



Financial Statements
June 30, 2020

Laguna Beach Unified School District

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Independent Auditor's Report

To the Governing Board
Laguna Beach Unified School District
Laguna Beach, 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 Laguna Beach Unified School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Laguna Beach Unified School District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, budgetary comparison information on page 64, schedule of changes in the District's net OPEB liability and related ratios on page 65, schedule of the District's proportionate share of the net pension liability on page 66, and the schedule of District contributions on page 67, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laguna Beach Unified School District's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 23, 2020 on our consideration of Laguna Beach Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Laguna Beach Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Laguna Beach Unified School District's internal control over financial reporting and compliance.

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

Rancho Cucamonga, California
November 23, 2020



LAGUNA BEACH UNIFIED SCHOOL DISTRICT

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This section of Laguna Beach Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020, with comparative information for the year ending June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

On March 13, 2020, Governor Gavin Newsom issued Executive Order N-26-20 regarding the physical closure of schools in response to the COVID-19 pandemic. This executive order requested that schools continue to deliver high-quality educational opportunities to students to the extent feasible through, among other options, distance learning and/or independent study.

The Laguna Beach Unified School District focused on five essential categories during the school closures: 1) access to distance learning, 2) engagement in learning, 3) support for family and student wellbeing, 4) access to social-emotional learning and support, and 5) communication structures and processes.

Even though COVID-19 may have disrupted student learning and altered business operation, the effects of the pandemic had limited impact on the District's financial outcome.

The District's financial status remains positive. During the fiscal year ending June 30, 2020, various factors contributed to the District's operations and net position. The major elements that impacted the financial position during the year are detailed below.

- The District's overall financial status continued to strengthen. Total net position increased by \$4,785,826 (14.4 percent) from June 30, 2019 to June 30, 2020. Over time net position can be a useful indicator of the District's financial condition.
- At the close of the current fiscal year, the School District's governmental funds financial statement shows a combined ending fund balance of \$43,731,353 an increase of \$4,962,719 from the prior year. An increase in the fund balance of the General Fund was attributed to unspent unrestricted programs/departments, restricted categorical programs, and certain expenditures being less than budgeted due to savings realized from the school closure due to the COVID-19 pandemic.

- In addition, there were no significant impacts to property tax revenues due to the COVID-19 pandemic. General revenues from property taxes increased 4.6 percent over the prior year and represent 82.9 percent of revenue from governmental activities. Secured property taxes contributed to the increase in unrestricted net position from moderately increased assessments derived primarily from inflation adjustments and real estate sales under Prop 13.
- Since the start of the COVID-19 recession, there was growing concern that property tax collections would weaken significantly. The County reports, however, that those concerns were not realized as property tax payments outperformed expectations. While this is relatively good news, the County cautions that uncertainty remains. Property tax revenues could underperform if the health pandemic does not loosen its grip on the economy.
- The total cost of all programs and services increased by 1.5 percent. Total cost of instruction-related activities increased 2.9 percent over the prior year and represents 69.9 percent of total expenses. The District is committed to providing 21st century teaching and learning to all students to ensure that they are ready for both college and career.
- Capital assets increased 1.2 percent, while long-term commitments decreased by 7.7 percent. The District contracted various major capital improvements that will continue over multiple fiscal years. Some of these projects at Thurston Middle School include the conversion of the natural grass field to a multi-sport synthetic turf field, the removal of two leased portable classroom buildings, and the modernization of an existing classroom space.
- In addition to the major construction projects, the District also completed a number of maintenance projects that included new roofs, re-keying all locks and doors, and adding safety enhancements to all four campuses to ensure the safety of all students. The projects are funded through reserves, not debt financing and through a scheduled Ten Year Facilities Master Plan; the district plans to continue making routine deposits to replenish what is used and ensure all of the projects on the list can be accomplished in the planned timeframes.
- The District's California Employers' Retiree Benefits Trust (CERBT) to fund Other Post-Employment Benefits (OPEB) earnings through June 30, 2019 represented a 73.2 percent funded ratio.

Detailed information and analysis of the changes in net position and fund balances can be found in the subsequent sections and reflect the impact of these major financial highlights.

Overview of the Financial Statements

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the District-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term*, as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include *notes* that explain some of the 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 with a comparison of the District's budget for the year.

District-Wide Financial Statements

The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net Position* includes all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

The two District-wide financial statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources - are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, it is necessary to consider additional non-financial factors such as changes in the District's condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, pupil transportation, maintenance and operations, and administration. Property taxes finance most of these activities.

Fiduciary Activities

The District is the trustee, or fiduciary, for assets that belong to others, such as the student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" 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 by State law.
- The District establishes other funds to control and manage money for particular purposes.

The District has two kinds of funds:

Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) *how cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

Fiduciary funds - The District is the trustee, or *fiduciary*, for assets that belong to others, such as student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

Financial Analysis of the District as A Whole

Net Position

The District's net position was more on June 30, 2020, than it was in the prior year, an increase of 14.4 percent to \$37,963,703. Of this amount, \$(6,277,680) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net positions for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	\$ 47,211,522	\$ 43,187,208
Capital assets	59,517,762	58,803,804
Total assets	106,729,284	101,991,012
Deferred outflows of resources	15,042,072	15,831,894
Liabilities		
Current liabilities	3,896,940	4,870,970
Long-term liabilities other than OPEB and pensions	22,045,159	23,879,749
Other postemployment benefits (OPEB)	1,218,549	216,140
Aggregate net pension liability	52,870,999	52,664,061
Total liabilities	80,031,647	81,630,920
Deferred inflows of resources	3,776,006	3,014,109
Net Position		
Net investment in capital assets	38,842,815	36,335,113
Restricted	5,398,568	5,142,117
Unrestricted (deficit)	(6,277,680)	(8,299,353)
Total net position	\$ 37,963,703	\$ 33,177,877

The \$(6,277,680) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased by 24.4 percent (\$(6,277,703) compared to \$(8,299,353)).

Changes in Net Position

The District's total revenues were \$71,672,907 (See Table 2), an increase of \$2,890,819, or 4.2 percent. This increase was due primarily to property taxes. Table 2 takes the information from the Statement of Activities and rearranges them slightly to indicate total revenues for the year. Property taxes account for most of the District's revenue, about 83 cents of every dollar received or recognized for accounting purposes.

Table 2

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 487,592	\$ 636,200
Operating grants and contributions	6,711,833	7,329,927
General revenues		
Property taxes	59,444,830	56,856,732
Other general revenues	5,028,652	3,959,229
Total revenues	71,672,907	68,782,088
Expenses		
Instruction-related	46,745,204	45,447,782
Pupil services	7,354,892	7,382,880
Administration	4,749,026	4,896,656
Plant services	4,980,193	4,841,126
All other services	3,057,766	3,347,459
Total expenses	66,887,081	65,915,903
Change in net position	\$ 4,785,826	\$ 2,866,185

The total cost of all programs and services was \$66,887,081. The District's expenses are predominantly related to educating and caring for students (80.9 percent). The purely administrative activities of the District accounted for 7.1 percent of total costs.

Total revenues for governmental activities surpassed expenses, increasing the net position by \$4,785,826 over last year, contributing to the District's fiscal status.

