



Financial Statements
June 30, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 and Note 16 to the financial statements, Laguna Beach Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, budgetary comparison information on page 59, schedule of changes in the District's net OPEB liability and related ratios on page 60, schedule of the District's proportionate share of the net pension liability on pages 61 and 62, and the schedule of District contributions on pages 63 and 64, 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 non-major governmental 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 non-major governmental 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 non-major governmental 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 December 3, 2021 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.

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

Rancho Cucamonga, California
December 3, 2021



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, 2021, with comparative information for the fiscal year ending on June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The 2020-2021 fiscal year was like none other. The District had to operate in an increasingly unpredictable, complex, and ambiguous COVID-19 pandemic that required us to remain nimble and adaptable in the midst of ever-changing and fast-moving guidelines. Keeping students and staff safe during the pandemic was of the utmost priority. As we continue to garner lessons and opportunities from our experiences through the 2020-2021, it is important to still reflect on some of the amazing work that occurred last year. The District launched the LEAD Summer Enrichment Program. From writing to yoga to robotics to math, students of all ages gathered to Learn, Enrich, Advance, and Discover as they participated in workshops rich in content and practice. Visual and performing arts teachers collaborated with OC Music and Dance (OCMD), Orange County's first and only nonprofit community music school, to provide remote or in-person private/group lessons to students in a variety of instruments, including string, wind, and piano. The District also partnered with the Laguna Art Museum and Art Masters Legacy to offer students the opportunity to learn about different artists, styles and techniques through lectures and hands-on activities. These multimedia presentations are fully compliant with the California Visual and Performing Arts Content Standards.

Great strides were also made with regard to the virtual career presentations hosted by the Career Education department for all elementary school students. Twice a month, students gathered around their computer screens to participate in career presentations in over 35 different career fields. Students and parents listened to industry experts explaining what a day in the life of their careers looked like, what education was necessary to attain these careers, and many other topics. Students posted questions in the Q&A for the host to pose to the panelists, facilitating a discussion around topics that were important to students.

It was a long and arduous journey but the health, safety and welfare of all students, staff, and school community was a top priority for the district and the local health agency. The District's financial status remains positive. During the fiscal year ending June 30, 2021, various factors contributed to the District's operations and net position. The major elements that impacted the financial position during the year are as follows.

- The District's overall financial status continued to strengthen. Total net position increased by \$4,218,245 (11.1%) from June 30, 2020 to June 30, 2021. 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 \$49 million, an increase of \$5.3 million from the prior year. An increase in the fund balance of the General Fund was attributed to unspent unrestricted programs/departments, restricted categorical programs, certain operational expenditures being less than budgeted due to savings realized from the temporary school closures and revenue recognition related to the Expanded Learning Opportunities (ELO) grant.
- The COVID-19 pandemic and stay-at-home orders that began in the Spring of 2020 had little or no impact on 2020-2021 revenues which were liened on January 1, 2020. General revenues from property taxes increased 5.1% over the prior year and represent 79.0% of revenue from governmental activities.
- The total cost of all programs and services increased by 11.9%. Total cost of instruction-related activities increased 8.4% over the prior year and represents 67.7% of total expenses. The increase was attributed mostly to negotiated salary increases, spending of one-time funds to mitigate learning loss, public health expenses and temporary teachers added to support remote learning and smaller class sizes.
- Net value of capital assets remained relatively constant, while long-term commitments decreased by 16.3%. Several capital projects were completed in the 2020-2021 fiscal year to help improve the indoor air quality in school facilities and to support student health needs, including installing modern air filters or air purifiers, and upgrading air ventilation (HVAC) systems entirely. The modernization of an existing classroom space at Thurston Middle School was completed and the field modernization project is scheduled to be finalized by December 2021.
- In addition to the major construction projects, other maintenance projects included the re-keying of all locks and doors in the district, adding additional safety enhancements to all four campuses to ensure the safety of all students and renovating the staff lounge at the high school.
- Capital outlay 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, 2020 represented a 70% funded ratio.
- On July 8, 2020, the District issued general obligation (G.O.) refunding bonds to refinance existing G.O. bonds which were issued in 2010. The 2010 G.O. Bonds refinanced the then-outstanding G.O. bonds issued pursuant to an authorization of voters in 2001. The refinancing is intended to lower debt service payments which will in turn lower the property taxes that property owners within the District make annually to pay the G.O. bonds. The term of the bonds was not extended with the refinancing. More detailed information may be found in the notes to the financial statements, page 44.

