,541	314,779	-
Compensated Absences*	10,998	551	-	11,549	11,549
Total Governmental Activities	<u>\$ 3,423,799</u>	<u>\$ 57,861</u>	<u>\$ 39,151</u>	<u>\$ 3,442,509</u>	<u>\$ 11,549</u>

*Other long-term liabilities

- Payments for pension contributions are made from the general fund, child development fund, and cafeteria fund.
- Payments for OPEB contributions are made from the general fund, child development fund, and cafeteria fund.
- Payments for compensated absences are made from the general fund, child development fund, and cafeteria fund.

2. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2021 amounted to \$11,549. This amount is included as part of long-term liabilities in the government-wide financial statements.

3. Net Pension Liability

The District's beginning net pension liability was \$3,134,791 and decreased by \$18,610 during the year ended June 30, 2021 for an ending net pension liability of \$3,116,181. See Note M for additional information regarding the net pension liability.

4. Total OPEB Liability

The District's beginning total OPEB liability was \$278,010 and increased by \$36,769 during the year ended June 30, 2021 for an ending total OPEB liability of \$314,779. See Note N for additional information regarding the total OPEB liability.

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

M. Pension Plans

1. General Information about the Pension Plans

a. Plan Descriptions

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

b. Benefits Paid

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

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

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

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

c. Contributions

CalSTRS

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

CalPERS

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

On Behalf Payments

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

CalSTRS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	9.828%	\$ 156,239	\$ (27,920)
2020	10.328%	101,518	32,091
2021	10.328%	196,785	84,721

CalPERS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	N/A	\$ 57,157	N/A

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

d. Contributions Recognized

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

Governmental Fund Financial Statements (Current Financial Resources Measurement Focus)			
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 193,340	\$ 162,394	\$ 355,734
Contributions - State On Behalf Payments	196,785	-	196,785
Total Governmental Funds	<u>\$ 390,125</u>	<u>\$ 162,394</u>	<u>\$ 552,519</u>

Government-Wide Financial Statements (Economic Resources Measurement Focus)			
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 168,083	\$ 109,703	\$ 277,786
Contributions - State On Behalf Payments	101,518	-	101,518
Total Government-Wide	<u>\$ 269,601</u>	<u>\$ 109,703</u>	<u>\$ 379,304</u>

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

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

	Proportionate Share of the Net Pension Liability		
	CalSTRS	CalPERS	Total
Governmental Activities	\$ 1,811,230	\$ 1,304,951	\$ 3,116,181

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share*	Total For District Employees	District's Proportionate Share
<u>Governmental Activities</u>				
Proportion June 30, 2020	0.0019%	0.0021%	0.0040%	0.0050%
Proportion June 30, 2021	0.0019%	0.0020%	0.0039%	0.0043%
Change in Proportion	0.0000%	-0.0001%	-0.0001%	-0.0007%

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

a. Pension Expense

	Governmental Activities		
	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ 140,355	\$ (158,965)	\$ (18,610)
State On Behalf Pension Expense	84,721	-	84,721
Employer Contributions to Pension Expense	193,340	162,394	355,734
Change in Contributions Subsequent to Measurement Date	(25,257)	(52,691)	(77,948)
Change in Other Deferred Outflows/Inflows of Resources	(232,624)	280,733	48,109
Total Pension Expense - Governmental	<u>\$ 160,535</u>	<u>\$ 231,471</u>	<u>\$ 392,006</u>

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

b. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
<u>Governmental Activities</u>			
Pension contributions subsequent to measurement date	\$ 193,340	\$ 162,394	\$ 355,734
Differences between actual and expected experience	2,292	76,969	79,261
Changes in assumptions	112,187	5,912	118,099
Changes in employer's proportionate share	127,293	117,979	245,272
Net difference between projected and actual earnings	50,853	27,770	78,623
Total Deferred Outflows of Resources	<u>\$ 485,965</u>	<u>\$ 391,024</u>	<u>\$ 876,989</u>

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
<u>Governmental Activities</u>			
Differences between actual and expected experience	\$ 40,765	\$ -	\$ 40,765
Changes in employer's proportionate share	67,497	183,730	251,227
Total Deferred Inflows of Resources	<u>\$ 108,262</u>	<u>\$ 183,730</u>	<u>\$ 291,992</u>

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

Year Ended June 30,	Governmental Activities				
	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2022	\$ 259,720	\$ 254,225	\$ (75,220)	\$ (46,983)	\$ 391,742
2023	101,303	66,628	(7,676)	(46,982)	113,273
2024	87,900	57,202	(7,671)	(44,882)	92,549
2025	31,549	12,969	(7,669)	(44,883)	(8,034)
2026	2,748	-	(7,454)	-	(4,706)
Thereafter	2,745	-	(2,572)	-	173
Total	<u>\$ 485,965</u>	<u>\$ 391,024</u>	<u>\$ (108,262)</u>	<u>\$ (183,730)</u>	<u>\$ 584,997</u>

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

c. Actuarial Assumptions

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

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

a. Discount Rate

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

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

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

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

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

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

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

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

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

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

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

	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 2,736,516	\$ 1,876,105
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 1,811,230	\$ 1,304,951
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 1,047,276	\$ 830,922