Governmental Activities

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

Table 3

	2020		2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction-related	\$ 46,745,204	\$ 41,582,211	\$ 45,447,782	\$ 39,849,348
Pupil services	7,354,892	5,782,810	7,382,880	5,748,298
Administration	4,749,026	4,599,515	4,896,656	4,618,676
Plant services	4,980,193	4,941,891	4,841,126	4,724,729
All other services	3,057,766	2,781,229	3,347,459	3,008,725
Total	\$ 66,887,081	\$ 59,687,656	\$ 65,915,903	\$ 57,949,776

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" 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 by State law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (e.g. capital facilities) or to show that it is properly using certain revenues (e.g. cafeteria revenues).

Financial Analysis of the District's Funds

The strong financial performance of the District as a whole is reflected in its governmental funds as well. The main day-to-day operating fund of the District is the General Fund. The monies deposited into the General Fund represent the Federal, State, and local revenues available for the ongoing cost related to instruction, school and district administration, student transportation, and regular maintenance and operations. During 2019-2020, the General Fund had revenues of \$67,684,647 and expenditures and transfers out of the fund of \$62,971,056 for an increase of \$4,713,591 or 17.0 percent. Excluding transfers from other funds of \$(2,525,000), General Fund revenues exceeded expenditures by \$7,238,591. The District achieves a financial balance between revenues and expenditures for its ongoing day-to-day operations.

The total of all governmental funds saw an increase in fund balance. As the District completed the year, its governmental funds reported combined fund balance of \$43,731,353. Expenditures for the General Fund and revenue for the Special Reserve Fund for Capital Outlay Projects reflect transfers of \$2,100,000 for the Capital Improvement Plan, and \$425,000 to cover cafeteria program costs.

Table 4

	Balances and Activity			June 30, 2020
	July 1, 2019	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	
General Fund	\$ 27,738,392	\$ 67,684,647	\$ 62,971,056	\$ 32,451,983
Special Reserve Fund for Capital Outlay Projects	8,545,939	2,267,357	2,211,145	8,602,151
Adult Education Fund	67,200	100,038	81,342	85,896
Cafeteria Fund	30,641	935,024	890,710	74,955
Capital Facilities Fund	143,812	121,249	139,976	125,085
Bond Interest and Redemption Fund	<u>2,242,650</u>	<u>2,901,633</u>	<u>2,753,000</u>	<u>2,391,283</u>
Total	<u>\$ 38,768,634</u>	<u>\$ 74,009,948</u>	<u>\$ 69,047,229</u>	<u>\$ 43,731,353</u>

General Fund Budgetary Highlights

Over the course of the year, the Board approves three versions of the operating budget. These budget versions are the following: Adopted Budget, First Interim, and Second Interim with Unaudited Actuals brought forward after the year-end closing is completed.

Budget adjustments to revenues for the year include:

- Adjustment for actual local property taxes revenue received;
- One-time discretionary funds for outstanding mandate claims;
- Increased in other local revenues primary due to higher interest earnings and receipt of donations received throughout the fiscal year

While the District's estimated budget for the General Fund anticipated that revenues and expenditures would result in the General Fund ending balance of \$29,359,927 the actual ending balance was \$32,451,983. This difference was predominantly attributed to property taxes, donations received and program carryover.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2020, the District had 59,517,762 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$713,958, or 1.2 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2020	2019
Land and construction in process	\$ 2,792,103	\$ 1,638,133
Other capital assets, net of accumulated depreciation	56,725,659	57,165,671
Total	\$ 59,517,762	\$ 58,803,804

Long-Term Liabilities other than OPEB and Pension

At year-end, the District had \$22,045,159 in general obligation bonds, to be repaid through the use of tax collections, and other long-term liabilities. Detailed information regarding long-term liabilities is presented in Note 9 to the financial statements.

Table 6

	Governmental Activities	
	2020	2019
General obligation bonds	\$ 20,005,000	\$ 21,715,000
Premium on issuance	1,677,158	1,886,803
Compensated absences	363,001	277,946
Total	\$ 22,045,159	\$ 23,879,749

OPEB and Pension Liabilities

At year end, the District had an other postemployment benefit liability (OPEB) of \$1,218,549, versus \$216,140 last year, an increase of \$1,002,409 or 463.8 percent.

At year-end, the District has a net pension liability of \$52,870,999 versus \$52,664,061 last year, an increase of \$206,938, or 0.4 percent.

Factors Bearing on the District's Future

At the time, these financial statements were prepared and audited, the District was aware of the following circumstances could significantly affect its financial health in the future:

The District is a community funded district and is primarily funded through local property tax, rather than state funds. The 2020-2021 Adopted Budget included an increase in secured property tax revenue of 2.5 percent over the 2019-2020 Estimated Actual Level. The impact of COVID 19 pandemic on the budget forecast will not be reflected in values to be taxed for 2020-2021. Property tax cycles provide the district with about one-year lag time before any economic downturn impact on secured property tax revenues. The real impact may be in 2021-2022 and 2022-2023. Potential decreases to property tax revenues in future years may be due to economic factors such as loss of jobs, failure to pay mortgage payments and property taxes, and property foreclosures or short sales. The District will need to closely monitor the economy and its potential impacts to property tax revenues. As the crisis develops and more information becomes available, the multi-year projections will be updated to reflect new assumptions and possible outcomes. The District maintains sufficient reserves to ensure fiscal solvency and to provide fiscal flexibility to address the COVID 19 crisis.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jeff Dixon, Assistant Superintendent-Business Services, Laguna Beach Unified School District, 550 Blumont Street, Laguna Beach, California 92651.

Laguna Beach Unified School District
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Deposits and investments	\$ 44,300,142
Receivables	2,847,160
Prepaid expenses	52,024
Stores inventories	12,196
Capital assets not depreciated	2,792,103
Capital assets, net of accumulated depreciation	56,725,659
Total assets	106,729,284
Deferred Outflows of Resources	
Deferred charge on refunding	1,007,211
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	1,130,828
Deferred outflows of resources related to pensions	12,904,033
Total deferred outflows of resources	15,042,072
Liabilities	
Accounts payable	3,270,664
Accrued interest	416,771
Unearned revenue	209,505
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	1,870,000
Long-term liabilities other than OPEB and pensions due in more than one year	20,175,159
Total other postemployment benefits liabilities	1,218,549
Aggregate net pension liabilities	52,870,999
Total liabilities	80,031,647
Deferred Inflows of Resources	
Net change in proportionate share of net pension liability	177,038
Deferred inflows of resources related to pensions	3,598,968
Total deferred inflows of resources	3,776,006
Net Position	
Net investments in capital assets	38,842,815
Restricted for	
Debt service	1,974,512
Capital projects	125,085
Educational programs	3,151,611
Other activities	147,360
Unrestricted (deficit)	(6,277,680)
Total net position	\$ 37,963,703