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

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

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

- The *governmental funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- *Fiduciary funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

The Primary unit of the government is the Laguna Beach Unified School District

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, such as our funds for community facility district (CFD) activities. The District's fiduciary activities are reported in the *Fiduciary Statement of Net Position and the Fiduciary Statement of Changes in Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position was more on June 30, 2021, than it was in the prior year, an increase of 11.1% to \$42,361,584. Of this amount, \$(5,270,561) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use 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	
	2021	2020 as restated *
Assets		
Current and other assets	\$ 53,569,354	\$ 47,391,158
Capital assets	59,350,155	59,517,762
Total assets	112,919,509	106,908,920
Deferred outflows of resources	14,114,512	15,042,072
Liabilities		
Current liabilities	4,716,437	3,896,940
Long-term liabilities other than OPEB and pensions	18,453,411	22,045,159
Net other postemployment benefits (OPEB) liability	1,532,475	1,218,549
Aggregate net pension liabilities	57,802,756	52,870,999
Total liabilities	82,505,079	80,031,647
Deferred inflows of resources	2,167,358	3,776,006
Net Position		
Net investment in capital assets	41,110,011	38,842,815
Restricted	6,522,134	5,578,204
Unrestricted (deficit)	(5,270,561)	(6,277,680)
Total net position	\$ 42,361,584	\$ 38,143,339

* As discussed in Note 1 and Note 16 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, Fiduciary Activities, which has resulted in a restatement of the net position as of July 1, 2020.

The \$(5,270,561) 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 16.0% (\$(5,270,561) compared to \$(6,277,680)).

Changes in Net Position

The District's total revenues were \$79,087,538 (See Table 2), an increase of \$7,414,631, or 10.3%. This increase was due primarily to property taxes and operating grants and contributions. 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 79 cents of every dollar received or recognized for accounting purposes.

Table 2

	Governmental Activities	
	2021	2020 *
Revenues		
Program revenues		
Charges for services and sales	\$ 254,473	\$ 487,592
Operating grants and contributions	9,400,901	6,711,833
General revenues		
Property taxes	62,506,629	59,444,830
Other general revenues	6,925,535	5,028,652
Total revenues	79,087,538	71,672,907
Expenses		
Instruction-related	50,670,058	46,745,204
Pupil services	7,837,008	7,354,892
Administration	5,160,566	4,749,026
Plant services	6,705,367	4,980,193
All other services	4,496,294	3,057,766
Total expenses	74,869,293	66,887,081
Change in net position	\$ 4,218,245	\$ 4,785,826

* The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

The total cost of all programs and services was \$74,869,293. The District's expenses are predominantly related to educating and caring for students (78.1%). The purely administrative activities of the District accounted for 6.9% of total costs.

Total revenues for governmental activities surpassed expenses, increasing the net position by \$4,218,245 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

	2021		2020 *	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction-related	\$ 50,670,058	\$ 43,835,037	\$ 46,745,204	\$ 41,582,211
Pupil services	7,837,008	6,319,403	7,354,892	5,782,810
Administration	5,160,566	5,036,628	4,749,026	4,599,515
Plant services	6,705,367	5,786,328	4,980,193	4,941,891
All other services	4,496,294	4,236,523	3,057,766	2,781,229
Total	\$ 74,869,293	\$ 65,213,919	\$ 66,887,081	\$ 59,687,656

* The total and net cost of services for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

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 2020-2021, the General Fund had revenues of \$72,912,061 and expenditures and transfers out of the fund of \$66,969,685 for an increase of \$5,942,376 or 18.3% over last year. Excluding transfers from other funds of \$(2,550,000), General Fund revenues exceeded expenditures by \$8,492,376. 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 of \$5,183,282. As the District completed the year, its governmental funds reported combined fund balance of \$49,094,271. Expenditures and other financing uses for the General Fund reflect a transfer of \$2,100,000 to the Special Reserve Fund for Capital Outlay Projects for the Capital Improvement Plan, and a transfer of \$450,000 to the Cafeteria Fund to cover cafeteria program costs.

Table 4

	Balances and Activity			June 30, 2021
	July 1, 2020 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	
General Fund	\$ 32,451,983	\$ 72,912,061	\$ 66,969,685	\$ 38,394,359
Special Reserve Fund for Capital Outlay Projects	8,602,151	2,209,335	2,671,454	8,140,032
Student Activity Fund	179,636	99,352	161,491	117,497
Adult Education Fund	85,896	99,715	67,808	117,803
Cafeteria Fund	74,955	697,685	688,121	84,519
Capital Facilities Fund	125,085	159,447	259,939	24,593
Bond Interest and Redemption Fund	<u>2,391,283</u>	<u>21,236,369</u>	<u>21,412,184</u>	<u>2,215,468</u>
Total	<u>\$ 43,910,989</u>	<u>\$ 97,413,964</u>	<u>\$ 92,230,682</u>	<u>\$ 49,094,271</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. The District revises its budget as it attempts to address fluctuations in revenues and expenditures.