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

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

CalSTRS

	Increase (Decrease)				
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	State's Share of Net Pension Liability	District's Share of Net Pension Liability
	(a)	(b)	(a) - (b)	(c)	(a) - (b) - (c)
Balance at June 30, 2020					
(Previously Reported)	\$ 13,094,759	\$ 9,501,926	\$ 3,592,833	\$ 1,921,958	\$ 1,670,875
Changes for the year					
CalSTRS auditor adjustment	(77)	-	(77)	(41)	(36)
Change in proportionate share	(325,188)	(235,965)	(89,223)	(106,383)	17,160
Service cost	284,734	-	284,734	147,550	137,184
Interest	905,175	-	905,175	469,063	436,112
Difference between expected and actual experience	(37,356)	-	(37,356)	(19,358)	(17,998)
Change in assumptions	39,917	-	39,917	20,685	19,232
Change in benefits	-	-	-	-	-
Contributions:					
Employer	-	235,858	(235,858)	(122,222)	(113,636)
Employee	-	144,890	(144,890)	(75,082)	(69,808)
State on oehalf	-	172,502	(172,502)	(89,391)	(83,111)
Net investment income	-	391,920	(391,920)	(203,093)	(188,827)
Other income	-	3,934	(3,934)	(2,039)	(1,895)
Benefit payments ⁽¹⁾	(621,631)	(621,631)	-	-	-
Administrative expenses	-	(8,490)	8,490	4,400	4,090
Borrowing costs	-	(3,673)	3,673	1,903	1,770
Other expenses	-	(246)	246	128	118
Net changes	245,574	79,099	166,475	26,120	140,355
Balance at June 30, 2021	\$ 13,340,333	\$ 9,581,025	\$ 3,759,308	\$ 1,948,078	\$ 1,811,230

(1) – Includes refunds of employee contributions

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2020			
(Previously Reported)	\$ 4,887,429	\$ 3,423,513	\$ 1,463,916
Changes for the year			
Change in proportionate share	(749,217)	(524,808)	(224,409)
Service cost	97,941	-	97,941
Interest	293,657	-	293,657
Difference between expected and actual experience	19,243	-	19,243
Change in assumptions	-	-	-
Change in benefits	-	-	-
Contributions:			
Employer	-	121,897	(121,897)
Employee	-	44,571	(44,571)
Nonemployer	-	38,447	(38,447)
Net plan to plan resource movement	-	7	(7)
Net investment income	-	144,540	(144,540)
Benefit payments ⁽¹⁾	(198,673)	(198,673)	-
Administrative expenses	-	(4,065)	4,065
Other expenses	-	-	-
Net changes	(537,049)	(378,084)	(158,965)
Balance at June 30, 2021	\$ 4,350,380	\$ 3,045,429	\$ 1,304,951

(1) – Includes refunds of employee contributions

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

N. Postemployment Benefits Other than Pension Benefits (OPEB)

1. Plan Description

The District's defined benefit OPEB plan (the Plan), provides OPEB for all permanent fulltime employees of the District. The Plan is a single-employer defined benefit OPEB plan administered by the District. Authority to establish and amend the benefit terms and financing requirements lies with the District's board of directors.

Eligibility

The District provides retiree medical benefits (including prescription drug), dental and vision benefits to eligible retirees to age 65. Eligibility for retiree health coverage requires retirement under STRS or PERS on or after age 56 with at least 20 years of District service. The District's financial obligation is to pay 100% of the cost of coverage for retiree only coverage. The retiree may elect coverage for eligible spouses and dependents but is responsible for the cost of coverage based on the active group rates. Spouse and dependent coverage (except COBRA continuation) ceases upon the death of the retiree or when the retiree reaches age 65. Some employees may have contracts requiring additional District contributions.

Medical Benefits

The District participates in the California Schools VEBA for its medical and dental coverage. The VEBA is considered a community-rated plan. Premium rates may vary by plans selected, coverage tier and Medicare eligibility. All premiums are determined by the pool with the District's active and retired employees pooled together. The premiums that are charged for retiree medical and prescription drug coverage under age 65 are the same as the premiums charged for active coverage. Thus, the District is also providing a "rate subsidy" to the retirees by charging them a blended rate for coverage rather than a retiree only rate.

The District currently offers a UHC HMO and a Kaiser HMO for medical coverage and a Delta Dental Plan. The District participates in the San Diego County Office of Education Fringe Benefit Consortiums for its vision coverage. The following table summarizes the premiums for the health plans in which the retirees are enrolled. All premiums are payable tenthly and are effective for the calendar year.

	Single	Two Party	Family
<i>UHC HMO</i>	\$846.00	\$1,657.00	\$2,324.00
<i>Kaiser HMO</i>	\$718.00	\$1,420.00	\$2,949.00
<i>Delta Dental</i>	\$102.55	\$156.02	\$251.99
<i>VSP Vision</i>	\$14.90	\$31.19	\$47.08

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

Employees Covered by Benefit Terms

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

Inactive plan members or beneficiaries currently receiving benefits	2
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>37</u>
	<u>39</u>

Contributions

The District makes contributions to the Plan on a pay-as-you-go basis at 100% of the premium for certificated employees and a pro-rated premium for classified employees as noted above. For the fiscal year ended June 30, 2021 the District made 100% of premium payments. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

2. Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2020

Actuarial Assumptions

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

Valuation Date	July 1, 2020
Measurement Date	June 30, 2021
Funding Policy	Pay-as-you-go
Discount Rate	2.19% per annum
Inflation	2.75% per annum
Payroll Growth	3.00% per annum
Mortality Rates	General: SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2020. Teachers: SOA Pub-2010 Teachers Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2020. Surviving Spouses: SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2020.
Retirement Rates	Ranges from 7.5% to 100% based on age with 100% retiring by age 70.
Retirement Eligibility Age	Age 55
Participant Rates	100% participation expected
Medical Trend Rates	6.25% decreasing to 4.50%

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

Discount Rate

Under GASB 75, the discount rate used in valuing OPEB liabilities for unfunded plans as of the Measurement Date must be based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA /Aa or higher (or equivalent quality on another rating scale). For the current valuation, the discount rate was selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown.