Laguna Beach Unified School District
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 40,147,233	\$ -	\$ 4,698,504	\$ (35,448,729)
Instruction-related activities				
Supervision of instruction	1,280,423	-	260,209	(1,020,214)
Instructional library, media, and technology	1,597,882	-	41,659	(1,556,223)
School site administration	3,719,666	-	162,621	(3,557,045)
Pupil services				
Home-to-school transportation	1,561,545	-	-	(1,561,545)
Food services	994,773	374,617	135,407	(484,749)
All other pupil services	4,798,574	2,924	1,059,134	(3,736,516)
General administration				
Data processing	864,175	-	11,855	(852,320)
All other general administration	3,884,851	-	137,656	(3,747,195)
Plant services	4,980,193	-	38,302	(4,941,891)
Ancillary services	1,811,617	-	34,927	(1,776,690)
Interest on long-term liabilities	923,631	-	-	(923,631)
Other outgo	322,518	110,051	131,559	(80,908)
Total governmental activities	<u>\$ 66,887,081</u>	<u>\$ 487,592</u>	<u>\$ 6,711,833</u>	<u>(59,687,656)</u>
General revenues and subventions				
Property taxes, levied for general purposes				56,572,276
Property taxes, levied for debt service				2,872,554
Federal and State aid not restricted to specific purposes				1,758,808
Interest and investment earnings				781,812
Miscellaneous				2,488,032
Subtotal, general revenues				<u>64,473,482</u>
Change in Net Position				4,785,826
Net Position - Beginning				<u>33,177,877</u>
Net Position - Ending				<u>\$ 37,963,703</u>

Laguna Beach Unified School District

Balance Sheet – Governmental Funds

June 30, 2020

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 32,736,815	\$ 8,866,699	\$ 2,696,628	\$ 44,300,142
Receivables	2,817,477	8,882	20,801	2,847,160
Due from other funds	443	-	-	443
Prepaid expenditures	52,024	-	-	52,024
Stores inventories	-	-	12,196	12,196
	<u>35,606,759</u>	<u>8,875,581</u>	<u>2,729,625</u>	<u>47,211,965</u>
Total assets	\$ 35,606,759	\$ 8,875,581	\$ 2,729,625	\$ 47,211,965
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 2,945,271	\$ 273,430	\$ 51,963	\$ 3,270,664
Due to other funds	-	-	443	443
Unearned revenue	209,505	-	-	209,505
	<u>3,154,776</u>	<u>273,430</u>	<u>52,406</u>	<u>3,480,612</u>
Total liabilities	3,154,776	273,430	52,406	3,480,612
Fund Balances				
Nonspendable	102,024	-	13,491	115,515
Restricted	3,151,611	-	2,663,728	5,815,339
Committed	18,689,198	8,602,151	-	27,291,349
Assigned	7,369,848	-	-	7,369,848
Unassigned	3,139,302	-	-	3,139,302
	<u>32,451,983</u>	<u>8,602,151</u>	<u>2,677,219</u>	<u>43,731,353</u>
Total fund balances	32,451,983	8,602,151	2,677,219	43,731,353
Total liabilities and fund balances	\$ 35,606,759	\$ 8,875,581	\$ 2,729,625	\$ 47,211,965

Laguna Beach Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2020

Total Fund Balances - Governmental Funds \$ 43,731,353

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

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

The cost of capital assets is the following	\$ 96,520,659
Accumulated depreciation is the following	<u>(37,002,897)</u>

Total capital assets	59,517,762
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In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred. (416,771)

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

Deferred outflows of resources amounted to and related to

Debt refundings	1,007,211
Other postemployment benefits	1,130,828
Net pension liability	<u>12,904,033</u>

Total deferred outflows of resources to pensions	15,042,072
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Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to

Other postemployment benefits	(177,038)
Net pension liability	<u>(3,598,968)</u>

Total deferred inflows of resources to pensions	(3,776,006)
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Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. (52,870,999)

Laguna Beach Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2020

The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds. \$ (1,218,549)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of

General obligation bonds	\$ 20,005,000	
Premium on issuance	1,677,158	
Compensated absences	<u>363,001</u>	
Total long-term liabilities		<u>(22,045,159)</u>
Total net position - governmental activities		<u><u>\$ 37,963,703</u></u>

Laguna Beach Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	\$ 57,680,556	\$ -	\$ -	\$ 57,680,556
Federal sources	933,971	-	125,601	1,059,572
Other State sources	4,450,172	-	110,445	4,560,617
Other local sources	4,619,948	167,357	3,396,898	8,184,203
Total revenues	<u>67,684,647</u>	<u>167,357</u>	<u>3,632,944</u>	<u>71,484,948</u>
Expenditures				
Current				
Instruction	35,503,741	-	81,342	35,585,083
Instruction-related activities				
Supervision of instruction	1,209,342	-	-	1,209,342
Instructional library, media, and technology	1,525,587	-	-	1,525,587
School site administration	3,352,688	-	-	3,352,688
Pupil services				
Home-to-school transportation	1,559,675	-	-	1,559,675
Food services	73,814	-	890,710	964,524
All other pupil services	4,406,511	-	-	4,406,511
General administration				
Data processing	852,869	-	-	852,869
All other general administration	3,740,615	-	-	3,740,615
Plant services	4,892,292	44,041	-	4,936,333
Ancillary services	1,753,109	-	-	1,753,109
Other outgo	322,518	-	-	322,518
Facility acquisition and construction	1,253,295	2,167,104	139,976	3,560,375
Debt service				
Principal	-	-	1,710,000	1,710,000
Interest and other	-	-	1,043,000	1,043,000
Total expenditures	<u>60,446,056</u>	<u>2,211,145</u>	<u>3,865,028</u>	<u>66,522,229</u>
Excess (Deficiency) of Revenues over Expenditures	<u>7,238,591</u>	<u>(2,043,788)</u>	<u>(232,084)</u>	<u>4,962,719</u>
Other Financing Sources (Uses):				
Transfers in	-	2,100,000	425,000	2,525,000
Transfers out	<u>(2,525,000)</u>	<u>-</u>	<u>-</u>	<u>(2,525,000)</u>
Net financing sources (uses)	<u>(2,525,000)</u>	<u>2,100,000</u>	<u>425,000</u>	<u>-</u>
Net Change in Fund Balances	4,713,591	56,212	192,916	4,962,719
Fund Balances - Beginning	<u>27,738,392</u>	<u>8,545,939</u>	<u>2,484,303</u>	<u>38,768,634</u>
Fund Balances - Ending	<u>\$ 32,451,983</u>	<u>\$ 8,602,151</u>	<u>\$ 2,677,219</u>	<u>\$ 43,731,353</u>

Laguna Beach Unified School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities
 Year Ended June 30, 2020

Total Net Change in Fund Balances - Governmental Funds \$ 4,962,719

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlay exceeds depreciation expense in the period.

Capital outlays	\$ 4,303,257
Depreciation expense	<u>(3,579,627)</u>

Net expense adjustment	723,630
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Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (9,672)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item is measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation used was less than the amounts earned by \$85,055. (85,055)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (2,424,959)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year. (210,206)

Laguna Beach Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2020

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds	\$ 1,710,000
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Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium	\$ 209,645	
Amortization of deferred charge on refunding	<u>(125,901)</u>	
		83,744

Interest on long-term liabilities in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

<u>35,625</u>

Change in net position of governmental activities

<u><u>\$ 4,785,826</u></u>

Laguna Beach Unified School District
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2020

	<u>Agency Funds</u>
Assets	
Deposits and investments	<u>\$ 1,109,204</u>
Liabilities	
Due to student groups	\$ 179,636
Due to bond holders	<u>929,568</u>
Total Liabilities	<u>\$ 1,109,204</u>

Note 1 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The Laguna Beach Unified School District was organized in 1936 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades kindergarten through twelve as mandated by the State and/or Federal agencies. The District operates two elementary schools, one middle school, one high school, and an adult education program.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may 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. For financial reporting purposes, the component units describe below have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units* and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

As a result, the General Fund reflects an increase in fund balance and revenues of \$18,689,198, and \$303,760, and a decrease in other financing uses of \$1,000,000, respectively, as of June 30, 2020.