Some of the major variances between the original and final budgeted amounts and between the final budget and actuals are noted below:

- Revenue revisions made to the 2020-2021 budget for Local Control Funding Formula revenues were due to increases in actual property taxes received.
- The District received multiple federal awards under the CARES and CRRSA Act totaling \$1.9 million for distance learning, personal protective equipment (PPE), outdoor learning spaces, ventilation upgrades and implementation of public health protocols for the reopening of schools.

- In addition, the District received \$211,480 in state funds to mitigate learning loss. Another \$1.7 million was allocated in 2020-2021 as a result of Assembly Bill 86 which provided funding for various strategies to accelerate the safe return to in-person instruction and resources to expand academic, mental health and social-emotional supports.
- Budgeted expenditures increased overall due to the collective bargaining settlements reached during the year.
- Budgeted expenditures for books and supplies were lower than anticipated. This was mainly due to funds being allocated but not yet expended for classroom supplies and textbooks.

While the District's estimated budget for the General Fund anticipated that revenues and expenditures would result in the General Fund ending balance of \$34,506,853 the actual ending balance was \$38,394,359. This difference was predominantly attributed to property taxes, state and federal one-time funds allocated to address the various instructional challenges resulting from the pandemic, and carry-over of restricted funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had \$59,350,155 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$167,607, or 0.3%, from last year (Table 5).

Table 5

	Governmental Activities	
	2021	2020
Land and construction in process	\$ 3,964,570	\$ 2,792,103
Other capital assets, net of accumulated depreciation	55,385,585	56,725,659
Total	\$ 59,350,155	\$ 59,517,762

We provide more detailed information regarding capital assets in Note 4 to the financial statements.

Long-Term Liabilities other than OPEB and Pensions

At year-end, the District had \$18,453,411 in long-term liabilities other than OPEB and pensions outstanding versus \$22,045,159, a decrease of \$3,591,748, or 16.3%. Those obligations consisted of:

Table 6

	Governmental Activities	
	2021	2020
General obligation bonds	\$ 15,920,000	\$ 20,005,000
Premium on issuance	2,130,644	1,677,158
Compensated absences	402,767	363,001
Total	\$ 18,453,411	\$ 22,045,159

We provide more detailed information regarding long-term liabilities in Note 8 to the financial statements.

OPEB and Pension Liabilities

At year end, the District had a net other postemployment benefit (OPEB) liability of \$1,532,475, versus \$1,218,549 last year, an increase of \$313,926 or 25.8%.

In addition, at year-end, the District has an aggregate net pension liability of \$57,802,756 versus \$52,870,999 last year, an increase of \$4,931,757, or 9.3%.

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. Property taxes and the values that drive that revenue stream are a lagging indicator of what is happening on the ground. Values for the 2021-2022 fiscal year were liened on January 1, 2021. These liened values reflect events that occurred in calendar year 2020. Because assessed valuation is the basis of the computation of tax revenue, the reported growth in assessed valuation will be somewhat indicative of the growth in property tax revenue.

The recent 2021-2022 local assessment roll of values for the District indicate a projected growth of 3.53% without consideration to additions for new construction. Each of Orange County's 34 cities and the unincorporated areas had a year-to-year increase in net taxable value. Value changes reflect the Orange County real estate markets that show continued appreciation in property values and the restoration of Proposition 8 values. Multi-year projections will require the District to pay close attention to what is occurring regionally particularly with regards to home sale numbers and the current median price points.

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. As we begin to emerge from the pandemic, most local government agencies including school districts are seeking ways to learn from this experience and to strengthen their level of preparedness for the next risk management crisis. Building on the reality that managing risks will remain challenging for all organizations, the District will continue to communicate and work with stakeholders to strengthen continuity planning and risk management processes.

It is important to note that the District maintains sufficient reserves to ensure fiscal solvency and budget flexibility during unforeseen circumstances. Through the support of the Board members, staff, students, and community at large, the District, with its enviable reputation and unique place in the community, remains committed to supporting outcomes and overall performance that address state and local priorities for all students.