	Bond Buyer GO 20-Bond Municipal Bond Index	S&P Municipal Bond 20-Year high Grade Rate Index	Fidelity 20- Year GO Municipal Bond Index	Bond Index Range	Actual Discount Rate
Yield as of July 1, 2020	2.21%	2.66%	2.45%	2.21% - 2.66%	2.66%
Yield as of June 30, 2021	2.16%	2.19%	1.94%	1.94% - 2.19%	2.19%

Actuarial Cost Method

The actuarial cost method used to determine the allocation of the retiree health actuarial liability to the past (accrued), current and future periods is the Entry Age Normal (EAN) cost method. The EAN cost method is a projected benefit cost method which means the cost is based on the projected benefit expected to be paid at retirement.

The EAN normal cost equals the level annual amount of contribution from the employee's date of hire (entry date) to their retirement date that is sufficient to fund the projected benefit. As required by GASB 75, the normal cost is calculated to remain level as a percentage of pay. The EAN actuarial accrued liability equals the present value of all future benefits for retired and current employees and their beneficiaries less the portion expected to be funded by future normal costs.

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Service cost	\$ 40,020
Interest	8,240
Experience (Gains)/Losses	(3,937)
Changes of assumptions	9,050
Benefit payments, including refunds of member	(16,604)
Other	-
Net change in Total OPEB Liability	<u>36,769</u>
Total OPEB Liability - Beginning	<u>278,010</u>
Total OPEB Liability - Ending	<u><u>\$ 314,779</u></u>

Sensitivity of the total OPEB liability to changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease (1.19%)</u>	<u>Valuation Discount Rate (2.19%)</u>	<u>1% Increase (3.19%)</u>
Total OPEB Liability	\$ 346,291	\$ 314,779	\$ 285,666

Sensitivity of the total OPEB liability to changes in the health care cost trend rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease 5.25% Decreasing to 3.50%</u>	<u>Current Health Care Trend Rates 6.25% Decreasing to 4.50%</u>	<u>1% Increase 7.25% Decreasing to 5.50%</u>
Total OPEB Liability	\$ 267,340	\$ 314,779	\$ 373,007

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$44,193. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience Differences	\$ -	\$ (73,690)
Changes of Assumptions	<u>24,042</u>	<u>(1,224)</u>
Total	<u>\$ 24,042</u>	<u>\$ (74,914)</u>

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Effect on OPEB Expense
2022	\$ 2,909	\$ (9,326)	\$ (6,417)
2023	2,909	(9,326)	(6,417)
2024	2,909	(9,326)	(6,417)
2025	2,909	(9,326)	(6,417)
2026	2,909	(9,326)	(6,417)
Thereafter	<u>9,497</u>	<u>(28,284)</u>	<u>(18,787)</u>
Total	<u>\$ 24,042</u>	<u>\$ (74,914)</u>	<u>\$ (50,872)</u>

O. Participation in Joint Powers Authorities

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

P. Risk Management

The District is exposed to risk of losses due to:

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

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

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

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

Q. Commitments and Contingencies

1. State and Federal Allowances, Awards, and Grants

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

2. Litigation

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

3. Construction Commitments

As of June 30, 2021, the District did not have any construction commitments with respect to unfinished capital projects.

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

R. Deferred Outflows of Resources

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

In accordance with GASB Statement No. 75 certain items related to OPEB as identified in the GASB statement are recorded as deferred outflows of resources.

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

Description	Beginning Balance	Increases	Decreases	Ending Balance
Pension related				
CalSTRS	\$ 363,910	\$ 356,581	\$ 234,526	\$ 485,965
CalPERS	475,657	244,150	328,783	391,024
OPEB related	17,901	9,050	2,909	24,042
Total Deferred Outflows of Resources	<u>\$ 857,468</u>	<u>\$ 609,781</u>	<u>\$ 566,218</u>	<u>\$ 901,031</u>

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30,	Pension Related	OPEB Related	Total
2022	\$ 513,945	\$ 2,909	\$ 516,854
2023	167,931	2,909	170,840
2024	145,102	2,909	148,011
2025	44,518	2,909	47,427
2026	2,748	2,909	5,657
Thereafter	2,745	9,497	12,242
Total	<u>\$ 876,989</u>	<u>\$ 24,042</u>	<u>\$ 901,031</u>

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

S. Deferred Inflows of Resources

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

In accordance with GASB Statement No. 75 certain items related to OPEB as identified in the GASB statement are recorded as deferred inflows of resources.

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

Description	Beginning Balance	Increases	Decreases	Ending Balance
Pension related				
CalSTRS	\$ 244,088	\$ 17,998	\$ 153,824	\$ 108,262
CalPERS	40,321	224,411	81,002	183,730
OPEB related	80,303	3,937	9,326	74,914
Total Deferred Inflows of Resources	<u>\$ 364,712</u>	<u>\$ 246,346</u>	<u>\$ 244,152</u>	<u>\$ 366,906</u>

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30,	Pension Related	OPEB Related	Total
2022	\$ 122,203	\$ 9,326	\$ 131,529
2023	54,658	9,326	63,984
2024	52,553	9,326	61,879
2025	52,552	9,326	61,878
2026	7,454	9,326	16,780
Thereafter	2,572	28,284	30,856
Total	<u>\$ 291,992</u>	<u>\$ 74,914</u>	<u>\$ 366,906</u>