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

Non-Major Governmental Funds

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

- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

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

- **Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

Fiduciary Funds **Fiduciary** funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB) and funds held for the Community Facilities District No. 98-1. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

Basis of Accounting - Measurement Focus

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

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

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

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

- **Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

Expenses/Expenditures

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

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair value of investments in the Orange County Treasury Investment Pool is determined by the program sponsor.

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net position, except for the net residual amounts due between governmental and fiduciary funds, which are presented as accounts receivables and payables.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums, and Discounts

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred inflows of resources for pension and OPEB relate to contributions subsequent to the measurement date, change in proportion and differences between contributions made and the District's proportionate share of contributions, net difference between projected and actual earnings on OPEB plan investments, differences between expected and actual experiences in the measurement of total pension liability, differences between expected and actual earnings on investments, and changes of assumptions.

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

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of

employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of California Public Employees' Retirement System (CalPERS) plan has been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The District has related debt outstanding as of June 30, 2020. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$5,398,568 of restricted net position.

Interfund Activity

Transfers between governmental and fiduciary activities in the government-wide financial statements are reported in the same manner as general revenues.

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

Estimates

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

Property Tax

Secured property taxes attach as an enforceable lien on property as of March 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 and become delinquent after November 1. The County of Orange bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement have been implemented as of June 30, 2020.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an

investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

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

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

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

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the

appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 44,300,142
Fiduciary funds	<u>1,109,204</u>
Total deposits and investments	<u>\$ 45,409,346</u>

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	\$ 223,862
Cash in revolving	51,295
Investments	<u>45,134,189</u>
Total deposits and investments	<u>\$ 45,409,346</u>

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by holding the majority of its investments in the Orange County Treasury Investment Pool as well as maintaining an investment in a money market fund. The pool purchases shorter-term investments and attempts to time cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Reported Amount	Average Maturity in Days
US Bank Money Market Fund 5 CT	\$ 929,568	1
Orange County Treasury Investment Pool	44,204,621	266
Total	<u>\$ 45,134,189</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the county pool are not required to be rated.

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District did not have any bank balance exposed to custodial credit risk.

Note 3 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Orange County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share. The County Treasury Investment Pool has a daily redemption frequency period and a one-day redemption notice period.

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Fair Value	Uncategorized
US Bank Money Market Fund 5 CT	\$ 929,568	\$ 929,568
Orange County Treasury Investment Pool	44,204,621	44,204,621
Total	\$ 45,134,189	\$ 45,134,189

Note 4 - Receivables

Receivables at June 30, 2020, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 723,428	\$ -	\$ 6,895	\$ 730,323
State Government				
LCFF apportionment	175,499	-	-	175,499
Categorical aid	123,264	-	8,871	132,135
Lottery	143,257	-	-	143,257
Due from South Orange County SELPA	1,245,983	-	-	1,245,983
Local Government				
Interest	16,565	8,882	5,035	30,482
Other Local Sources	389,481	-	-	389,481
Total	\$ 2,817,477	\$ 8,882	\$ 20,801	\$ 2,847,160

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,173,934	\$ -	\$ -	\$ 1,173,934
Construction in process	464,199	1,956,036	802,066	1,618,169
Total capital assets not being depreciated	1,638,133	1,956,036	802,066	2,792,103
Capital assets being depreciated				
Land improvements	18,713,009	198,674	-	18,911,683
Buildings and improvements	60,588,528	1,608,767	5,940	62,191,355
Portable classrooms and structures	90,200	-	-	90,200
Furniture and equipment	11,237,482	1,341,846	44,010	12,535,318
Total capital assets being depreciated	90,629,219	3,149,287	49,950	93,728,556
Less accumulated depreciation				
Land improvements	(11,117,660)	(915,775)	-	(12,033,435)
Buildings and improvements	(17,667,919)	(1,706,366)	2,698	(19,371,587)
Portable classrooms and structures	(80,130)	(1,468)	-	(81,598)
Furniture and equipment	(4,597,839)	(956,018)	37,580	(5,516,277)
Total accumulated depreciation	(33,463,548)	(3,579,627)	40,278	(37,002,897)
Governmental activities capital assets, net	\$ 58,803,804	\$ 1,525,696	\$ 892,294	\$ 59,517,762

Depreciation expense charged to governmental activities was as follows.

Governmental Activities	
Instruction	\$ 3,221,664
School site administration	178,982
All other pupil services	178,981
Total depreciation expenses governmental activities	\$ 3,579,627

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2020, between major and non-major governmental funds are as follows:

The balance of \$443 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for reimbursement of payroll expenditures.

Operating Transfers

Interfund transfers for the year ended June 30, 2020, consisted of the following:

Transfer To	Transfer From General Fund
Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Funds	\$ 2,100,000 425,000
Total	\$ 2,525,000

The General Fund transferred \$1,200,000 to the Special Reserve Fund for Capital Outlay Projects for the Capital Improvement Plan (CIP).

The General Fund transferred \$900,000 to the Special Reserve Fund for Capital Outlay Projects for the Facilities Repair and Replacement Program.

The General Fund transferred \$425,000 to the Cafeteria Non-Major Governmental Fund to cover program costs.

Note 7 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Salaries and benefits	\$ 1,238,984	\$ -	\$ 42,217	\$ 1,281,201
Supplies and materials	255,859	-	2,005	257,864
Services	1,207,075	-	-	1,207,075
Construction	-	273,430	5,858	279,288
Due to South Orange County SELPA	184,695	-	-	184,695
Other vendor payables	58,658	-	1,883	60,541
Total	\$ 2,945,271	\$ 273,430	\$ 51,963	\$ 3,270,664

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	General Fund
State categorical aid	\$ 207,733
Other local	1,772
Total	\$ 209,505

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

Summary

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
General obligation bonds	\$ 21,715,000	\$ -	\$ 1,710,000	\$ 20,005,000	\$ 1,870,000
Premium on issuance	1,886,803	-	209,645	1,677,158	-
Compensated absences	277,946	85,055	-	363,001	-
Total	\$ 23,879,749	\$ 85,055	\$ 1,919,645	\$ 22,045,159	\$ 1,870,000

Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. The compensated absences will be paid by the General Fund, the Adult Education Fund, and the Cafeteria Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Redeemed	Bonds Outstanding June 30, 2020
7/8/10	8/1/28	2.00-5.00%	\$ 30,090,000	\$ 21,715,000	\$ 1,710,000	\$ 20,005,000

2010 General Obligation Refunding Bonds

In July 2010, the District issued the \$30,090,000 2010 General Obligation Refunding Bonds. The bonds have a final maturity that occurs August 1, 2028, with interest rates from 2.00 to 5.00 percent. The net proceeds of \$33,688,894 from the issuance (issuance of \$30,090,000 net of premium received of \$3,773,607 and costs incurred on issuance of \$174,713) were used to advance refund a portion of the District's outstanding 2001 General Obligation Bonds, Series 2001 and 2003. At June 30, 2020, the principal balance outstanding on the 2010 General Obligation Refunding Bonds was \$20,005,000. Unamortized premium and deferred charge on refunding received on issuance of the bonds amounted to \$1,677,158 and \$1,007,211 as of June 30, 2020, respectively.

The bonds mature through 2029 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2021	\$ 1,870,000	\$ 953,500	\$ 2,823,500
2022	2,030,000	856,000	2,886,000
2023	2,200,000	750,250	2,950,250
2024	2,385,000	635,625	3,020,625
2025	2,570,000	511,750	3,081,750
2026-2029	8,950,000	773,750	9,723,750
Total	\$ 20,005,000	\$ 4,480,875	\$ 24,485,875

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to \$363,001.

Note 10 - Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 1,218,549	\$ 1,130,828	\$ 177,038	\$ 210,206

District Plan**Plan Administration**

The California Public Employees' Retirement System (CalPERS) administers the Laguna Beach Unified School District's Postemployment Benefits Plan (the Plan) by maintaining the assets provided and payment at the direction of the District. The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. Financial information for CalPERS can be found on the CalPERS website at:

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

Plan Membership

At June 30, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	16
Active employees	299
	<u>315</u>

Benefits Provided

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Laguna Beach Unified Faculty Association (LBUFA), the local California Service Employees Association (CSEA), and unrepresented groups. The voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, LBUFA, CSEA, and the unrepresented groups are based on availability of funds. For the measurement date of June 30, 2019, the District contributed \$127,479 to the Plan, which was used for current premiums.

Net OPEB Liability of the District

The District's net OPEB liability of \$1,218,549 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2019, were as follows:

Total OPEB liability	\$ 4,544,853
Plan fiduciary net position	<u>(3,326,304)</u>
 District's net OPEB liability	 <u><u>\$ 1,218,549</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 <u><u>73.19%</u></u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75	percent	
Salary increases	2.75	percent, average, including inflation	
Investment rate of return	6.00	percent, net of OPEB plan investment expense, including inflation	
Healthcare cost trend rates	4.00	percent for 2019	

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

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

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

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2019	\$ 3,319,740	\$ 3,103,600	\$ 216,140
Service cost	313,628	-	313,628
Interest	204,769	-	204,769
Differences between expected and actual experience	(159,081)	-	(159,081)
Changes in assumptions	993,276		993,276
Contributions-employer	-	127,479	(127,479)
Expected investment income	-	186,196	(186,196)
Investment gains/losses	-	37,177	(37,177)
Benefit payments	(127,479)	(127,479)	-
Administrative expense	-	(669)	669
Net change in total OPEB liability	1,225,113	222,704	1,002,409
Balance at June 30, 2020	\$ 4,544,853	\$ 3,326,304	\$ 1,218,549

The implicit rate subsidy assumption was increased from 22.3 percent to 55.1 percent.

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

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

Discount Rate	Net OPEB Liability
1% decrease (5.0%)	\$ 1,514,311
Current discount rate (6.0%)	1,218,549
1% increase (7.0%)	942,326

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

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

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3.0%)	\$ 986,150
Current healthcare cost trend rate (4.0%)	1,218,549
1% increase (5.0%)	1,427,105

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$210,206. At June 30, 2020, the District reported deferred outflows of resources for contributions subsequent to measurement date, change of assumptions, and the net difference between projected and actual earnings on OPEB plan investments, and deferred inflows of resources related to differences between expected and actual experiences and the net difference between projected and actual earnings on OPEB plan investments from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 185,548	\$ -
Differences between expected and actual experience	-	147,297
Changes of assumptions	919,700	-
Net difference between projected and actual earnings on OPEB plan investments	25,580	29,741
Total	<u>\$ 1,130,828</u>	<u>\$ 177,038</u>

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

Year Ended June 30,	Deferred Outflows/(Inflow) of Resources
2021	\$ 62,884
2022	62,884
2023	62,880
2024	54,359
2025	61,792
Thereafter	463,443
	<u>\$ 768,242</u>

Note 11 - Non-Obligatory Debt

Non-obligatory debt relates to debt issued by the Community Facility District as authorized by the Mello-Roos Community Facilities Act of 1982 as amended and are payable from special taxes levied on property within the Community Facilities District according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders. The Community Facilities District Special Tax Bonds currently active include Community Facilities District No. 98-1 with a remaining balance as of June 30, 2020, of \$7,760,000.

Note 12 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 50,000	\$ -	\$ 1,295	\$ 51,295
Stores inventories	-	-	12,196	12,196
Prepaid expenditures	52,024	-	-	52,024
Total nonspendable	<u>102,024</u>	<u>-</u>	<u>13,491</u>	<u>115,515</u>
Restricted				
Legally restricted programs	3,151,611	-	-	3,151,611
Special revenue funds	-	-	147,360	147,360
Capital projects funds	-	-	125,085	125,085
Debt service funds	-	-	2,391,283	2,391,283
Total restricted	<u>3,151,611</u>	<u>-</u>	<u>2,663,728</u>	<u>5,815,339</u>
Committed				
Basic aid differential	18,689,198	-	-	18,689,198
Aliso property	-	5,370,381	-	5,370,381
Capital Improvement Plan	-	2,936,481	-	2,936,481
Facilities repair and replacement program	-	295,289	-	295,289
Total committed	<u>18,689,198</u>	<u>8,602,151</u>	<u>-</u>	<u>27,291,349</u>
Assigned				
Carryover for reallocation	743,827	-	-	743,827
Potential one-time expenditures	6,626,021	-	-	6,626,021
Total assigned	<u>7,369,848</u>	<u>-</u>	<u>-</u>	<u>7,369,848</u>
Unassigned				
Reserve for economic uncertainties	3,139,302	-	-	3,139,302
Total	<u>\$ 32,451,983</u>	<u>\$ 8,602,151</u>	<u>\$ 2,677,219</u>	<u>\$ 43,731,353</u>

Note 13 - Risk Management**Description**

The District's risk management activities are recorded in the General Fund. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in a public entity risk pool for its workers' compensation program. Refer to Note 16 for additional information regarding the public entity risk pool.

Note 14 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 38,413,482	\$ 9,635,588	\$ 3,202,300	\$ 4,674,118
CalPERS	<u>14,457,517</u>	<u>3,268,445</u>	<u>396,668</u>	<u>2,428,352</u>
Total	<u>\$ 52,870,999</u>	<u>\$ 12,904,033</u>	<u>\$ 3,598,968</u>	<u>\$ 7,102,470</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)**Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required State contribution rate	10.328%	10.328%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were \$4,042,589.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 38,413,482
State's proportionate share of the net pension liability associated with the District	<u>20,957,119</u>
Total	<u><u>\$ 59,370,601</u></u>

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0425 percent and 0.0425 percent, resulting in a no change in the proportionate share.