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

T. Upcoming Accounting Guidance

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

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

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

Warner Unified School District

Notes to the Financial Statements, Continued

June 30, 2021

U. COVID-19 Considerations

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

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

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

Required Supplementary Information

Warner Unified School District

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance to Final Budget Positive (Negative)
	Original	Final		
Revenues				
LCFF Sources				
State Apportionment	\$ 2,319,741	\$ 1,975,449	\$ 1,586,840	\$ (388,609)
Education Protection Account	221,573	485,932	965,077	479,145
Property Taxes	132,766	69,557	148,949	79,392
Federal Revenue	735,513	920,917	955,656	34,739
Other State Revenue	247,599	300,104	451,588	151,484
Interest and Investment Income	40,500	32,000	27,029	(4,971)
Other Local Revenue	591,754	600,104	669,779	69,675
Total Revenues	<u>4,289,446</u>	<u>4,384,063</u>	<u>4,804,918</u>	<u>420,855</u>
Expenditures				
Current Expenditures:				
Certificated Salaries	1,345,000	1,331,748	1,350,118	(18,370)
Classified Salaries	832,138	829,909	748,329	81,580
Employee Benefits	1,046,374	1,039,984	937,675	102,309
Books and Supplies	373,935	443,993	382,235	61,758
Services and Other Operating	1,025,048	907,987	529,946	378,041
Capital Outlay	-	-	258,482	(258,482)
Total Expenditures	<u>4,622,495</u>	<u>4,553,621</u>	<u>4,206,785</u>	<u>346,836</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(333,049)</u>	<u>(169,558)</u>	<u>598,133</u>	<u>767,691</u>
Other Financing Sources (Uses)				
Transfers Out	(68,300)	(119,311)	(61,471)	(57,840)
Net Financing Sources (Uses)	<u>(68,300)</u>	<u>(119,311)</u>	<u>(61,471)</u>	<u>(57,840)</u>
Net Change in Fund Balance	(401,349)	(288,869)	536,662	825,531
Fund Balance - Beginning of Year	<u>2,426,020</u>	<u>2,426,020</u>	<u>2,426,020</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 2,024,671</u>	<u>\$ 2,137,151</u>	<u>\$ 2,962,682</u>	<u>\$ 825,531</u>

See Accompanying Notes to Required Supplementary Information

Warner Unified School District

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

Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability (asset)	0.00187%	0.00185%	0.00174%	0.00160%	0.00201%	0.00260%	0.00238%	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 1,811,230	\$ 1,670,875	\$ 1,601,020	\$ 1,475,985	\$ 1,628,352	\$ 1,748,426	\$ 1,390,012	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	1,948,078	1,921,958	1,844,056	1,802,440	1,683,138	1,357,250	1,034,916	N/A	N/A	N/A
Total	<u>\$ 3,759,308</u>	<u>\$ 3,592,833</u>	<u>\$ 3,445,076</u>	<u>\$ 3,278,425</u>	<u>\$ 3,311,490</u>	<u>\$ 3,105,676</u>	<u>\$ 2,424,928</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
District's covered payroll**	\$ 1,150,784	\$ 994,122	\$ 925,211	\$ 843,839	\$ 1,000,261	\$ 1,200,138	\$ 1,054,000	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	157.39%	168.08%	173.04%	174.91%	162.79%	145.69%	131.88%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	71.82%	72.56%	70.99%	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A

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

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

See Accompanying Notes to Required Supplementary Information

Warner Unified School District

Schedule of the District's Contributions - CalSTRS

Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 193,340	\$ 196,784	\$ 161,843	\$ 133,508	\$ 106,155	\$ 107,328	\$ 106,572	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(193,340)	(196,784)	(161,843)	(133,508)	(106,155)	(107,328)	(106,572)	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A
District's covered payroll**	\$ 1,197,152	\$ 1,150,784	\$ 994,122	\$ 925,211	\$ 843,839	\$ 1,000,261	\$ 1,200,138	N/A	N/A	N/A
Contributions as a percentage of covered payroll	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%	N/A	N/A	N/A

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

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

See Accompanying Notes to Required Supplementary Information

Warner Unified School District

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

Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability (asset)	0.0043%	0.0050%	0.0044%	0.0044%	0.0040%	0.0052%	0.0051%	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 1,304,951	\$ 1,463,916	\$ 1,167,579	\$ 1,055,887	\$ 798,783	\$ 766,253	\$ 584,300	N/A	N/A	N/A
District's covered payroll**	\$ 618,158	\$ 702,984	\$ 583,890	\$ 568,066	\$ 489,770	\$ 578,099	\$ 541,173	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	211.10%	208.24%	199.97%	185.87%	163.09%	132.55%	107.97%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.00%	70.05%	70.85%	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A

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

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

See Accompanying Notes to Required Supplementary Information

Warner Unified School District

Schedule of the District's Contributions - CalPERS

Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 162,394	\$ 121,907	\$ 126,973	\$ 90,684	\$ 78,893	\$ 58,023	\$ 68,048	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(162,394)	(121,907)	(126,973)	(90,684)	(78,893)	(58,023)	(68,048)	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A
District's covered payroll**	\$ 784,512	\$ 618,158	\$ 702,984	\$ 583,890	\$ 568,066	\$ 489,770	\$ 578,099	N/A	N/A	N/A
Contributions as a percentage of covered payroll	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%	N/A	N/A	N/A

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

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

See Accompanying Notes to Required Supplementary Information

Warner Unified School District

Schedule of Changes in the District's Total OPEB Liability and Related Ratios – WUSD Retiree Health Benefit Plan Last Ten Fiscal Years*

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total OPEB liability:										
Service cost	\$ 40,020	\$ 39,804	\$ 36,299	\$ 35,735	N/A	N/A	N/A	N/A	N/A	N/A
Interest	8,240	11,271	11,388	10,343	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	(3,937)	(87,639)	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	9,050	12,167	8,689	(2,040)	N/A	N/A	N/A	N/A	N/A	N/A
Other	-	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(16,604)	(30,954)	(24,165)	(22,690)	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	36,769	(55,351)	32,211	21,348	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	278,010	333,361	301,150	279,802	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	<u>\$ 314,779</u>	<u>\$ 278,010</u>	<u>\$ 333,361</u>	<u>\$ 301,150</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered payroll	1,496,111	1,452,535	1,699,000	1,699,000	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a percentage of covered payroll	21.04%	19.14%	19.62%	17.73%	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

Warner Unified School District

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

Budgetary Comparison Schedule – General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) was included with the general fund as the fund did not meet the definition of a special revenue fund under GASB Statement No. 54. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only. Below is a table reconciling between the General Fund as reported in the Basic Financial Statements and the General Fund as reported in the Budgetary Comparison Schedule.

General Fund - Basic Financial Statements Ending Fund Balance	\$ 3,122,448
Less Fund 17 Fund Balance	<u>(159,766)</u>
General Fund - Budgetary Comparison Schedule Ending Fund Balance	<u>\$ 2,962,682</u>
General Fund - Basic Financial Statements Net Change in Fund Balance	\$ 538,917
Less Fund 17 Net Change in Fund Balance	<u>(2,255)</u>
General Fund - Budgetary Comparison Schedule Net Change in Fund Balance	<u>\$ 536,662</u>

Excess of Expenditures Over Appropriations

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

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Certificated Salaries	\$ 18,370	The District underestimated the costs of certificated employees.
Capital Outlay	\$ 258,482	The District did not budget for capital outlay purchases.

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

Warner Unified School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2021

Schedule of District's Proportionate Share – CalSTRS

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

Schedule of District's Contributions – CalSTRS

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

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

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

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

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

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

Warner Unified School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2021

Schedule of District's Proportionate Share – CalPERS

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

Schedule of District's Contributions – CalPERS

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

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

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

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

Warner Unified School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2021

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

- 1) Benefit Changes: There were no changes to benefit terms.
- 2) Changes in Assumptions: Discount rates have been updated annually.
- 3) No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75 Paragraph 4.
- 4) The following are the discount rates used for each period:

<u>Year</u>	<u>Discount Rate</u>
2018	3.50%
2019	3.15%
2020	2.66%
2021	2.19%

Combining Statements as Supplementary Information

Warner Unified School District

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2021

	Special Revenue Funds	Capital Projects Fund Capital Facilities Fund	Total Nonmajor Governmental Funds
Assets			
Cash in County Treasury	\$ 10,596	\$ 56,536	\$ 67,132
Cash on Hand and in Banks	29,622	-	29,622
Accounts Receivable	37,801	-	37,801
Due from Other Funds	2,826	-	2,826
Stores Inventories	17,449	-	17,449
Total Assets	<u>\$ 98,294</u>	<u>\$ 56,536</u>	<u>\$ 154,830</u>
Liabilities and Fund Balance:			
Liabilities:			
Accounts Payable	\$ 1,245	\$ -	\$ 1,245
Due to Other Funds	28,529	-	28,529
Total Liabilities	<u>29,774</u>	<u>-</u>	<u>29,774</u>
Fund Balance:			
Nonspendable	17,449	-	17,449
Restricted	51,071	56,536	107,607
Total Fund Balance	<u>68,520</u>	<u>56,536</u>	<u>125,056</u>
Total Liabilities and Fund Balances	<u>\$ 98,294</u>	<u>\$ 56,536</u>	<u>\$ 154,830</u>

Warner Unified School District

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

	Special Revenue Funds	Capital Projects Fund Capital Facilities Fund	Total Nonmajor Governmental Funds
Revenues			
Federal Revenue	\$ 154,449	\$ -	\$ 154,449
Other State Revenue	119,054	-	119,054
Interest Income	-	-	-
Other Local Revenue	58,111	39,253	97,364
Total Revenues	<u>\$ 331,614</u>	<u>\$ 39,253</u>	<u>\$ 370,867</u>
Expenditures			
Current Expenditures:			
Instruction	87,405	-	87,405
Instruction - Related Services	4,600		4,600
Pupil Services	236,839	-	236,839
Ancillary Services	53,635		53,635
Total Expenditures	<u>382,479</u>	<u>-</u>	<u>382,479</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(50,865)</u>	<u>39,253</u>	<u>(11,612)</u>
Other Financing Sources (Uses):			
Transfers In	61,471	-	61,471
Total Other Financing Sources (Uses)	<u>61,471</u>	<u>-</u>	<u>61,471</u>
Net Change in Fund Balance	10,606	39,253	49,859
Fund Balance, Beginning of Year	57,914	17,283	75,197
Fund Balance, End of Year	<u>\$ 68,520</u>	<u>\$ 56,536</u>	<u>\$ 125,056</u>

Warner Unified School District

Combining Balance Sheet – Nonmajor Special Revenue Funds

June 30, 2021

	Associated Student Body Fund	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds
Assets				
Cash in County Treasury	\$ -	\$ 5,623	\$ 4,973	\$ 10,596
Cash on Hand and in Banks	29,572	-	50	29,622
Accounts Receivable	-	15,074	22,727	37,801
Due from Other Funds	-	2,826	-	2,826
Stores Inventories	-	-	17,449	17,449
Total Assets	<u>\$ 29,572</u>	<u>\$ 23,523</u>	<u>\$ 45,199</u>	<u>\$ 98,294</u>
Liabilities and Fund Balance:				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ 1,245	\$ 1,245
Due to Other Funds	-	3,576	24,953	28,529
Total Liabilities	<u>-</u>	<u>3,576</u>	<u>26,198</u>	<u>29,774</u>
Fund Balance:				
Nonspendable	-	-	17,449	17,449
Restricted	29,572	19,947	1,552	51,071
Total Fund Balance	<u>29,572</u>	<u>19,947</u>	<u>19,001</u>	<u>68,520</u>
Total Liabilities and Fund Balances	<u>\$ 29,572</u>	<u>\$ 23,523</u>	<u>\$ 45,199</u>	<u>\$ 98,294</u>