For the year ended June 30, 2020, the District recognized pension expense of \$4,674,118. In addition, the District recognized pension expense and revenue of \$3,120,967 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 4,042,589	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	637,559	640,154
Differences between projected and actual earnings on pension plan investments	-	1,479,699
Differences between expected and actual experiences in the measurement of the total pension liability	96,974	1,082,447
Changes of assumptions	<u>4,858,466</u>	<u>-</u>
Total	<u><u>\$ 9,635,588</u></u>	<u><u>\$ 3,202,300</u></u>

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

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

Year ended June 30,	Deferred Outflows (Inflows) of Resources
2021	\$ (149,254)
2022	(1,174,707)
2023	(243,887)
2024	88,149
	<u>\$ (1,479,699)</u>

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

Year ended June 30,	Deferred Outflows (Inflows) of Resources
2021	\$ 992,774
2022	992,776
2023	894,047
2024	1,180,727
2025	(93,381)
Thereafter	(96,545)
	<u>\$ 3,870,398</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	-3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 57,200,854
Current discount rate (7.10%)	38,413,482
1% increase (8.10%)	22,835,172

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	7.000%
Required employer contribution rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were \$1,453,492.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$14,457,517. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0496 percent and 0.0509 percent, resulting in a net decrease in the proportionate share of 0.0013 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$2,428,352. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,453,492	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	76,534	262,572
Differences between projected and actual earnings on pension plan investments	-	134,096
Differences between expected and actual experiences in the measurement of the total pension liability	1,050,196	-
Changes of assumptions	688,223	-
Total	<u>\$ 3,268,445</u>	<u>\$ 396,668</u>

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

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2021	\$ 132,367
2022	(264,401)
2023	(40,066)
2024	38,004
	<u>\$ (134,096)</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2021	\$ 1,021,298
2022	422,545
2023	98,672
2024	9,866
	<u>\$ 1,552,381</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 20,839,561
Current discount rate (7.15%)	14,457,517
1% increase (8.15%)	9,163,172

Tax Deferred Annuity/Social Security

As established by Federal law, all public-sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its alternative plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,189,038 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally

accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of these contributions totaling \$734,277 has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule*.

Note 15 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2020.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to unfinished capital projects:

Capital Projects	Remaining Construction Commitments	Expected Date of Completion
Middle School - Classroom construction	\$ 3,000,000	2020-2021
Middle School - Field construction	1,800,000	2021-2022
	\$ 4,800,000	

Note 16 - Participation in Public Entity Risk Pools, Joint Power Authorities, and Other Related Party Transactions

The District is a member of the Alliance of Schools for Cooperative Insurance Program (ASCIP), Schools Excess Liability Fund (SELF), and Western Orange County Self-Funded Workers' Compensation Agency public entity risk pools, and the College and Career Advantage Program. The District pays an annual premium to ASCIP and Western Orange County Self-Funded Workers' Compensation Agency for its property liability coverage and workers' compensation, respectively. Payments for excess insurance for property liability coverage are purchased through ASCIP from SELF. Payments for regional occupational services received are paid to the College and Career Advantage Program. The relationships between the District, the pools, and the JPA are such that they are not component units of the District for financial reporting purposes.

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

The District has appointed two board members to the Governing Board of College and Career Advantage Program.

During the year ended June 30, 2020, the District made payments of \$298,020, \$413,415, and \$175,821 to ASCIP, Western Orange County Self-Funded Workers' Compensation Agency, and College and Career Advantage Program, respectively.

Note 17 - Subsequent Events

Subsequent to year-end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

In July 2020, the District issued \$16,330,000 General Obligation Refunding Bonds 2020. The General Obligation Bonds were issued to execute the advance refunding portion of the District's 2010 General Obligation Refunding Bonds. The General Obligation Bonds have a final maturity of August 1, 2028, with interest rates ranging from 2.00 to 4.00 percent.



Required Supplementary Information
June 30, 2020

Laguna Beach Unified School District

Laguna Beach Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 57,697,243	\$ 57,507,078	\$ 57,680,556	\$ 173,478
Federal sources	962,261	951,931	933,971	(17,960)
Other State sources	3,583,162	4,549,556	4,450,172	(99,384)
Other local sources	2,927,645	4,219,765	4,619,948	400,183
Total revenues ¹	65,170,311	67,228,330	67,684,647	456,317
Expenditures				
Current				
Certificated salaries	22,814,221	23,175,869	23,143,121	32,748
Classified salaries	8,964,537	9,066,743	9,052,638	14,105
Employee benefits	14,176,883	14,898,802	14,640,955	257,847
Books and supplies	2,616,515	2,433,736	2,064,982	368,754
Services and operating expenditures	9,564,237	10,453,399	9,177,421	1,275,978
Other outgo	406,000	368,050	322,518	45,532
Capital outlay	2,156,383	2,384,830	2,044,421	340,409
Total expenditures ¹	60,698,776	62,781,429	60,446,056	2,335,373
Excess of Revenues over Expenditures	4,471,535	4,446,901	7,238,591	2,791,690
Other Financing Uses				
Transfers out	(2,850,000)	(3,525,000)	(2,525,000)	1,000,000
Net Change in Fund Balance	1,621,535	921,901	4,713,591	3,791,690
Fund Balance - Beginning	27,738,392	27,738,392	27,738,392	-
Fund Balance - Ending	\$ 29,359,927	\$ 28,660,293	\$ 32,451,983	\$ 3,791,690

¹ Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this other fund are included in the Actual (GAAP Basis) revenues and expenditures and included in the original and final General Fund budgets. On behalf payments of \$734,277 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

Laguna Beach Unified School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 313,628	\$ 305,234	\$ 355,725
Interest	204,769	183,511	165,777
Difference between expected and actual experience	(159,081)	-	-
Changes of assumptions	993,276	-	-
Benefit payments	(127,479)	(149,817)	(261,339)
Net change in total OPEB liability	1,225,113	338,928	260,163
Total OPEB liability - beginning	3,319,740	2,980,812	2,720,649
Total OPEB liability - ending (a)	<u>\$ 4,544,853</u>	<u>\$ 3,319,740</u>	<u>\$ 2,980,812</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 127,479	\$ 425,529	\$ 525,623
Expected Investment investment income	186,196	170,427	105,639
Investment Gains/Losses	37,177	(42,636)	-
Benefit payments	(127,479)	(149,817)	(261,339)
Administrative expense	(669)	(5,003)	(1,277)
Net change in plan fiduciary net position	222,704	398,500	368,646
Plan fiduciary net position - beginning	3,103,600	2,705,100	2,336,454
Plan fiduciary net position - ending (b)	<u>\$ 3,326,304</u>	<u>\$ 3,103,600</u>	<u>\$ 2,705,100</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 1,218,549</u>	<u>\$ 216,140</u>	<u>\$ 275,712</u>
Plan fiduciary net position as a percentage of the total OPEB liability	73.19%	93.49%	90.75%
Covered-employee payroll	N/A1	N/A1	N/A1
District's net OPEB liability as a percentage of covered-employee payroll	N/A1	N/A1	N/A1
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

¹ The District's OPEB Plan is administered through a trust; however, the contributions to the trust are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