Warner Unified School District

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

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Total Nonmajor Governmental Funds
Revenues				
Federal Revenue	\$ -	\$ 6,615	\$ 147,834	\$ 154,449
Other State Revenue	-	80,582	38,472	119,054
Interest and Investment Income	-	351	195	546
Other Local Revenue	59,219	-	(1,654)	57,565
Total Revenues	<u>\$ 59,219</u>	<u>\$ 87,548</u>	<u>\$ 184,847</u>	<u>\$ 331,614</u>
Expenditures				
Current Expenditures:				
Instruction	-	87,405	-	87,405
Instruction - Related Services	-	4,600	-	4,600
Pupil Services	-	-	236,839	236,839
Ancillary Services	53,635	-	-	53,635
Total Expenditures	<u>53,635</u>	<u>92,005</u>	<u>236,839</u>	<u>382,479</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,584</u>	<u>(4,457)</u>	<u>(51,992)</u>	<u>(50,865)</u>
Other Financing Sources (Uses):				
Transfers In	-	11,424	50,047	61,471
Total Other Financing Sources (Uses)	<u>-</u>	<u>11,424</u>	<u>50,047</u>	<u>61,471</u>
Net Change in Fund Balance	5,584	6,967	(1,945)	10,606
Fund Balance, Beginning of Year	23,988	12,980	20,946	57,914
Fund Balance, End of Year	<u>\$ 29,572</u>	<u>\$ 19,947</u>	<u>\$ 19,001</u>	<u>\$ 68,520</u>

Other Supplementary Information

Warner Unified School District

Local Education Agency Organization Structure

June 30, 2021

The Warner Unified School District was established in 1995. The District boundaries include approximately 432 square miles in Northeast San Diego County. There were no changes in the boundaries of the District during the current year. The District currently operates one elementary school, one middle school, and one high school.

GOVERNING BOARD

Name	Office	Term and Term Expiration
Jeannean Rombal	President	Four Year Term Expires December 2022
Melissa Krogh	Vice President	Four Year Term Expires December 2020
Gene Doxley	Clerk	Four Year Term Expires December 2024
PJ Stoneburner	Member	Four Year Term Expires December 2022
Melody Sees	Member	Four Year Term Expires December 2022

ADMINISTRATION

David Macleod
Superintendent

Andrea Sissons
Chief Business Officer

Warner Unified School District

Schedule of Instructional Time

Year Ended June 30, 2021

Grade Level	Minimum Daily Minutes Offered	Instructional Days Offered Traditional Calendar	J-13A Credited Days	Status
Transitional Kindergarten	180	180	N/A	Complied
Kindergarten	180	180	N/A	Complied
1st Grade	230	180	N/A	Complied
2nd Grade	230	180	N/A	Complied
3rd Grade	230	180	N/A	Complied
4th Grade	240	180	N/A	Complied
5th Grade	240	180	N/A	Complied
6th Grade	240	180	N/A	Complied
7th Grade	240	180	N/A	Complied
8th Grade	240	180	N/A	Complied
9th Grade	240	180	N/A	Complied
10th Grade	240	180	N/A	Complied
11th Grade	240	180	N/A	Complied
12th Grade	240	180	N/A	Complied

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

1) EC §46207: As a condition of apportionment the following annual instructional minutes must be offered:

- To pupils in Kindergarten 36,000 minutes
- To pupils in grades 1 to 3 50,400 minutes
- To pupils in grades 4 to 8 54,000 minutes
- To pupils in grades 9 to 12 64,800 minutes

2) EC §46208: As a condition of apportionment 180 school days must be offered for traditional calendars. In order to qualify as a school day the following minimum daily minutes must be met:

- EC §46112: Grades 1 to 3 230 minutes
- EC §46113: Grades 4 to 8 240 minutes
- EC §46114: Kindergarten 180 minutes
- EC §46141: Grades 9 to 12 240 minutes

Warner Unified School District

Schedule of Instructional Time, Continued

Year Ended June 30, 2021

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

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

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

Warner Unified School District

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

<u>General Fund</u>	<u>Budget 2022 (See Note 1)</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues and Other Financing Sources	\$ 4,451,599	\$ 4,804,918	\$ 4,211,057	\$ 3,811,612
Expenditures and Other Financing Uses	4,814,555	4,283,074	3,800,324	4,576,459
Net Change in Fund Balance	(461,231)	521,844	410,733	(764,847)
Ending Fund Balance	<u>\$ 2,486,633</u>	<u>\$ 2,947,863</u>	<u>\$ 2,426,019</u>	<u>\$ 2,780,133</u>
Available Reserves (See Note 2)	<u>\$ 2,085,996</u>	<u>\$ 2,335,161</u>	<u>\$ 2,345,110</u>	<u>\$ 1,940,506</u>
Available Reserves as a Percentage of Total Outgo	<u>43.33%</u>	<u>54.52%</u>	<u>61.71%</u>	<u>42.40%</u>
Long Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Average Daily Attendance at P2	<u>180</u>	<u>N/A</u>	<u>180</u>	<u>180</u>

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

The general fund balance has increased by \$167,760 (6.0%) over the past two years. The fiscal year 2021-22 budget projects a decrease of \$461,231 (15.6%). For a district of this size, the State recommends available reserves of 4% of total general fund expenditures and other financing uses (total outgo).

The District does not have any long-term debt.