Laguna Beach Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
District's proportion of the net pension liability	0.0425%	0.0425%	0.0425%	0.0421%	0.0441%	0.0424%
District's proportionate share of the net pension liability	\$ 38,413,482	\$ 39,089,127	\$ 39,259,595	\$ 34,074,498	\$ 29,723,141	\$ 24,794,719
State's proportionate share of the net pension liability associated with the District	20,957,119	22,380,353	23,225,645	19,398,004	15,720,265	14,972,122
Total	<u>\$ 59,370,601</u>	<u>\$ 61,469,480</u>	<u>\$ 62,485,240</u>	<u>\$ 53,472,502</u>	<u>\$ 45,443,406</u>	<u>\$ 39,766,841</u>
District's covered - employee payroll	<u>\$ 23,529,472</u>	<u>\$ 22,905,565</u>	<u>\$ 22,399,666</u>	<u>\$ 20,910,792</u>	<u>\$ 20,133,829</u>	<u>\$ 19,189,962</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>163.26%</u>	<u>170.65%</u>	<u>175.27%</u>	<u>162.95%</u>	<u>147.63%</u>	<u>129.21%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
District's proportion of the net pension liability	0.0496%	0.0509%	0.0501%	0.0512%	0.0502%	0.0505%
District's proportionate share of the net pension liability	<u>\$ 14,457,517</u>	<u>\$ 13,574,934</u>	<u>\$ 11,961,743</u>	<u>\$ 10,108,492</u>	<u>\$ 7,397,321</u>	<u>\$ 5,735,409</u>
District's covered - employee payroll	<u>\$ 6,862,280</u>	<u>\$ 6,614,281</u>	<u>\$ 6,431,380</u>	<u>\$ 6,068,439</u>	<u>\$ 5,507,921</u>	<u>\$ 5,382,462</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>210.68%</u>	<u>205.24%</u>	<u>185.99%</u>	<u>166.57%</u>	<u>134.30%</u>	<u>106.56%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Laguna Beach Unified School District
Schedule of the District Contributions
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	\$ 4,042,589	\$ 3,830,598	\$ 3,305,273	\$ 2,817,878	\$ 2,243,728	\$ 1,787,884
Contributions in relation to the contractually required contribution	4,042,589	3,830,598	3,305,273	2,817,878	2,243,728	1,787,884
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered - employee payroll	\$ 23,640,871	\$ 23,529,472	\$ 22,905,565	\$ 22,399,666	\$ 20,910,792	\$ 20,133,829
Contributions as a percentage of covered - employee payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	\$ 1,453,492	\$ 1,239,465	\$ 1,027,264	\$ 893,190	\$ 718,928	\$ 648,337
Contributions in relation to the contractually required contribution	1,453,492	1,239,465	1,027,264	893,190	718,928	648,337
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered - employee payroll	\$ 7,370,275	\$ 6,862,280	\$ 6,614,281	\$ 6,431,380	\$ 6,068,439	\$ 5,507,921
Contributions as a percentage of covered - employee payroll	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

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

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

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

- *Change in Benefit Terms* – There were no changes in the benefit terms.
- *Change of Assumptions* – There were no changes of assumptions.

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

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

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

Schedule of District Contributions

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



Supplementary Information
June 30, 2020

Laguna Beach Unified School District

Laguna Beach Unified School District
Schedule of Expenditures of Federal Awards
June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 226,958
Title II, Part A, Supporting Effective Instruction	84.367	14341	61,843
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	14,172
Passed through South Orange County SELPA:			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	501,143
Preschool Grants, Part B, Section 619	84.173	13430	14,063
Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	30,048
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	1,325
Subtotal Special Education (IDEA) Cluster			<u>546,579</u>
Passed through California Department of Rehabilitation:			
Workability II, Transitions Partnership Program	84.126	10006	84,419
Subtotal Rehabilitation Services - Vocational Rehabilitation Grants			<u>84,419</u>
Total for U.S. Department of Education			<u>933,971</u>
U.S. Department of Agriculture			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	76,796
Basic Breakfast	10.553	13525	24,482
Commodities	10.555	13396	24,323
Subtotal Child Nutrition Cluster			<u>125,601</u>
Total for U.S. Department of Agriculture			<u>125,601</u>
Total Federal Expenditures			<u>\$ 1,059,572</u>

Organization

The Laguna Beach Unified School District was established 1936 and consists of an area comprising approximately 23 square miles. The District operates two elementary schools, one middle school, one high school, and one adult education program. There were no boundary changes during the year.

Governing Board

MEMBER	OFFICE	TERM EXPIRES
Peggy Wolf	President	2020
Carol Normandin	Clerk	2022
James Kelly	Member	2022
Dee Perry	Member	2022
Jan Vickers	Member	2020

Administration

NAME	TITLE
Jason Vilorio	Superintendent
Jeff Dixon	Assistant Superintendent, Business Services
Leisa Winston	Deputy Superintendent, Human Resources and Instructional Services

Laguna Beach Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2020

	Final Report	
	Second Period Report F5850AAE	Annual Report 37CF97F3
Regular ADA		
Transitional kindergarten through third	622.25	622.25
Fourth through sixth	572.03	572.03
Seventh and eighth	462.78	462.78
Ninth through twelfth	1,006.15	1,006.15
Total regular ada	2,663.21	2,663.21
Extended Year Special Education		
Transitional kindergarten through third	0.48	0.48
Fourth through sixth	0.94	0.94
Seventh and eighth	0.29	0.29
Ninth through twelfth	0.22	0.22
Total extended year special education	1.93	1.93
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.60	0.60
Fourth through sixth	2.86	2.86
Seventh and eighth	0.75	0.75
Ninth through twelfth	4.71	4.71
Total special education, nonpublic, nonsectarian schools	8.92	8.92
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.27	0.27
Seventh and eighth	0.13	0.13
Ninth through twelfth	0.57	0.57
Total extended year special education, nonpublic, nonsectarian schools	0.97	0.97
Total ADA	2,675.03	2,675.03

Laguna Beach Unified School District

Schedule of Instructional Time

Year Ended June 30, 2020

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	49,012	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		53,970	180	N/A	Complied
Grade 2		53,970	180	N/A	Complied
Grade 3		53,970	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		55,590	180	N/A	Complied
Grade 5		55,590	180	N/A	Complied
Grade 6		57,874	180	N/A	Complied
Grade 7		57,874	180	N/A	Complied
Grade 8		57,874	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,806	180	N/A	Complied
Grade 10		64,806	180	N/A	Complied
Grade 11		64,806	180	N/A	Complied
Grade 12		64,806	180	N/A	Complied

Laguna Beach Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2020

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2020.

Laguna Beach Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2020

	(Budget) 2021 ¹	2020	2019	2018
General Fund ³				
Revenues	\$ 67,020,825	\$ 67,380,887	\$ 65,775,080	\$ 60,445,109
Total Revenues	<u>67,020,825</u>	<u>67,380,887</u>	<u>65,775,080</u>	<u>60,445,109</u>
Expenditures	63,635,775	60,446,055	61,385,228	56,308,978
Other uses and transfers out	2,350,000	3,525,000	3,250,000	2,390,000
Total Expenditures and Other Uses	<u>65,985,775</u>	<u>63,971,055</u>	<u>64,635,228</u>	<u>58,698,978</u>
Increase in Fund Balance	<u>\$ 1,035,050</u>	<u>\$ 3,409,832</u>	<u>\$ 1,139,852</u>	<u>\$ 1,746,131</u>
Ending Fund Balance	<u>\$ 14,797,835</u>	<u>\$ 13,762,785</u>	<u>\$ 10,352,953</u>	<u>\$ 9,213,101</u>
Available Reserves ²	<u>\$ 3,255,749</u>	<u>\$ 3,139,302</u>	<u>\$ 3,133,624</u>	<u>\$ 2,934,949</u>
Available Reserves as a percentage of total outgo ⁴	<u>4.93%</u>	<u>5.03%</u>	<u>5.00%</u>	<u>5.00%</u>
Long-Term Liabilities including OPEB and pensions	<u>N/A</u>	<u>\$ 76,134,707</u>	<u>\$ 76,759,950</u>	<u>\$ 77,199,786</u>
K-12 Average Daily Attendance at P-2	<u>2,643</u>	<u>2,675</u>	<u>2,742</u>	<u>2,788</u>

The General Fund balance has increased by \$4,549,684 over the past two years. The fiscal year 2020-2021 budget projects an increase of \$1,035,050 (7.5 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years and anticipates incurring an operating surplus during the 2020-2021 fiscal year. Total long-term liabilities have decreased by \$1,065,079 over the past two years.

Average daily attendance has decreased by 113 over the past two years. An additional decline of 32 ADA is anticipated during fiscal year 2020-2021.

1 Budget 2021 is included for analytical purposes only and has not been subjected to audit.

2 Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

3 General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Other Than Outlay Projects as required by GASB Statement No. 54.

Laguna Beach Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2020

	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets					
Deposits and investments	\$ 77,597	\$ 101,654	\$ 130,837	\$ 2,386,540	\$ 2,696,628
Receivables	8,299	7,653	106	4,743	20,801
Stores inventories	-	12,196	-	-	12,196
	<u>85,896</u>	<u>121,503</u>	<u>130,943</u>	<u>2,391,283</u>	<u>2,729,625</u>
Total assets	\$ 85,896	\$ 121,503	\$ 130,943	\$ 2,391,283	\$ 2,729,625
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 46,105	\$ 5,858	\$ -	\$ 51,963
Due to other funds	-	443	-	-	443
	<u>-</u>	<u>46,548</u>	<u>5,858</u>	<u>-</u>	<u>52,406</u>
Total liabilities	-	46,548	5,858	-	52,406
Fund Balances					
Nonspendable	-	13,491	-	-	13,491
Restricted	85,896	61,464	125,085	2,391,283	2,663,728
	<u>85,896</u>	<u>74,955</u>	<u>125,085</u>	<u>2,391,283</u>	<u>2,677,219</u>
Total fund balances	85,896	74,955	125,085	2,391,283	2,677,219
Total liabilities and fund balances	\$ 85,896	\$ 121,503	\$ 130,943	\$ 2,391,283	\$ 2,729,625

Laguna Beach Unified School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds

June 30, 2020

	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues					
Federal sources	\$ -	\$ 125,601	\$ -	\$ -	\$ 125,601
Other State sources	98,811	6,686	-	4,948	110,445
Other local sources	1,227	377,737	121,249	2,896,685	3,396,898
Total revenues	<u>100,038</u>	<u>510,024</u>	<u>121,249</u>	<u>2,901,633</u>	<u>3,632,944</u>
Expenditures					
Current					
Instruction	81,342	-	-	-	81,342
Pupil services					
Food services	-	890,710	-	-	890,710
Facility acquisition and construction	-	-	139,976	-	139,976
Debt service					
Principal	-	-	-	1,710,000	1,710,000
Interest and other	-	-	-	1,043,000	1,043,000
Total expenditures	<u>81,342</u>	<u>890,710</u>	<u>139,976</u>	<u>2,753,000</u>	<u>3,865,028</u>
Excess (Deficiency) of Revenues over Expenditures	<u>18,696</u>	<u>(380,686)</u>	<u>(18,727)</u>	<u>148,633</u>	<u>(232,084)</u>
Other Financing Sources					
Transfers in	-	425,000	-	-	425,000
Net Change in Fund Balances	18,696	44,314	(18,727)	148,633	192,916
Fund Balances - Beginning	<u>67,200</u>	<u>30,641</u>	<u>143,812</u>	<u>2,242,650</u>	<u>2,484,303</u>
Fund Balances - Ending	<u>\$ 85,896</u>	<u>\$ 74,955</u>	<u>\$ 125,085</u>	<u>\$ 2,391,283</u>	<u>\$ 2,677,219</u>

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Laguna Beach Unified School District (the District) under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Laguna Beach Unified School District, it is not intended to and does not present the financial position, Laguna Beach Unified School District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District had spent food commodities totaling \$24,323.

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 58 days due to the pandemic. As a result, the District received credit for these 58 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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



Independent Auditor's Reports
June 30, 2020

Laguna Beach Unified School District



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

To the Board of Directors
Laguna Beach Unified School District
Laguna Beach, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Laguna Beach Unified School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Laguna Beach Unified School District’s basic financial statements and have issued our report thereon dated November 23, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laguna Beach 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*.

We noted certain matters that we reported to management of Laguna Beach Unified School District in a separate letter dated November 23, 2020.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
November 23, 2020



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

To the Board of Directors
Laguna Beach Unified School District
Laguna Beach, California

Report on Compliance for Each Major Federal Program

We have audited Laguna Beach 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 Laguna Beach Unified School District's major federal programs for the year ended June 30, 2020. Laguna Beach 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 Laguna Beach 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 Laguna Beach 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 Laguna Beach Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Laguna Beach Unified School District's 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, 2020.

Report on Internal Control over Compliance

Management of Laguna Beach 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 Laguna Beach 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 the Laguna Beach 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.



Rancho Cucamonga, California
November 23, 2020



Independent Auditor's Report on State Compliance

To the Board of Directors
Laguna Beach Unified School District
Laguna Beach, California

Report on State Compliance

We have audited Laguna Beach Unified School District's (the District) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Compliance Requirements Tested

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

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

We did not perform procedures for Independent Study because the program is not offered by the District.

We did not perform Continuation Education procedures because the program is not offered by the District.

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

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

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

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

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

We did not perform procedures for the After/Before School Education and Safety Program because the District does not offer the program.

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

The District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Unmodified Opinion

In our opinion, Laguna Beach Unified School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
November 23, 2020

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance:

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
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Special Education (IDEA) Cluster	84.027, 84.027A, 84.173, and 84.173A
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Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified
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None reported.

None reported.

None reported.

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



Management
Laguna Beach Unified School District
Laguna Beach, California

In planning and performing our audit of the financial statements of Laguna Beach Unified School District (the District) for the year ended June 30, 2020, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted a matter that is an opportunity for strengthening internal controls and operating efficiency. The following item represents a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 23, 2020, on the financial statements of Laguna Beach Unified School District.

Associated Student Body (ASB)

Thurston Middle School

Observation

Disbursements are not always adequately supported by proper documentation. Three of six disbursements tested were made without explicit receiving documentation for goods bring ordered. As a result, vendor invoices were being paid without the directly knowledge of whether or not the good being ordered have been received by the ASB.

Recommendation

All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.

Observation

Disbursements are not always pre-approved. Two of six disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of questionable nature could arise if disbursements are not pre-approved.

Recommendation

In order to endure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Observation

Revenue potential forms are not being fully utilized to document and control fundraising activities. One of the fundraisers tested did not have revenue potential form fully prepared.

Recommendation

All revenue potentials must be completely filled out before and at the end of each fundraiser. The revenue potentials form is important because it demonstrates the profitability of a fundraising activity. The form is also used to document any variances between projected and actual sales with an explanation of the difference. The form also requires an explanation of any overages/shortages between sales receipted to monies deposited. The site administrator should ensure these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.

We will review the status of the current year comments during our next audit engagement.

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

Rancho Cucamonga, California
November 23, 2020