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

Notes:

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

Warner Unified School District

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

	General Fund (Fund 01)	Special Reserve Fund for Other Than Capital Outlay (Fund 17)
June 30, 2021, annual financial and budget report fund balances	<u>\$ 2,962,682</u>	<u>\$ 159,766</u>
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
GASB 54 Fund Presentation	<u>159,766</u>	<u>(159,766)</u>
Net adjustments and reclassifications	<u>159,766</u>	<u>(159,766)</u>
June 30, 2021, audited financial statement fund balances	<u><u>\$ 3,122,448</u></u>	<u><u>\$ -</u></u>

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

Warner Unified School District

Schedule of Charter Schools

Year Ended June 30, 2021

The Warner Unified School District charters the following charter schools:

<u>Charter Schools</u>	<u>Charter Number</u>	<u>Included in Audit?</u>
All Tribes Charter School	1057	No
All Tribes Elementary Charter School	1262	No
California Pacific Charter School - San Diego	1758	No
San Diego Mission Academy	2020	No
Sage Oak Charter School	2051	No
Pathways Academy Charter	2052	No
Excel Academy Charter	2053	No

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

Warner Unified School District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Subrecipient Expenditures	Total Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U.S. Department of Agriculture</u>				
Passed through California Department of Education				
School Breakfast Program	10.553	13526	\$ -	\$ 55,420
National School Lunch Program	10.555	13523	-	81,587
National School Lunch Program - Noncash Commodities	10.555	13392	-	10,828
Total Child Nutrition Cluster			-	147,835
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U.S. Department of Education</u>				
Passed through California Department of Education				
IDEA Basic Local Assistance	84.027	13379	-	63,009
IDEA Preschool Grants	84.173	13430	-	3,779
IDEA Preschool Staff Development	84.173	13431	-	3,728
Total Special Education (IDEA) Cluster			-	70,516
<u>U.S. Department of the Treasury</u>				
Passed through California Department of Education				
CARES Act - Learning Loss Mitigation Fund	21.019	25516		208,706
<u>U.S. Department of Education</u>				
Direct Program				
Impact Aid	84.041	-	-	301,487
Multi-Tiered System of Supports	84.326M	-	-	66,407
Passed through California Department of Education				
Title I	84.010	14329	-	121,358
Carl D. Perkins Career & Technical Education	84.045	14894	-	3,550
Indian Education	84.060	10011	-	18,571
Rural and Low Income Schools	84.358	14356	-	13,420
Title II Supporting Effective Instruction	84.367	14341	-	14,681
Title IV Student Support & Academic Enrichment	84.424	15396	-	10,000
Child Development Coronavirus Relief Supplement - One Time Stipend	93.575	15555	-	6,615
Governor's Emergency Education Relief Fund	84.425C	15517	-	13,800
CARES Act - Elementary & Secondary School Emergency Relief	84.425D	15536	-	76,415
CARES Act - Elementary & Secondary School Emergency Relief II	84.425D	15547	-	100
Total Other Programs			-	855,110
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,073,461

See accompanying notes to schedule of expenditures of federal awards.

Warner Unified School District

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of 2 CFR §200.502 *Basis for Determining Federal Awards Expended* and 2CFR §200.510(b) *Schedule of Expenditures of Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Summary of Significant Accounting Policies

The expenditures reported on the schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 *Direct and Indirect Costs*. The District used an indirect cost rate of 12.79% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 *Indirect Costs*. The District charged indirect costs to IDEA Basic Local Assistance and due to budgetary constraints did not charge indirect costs to any other programs.

Schoolwide Program

The District operates “schoolwide programs” at all school sites. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limiting services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide programs:

<u>Program</u>	<u>CFDA #</u>	<u>Amount Expended</u>
Title I	84.010	\$ 121,358

Personal Protective Equipment (PPE) (Unaudited)

As a result of the COVID-19 Pandemic the District received personal protective equipment (PPE) valued at \$8,000 from the federal government.

Warner Unified School District

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Reconciliation of Revenues

The District is permitted to bill for Medi-Cal administrative activities and services provided as a Provider Type 55 (LEA Provider) which under the provisions of 2CFR §200.330 distinguishes the District as a contractor rather than a subrecipient of the federal funds. As such, the program has not been included in the schedule of expenditures of federal awards.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards:

Total Federal Revenues on Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 1,110,105
Less: Amounts representing Medi-Cal	<u>(36,644)</u>
Total Federal Expenditures on Schedule of Expenditures of Federal Awards	<u>\$ 1,073,461</u>

Other Independent Auditors' Reports

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

To the Board of Education
Warner Unified School District
Warner Springs, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Warner Unified School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Warner Unified School District's basic financial statements, and have issued our report thereon dated March 31, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Warner 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Warner Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Warner 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 detected.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warner 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co LLP

El Cajon, California
March 31, 2022

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Education
Warner Unified School District
Warner Springs, California

Report on Compliance for Each Major Federal Program

We have audited Warner 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 Warner Unified School District's major federal programs for the year ended June 30, 2021. Warner 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 Warner 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 Warner 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 Warner Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Warner 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 Warner 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 Warner 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 Warner 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Wilkinson Hadley King & Co LLP

El Cajon, California
March 31, 2022

Independent Auditor's Report on State Compliance

To the Board of Education
Warner Unified School District
Warner Springs, California

Report on State Compliance

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

Management's Responsibility for State Compliance

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

Auditor's Responsibility

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

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

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

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

Opinion on State Compliance

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the States audit guide, *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001.

Warner Unified School District's Response to Findings

Warner Unified School District's response to the findings identified in our audit are described in the accompanying corrective action plan. Warner Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Wilkinson Hadley King & Co LLP

El Cajon, California
March 31, 2022,

Auditor's Results, Findings & Recommendations

Warner Unified School District

Schedule of Auditor's Results

Year Ended June 30, 2021

FINANCIAL STATEMENTS

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified?

 Yes X No

One or more significant deficiencies identified that are
not considered material weakness(es)?

 Yes X No

Noncompliance material to financial statements noted?

 Yes X No

FEDERAL AWARDS

Internal control over major programs:

One or more material weakness(es) identified?

 Yes X No

One or more significant deficiencies identified that are
not considered material weakness(es)?

 Yes X No

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

Unmodified

Compliance supplement utilized for single audit

July 2021 with
December 2021 Addendum

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR §200.516?

 Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund - Learning Loss Mitigation
85.041	Federal Impact Aid

Dollar threshold used to distinguish between Type A
and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

 Yes X No

STATE AWARDS

Any audit findings disclosed that are required to be reported
in accordance with *2020-21 Guide for Annual Audits
of California K-12 Local Education Agencies?*

 X Yes No

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

Unmodified

Warner Unified School District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are as follows:

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

A. Financial Statement Findings

None

B. Federal Awards

None

Warner Unified School District

Schedule of Findings and Questioned Costs, Continued

Year Ended June 30, 2021

C. State Award Findings

Finding Number: 2021-001
Repeat Finding: No
Program Name: Attendance System
Questioned Costs: None
Type of Finding: State Compliance – Attendance (10000)

Criteria or Specific Requirement

Verify that absences were reported correctly for site-based or distance learning instruction.

Condition

In our review of attendance, the District was unable to provide supporting documentation for Warner Elementary School. In further review it was determined that at the end of the school year the District overwrote the electronic copy of the attendance records and were therefore unable to provide them for audit purposes.

Cause

A backup of the attendance system was not maintained and the District overwrote the attendance backup documents in the system at year end.

Effect

We were unable to verify that absences were reported correctly for Warner Elementary School. Without the records we cannot determine the number of days reported incorrectly. There is no fiscal impact as a result of this finding.

Context

State aid funding as part of the Local Control Funding Formula (defined in Education Code §52064) is based on attendance reported on the P2 Report of Attendance. Although there was no reporting of attendance for funding purposes during the 2020-21 fiscal year, the District was still required to maintain attendance records for compulsory attendance tracking (Education Code §43500-43504). Additionally, keeping a system of controls over the attendance process ensures accurate reporting in future periods.

Recommendation

Establish a procedure to backup all attendance records and maintain copies for audit purposes.

Views of Responsible Officials

See Corrective Action Plan

Warner Unified School District

P.O. Box 8, 30951 Highway 79, Warner Springs, CA 92086
Phone (760) 782-3517 - FAX (760) 782-9117



March 31, 2022

To Whom it May Concern:

The accompanying Corrective Action Plan has been prepared as required by the 2020-21 Guide for *Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

A handwritten signature in blue ink that reads "Andrea Sissons".

Andrea Sissons
Chief Business Official

Warner Unified School District

Corrective Action Plan

Year Ended June 30, 2021

State Compliance Findings

Finding Number: 2021-001
Program Name: Attendance
Contact Person: Andrea Sissons
Anticipated Completion Date: June 30, 2022

Planned Corrective Action: During the COVID closures and the hybrid learning period that was identified for audit; our high school was mostly on campus; while our elementary students remained on distance learning for a few more weeks.

During the periods of distance learning, the parents were naturally communicating directly with teachers about absences instead of calling our attendance line. Our Middle/High school created a schoolwide spreadsheet to document parent contacts/etc. In our Elementary school; our teachers communicate through parent/teacher phone apps which they were relying on for documenting parent contacts. We found out that these free apps erase the prior year's communication once you set up a new school year and were unavailable during the audit.

Due to the transition period between COVID closures, hybrid distance learning, and coming back into the classroom; we went through a period of having to request parents resume communication with the attendance office. This has been rectified in the current year, now that we are back to the regular in-person attendance.

Moving forward, if similar circumstances occur, the district will implement a tool for all staff that will remain accessible and will become part of the permanent attendance record.

Warner Unified School District

Schedule of Prior Year Audit Findings

Year Ended June 30, 2021

Finding/Recommendation	Status	Explanation if Not Implemented
Finding 2020-001 Instructional Materials <u>Condition</u> In our review of board resolutions and public hearings, we noted that the District did not hold a public hearing on the sufficiency of instructional materials nor did the Board of Education determine through a resolution as to the sufficiency of textbooks or other instructional materials. <u>Recommendation</u> Establish a process to ensure that the board makes a determination through resolution as to the sufficiency of textbooks and instructional materials in accordance with Education Code §60119 after holding a public hearing within the first eight weeks of the start of the school year.	Implemented	
Finding 2020-002 SARC <u>Condition</u> The Board of Education did not pass a resolution as to the sufficiency of textbooks and instructional materials and as such the information included in the SARCs for sufficiency of textbooks and instructional materials could not be audited. <u>Recommendation</u> Amend the P2 and Annual reports of attendance to correctly report ADA. Establish a system of review over attendance reporting that ensures amounts reported are inclusive of all eligible attendance for students within the District and that all amounts are accurately reported.	N/A – As a result of COVID-19 There was no reporting of ADA during the 2020-21 fiscal year.	

Warner Unified School District
Schedule of Prior Year Audit Findings, Continued
Year Ended June 30, 2021

Finding/Recommendation	Status	Explanation if Not Implemented
<p>Finding 2020-003 Comprehensive School Safety Plan</p> <p><u>Condition</u> In our review of comprehensive school safety plans we noted that the District has not adopted a comprehensive school safety plan as described in Education Code §32282. In addition, the District has not notified the State Department of Education that they do not have an adopted comprehensive school safety plan for any school sites.</p> <p><u>Recommendation</u> Establish a comprehensive school safety plan as described in Education Code §32282. Include law enforcement, fire departments, and other safety officials in the development and adoption of a plan.</p>	Implemented	
<p>Finding 2020-004 Attendance Reporting</p> <p><u>Condition</u> Upon initial review of the supporting documents for the P2 and Annual Reports of attendance submitted to the California Department of Education the District provided the auditor backup documents from the attendance system that matched reporting, but excluded attendance for any students who transferred out of the District during the school year. Subsequent to the issuance of the audit report, the District realized they had run the reports in prior year incorrectly and re-ran the reports to include attendance from current students and students that had transferred out.</p> <p><u>Recommendation</u> Establish a review process over SARCs to ensure the most up to date information is included in them.</p>		