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, 2021

	Governmental Activities
Assets	
Deposits and investments	\$ 50,434,890
Receivables	3,107,430
Prepaid expenses	10,261
Stores inventories	15,602
Other current assets	1,171
Capital assets not depreciated	3,964,570
Capital assets, net of accumulated depreciation	<u>55,385,585</u>
Total assets	<u>112,919,509</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	1,060,138
Deferred outflows of resources related to pensions	<u>13,054,374</u>
Total deferred outflows of resources	<u>14,114,512</u>
Liabilities	
Accounts payable	3,964,273
Accrued interest	241,354
Unearned revenue	510,810
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	1,885,000
Long-term liabilities other than OPEB and pensions due in more than one year	16,568,411
Net other postemployment benefits (OPEB) liability	1,532,475
Aggregate net pension liability	<u>57,802,756</u>
Total liabilities	<u>82,505,079</u>
Deferred Inflows of Resources	
Deferred charge on refunding	189,500
Deferred inflows of resources related to OPEB	166,670
Deferred inflows of resources related to pensions	<u>1,811,188</u>
Total deferred inflows of resources	<u>2,167,358</u>
Net Position	
Net investments in capital assets	41,110,011
Restricted for	
Debt service	1,974,114
Capital projects	24,593
Educational programs	4,220,505
Other activities	302,922
Unrestricted (deficit)	<u>(5,270,561)</u>
Total net position	<u>\$ 42,361,584</u>

Laguna Beach Unified School District

Statement of Activities
Year Ended June 30, 2021

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	\$ 43,903,805	\$ 598	\$ 6,385,443	\$ (37,517,764)
Instruction-related activities				
Supervision of instruction	1,101,622	-	243,964	(857,658)
Instructional library, media, and technology	1,631,814	-	37,103	(1,594,711)
School site administration	4,032,817	-	167,913	(3,864,904)
Pupil services				
Home-to-school transportation	1,648,795	-	-	(1,648,795)
Food services	813,665	1,447	246,238	(565,980)
All other pupil services	5,374,548	1,910	1,268,010	(4,104,628)
General administration				
Data processing	975,333	-	10,558	(964,775)
All other general administration	4,185,233	178	113,202	(4,071,853)
Plant services	6,705,367	98,464	820,575	(5,786,328)
Ancillary services	1,689,749	-	21,127	(1,668,622)
Interest on long-term liabilities	36,942	-	-	(36,942)
Other outgo	2,769,603	151,876	86,768	(2,530,959)
Total governmental activities	<u>\$ 74,869,293</u>	<u>\$ 254,473</u>	<u>\$ 9,400,901</u>	<u>(65,213,919)</u>
General Revenues and Subventions				
Property taxes, levied for general purposes				60,051,078
Property taxes, levied for debt service				2,455,551
Federal and State aid not restricted to specific purposes				1,663,291
Interest and investment earnings				457,683
Miscellaneous				4,804,561
Subtotal, general revenues and subventions				<u>69,432,164</u>
Change in Net Position				4,218,245
Net Position - Beginning, as restated				<u>38,143,339</u>
Net Position - Ending				<u>\$ 42,361,584</u>

Laguna Beach Unified School District

Balance Sheet – Governmental Funds

June 30, 2021

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 38,970,284	\$ 8,895,059	\$ 2,569,547	\$ 50,434,890
Receivables	3,069,665	6,789	30,976	3,107,430
Due from other funds	-	16,190	85	16,275
Prepaid expenditures	10,261	-	-	10,261
Stores inventories	-	-	15,602	15,602
Other current assets	-	-	1,171	1,171
	<u>38,970,284</u>	<u>8,895,059</u>	<u>2,569,547</u>	<u>50,434,890</u>
Total assets	<u>\$ 42,050,210</u>	<u>\$ 8,918,038</u>	<u>\$ 2,617,381</u>	<u>\$ 53,585,629</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 3,128,766	\$ 778,006	\$ 57,501	\$ 3,964,273
Due to other funds	16,275	-	-	16,275
Unearned revenue	510,810	-	-	510,810
	<u>3,128,766</u>	<u>778,006</u>	<u>57,501</u>	<u>3,964,273</u>
Total liabilities	<u>3,655,851</u>	<u>778,006</u>	<u>57,501</u>	<u>4,491,358</u>
Fund Balances				
Nonspendable	60,261	-	16,897	77,158
Restricted	4,220,505	-	2,542,983	6,763,488
Committed	18,856,994	8,140,032	-	26,997,026
Assigned	11,906,599	-	-	11,906,599
Unassigned	3,350,000	-	-	3,350,000
	<u>38,394,359</u>	<u>8,140,032</u>	<u>2,559,880</u>	<u>49,094,271</u>
Total fund balances	<u>38,394,359</u>	<u>8,140,032</u>	<u>2,559,880</u>	<u>49,094,271</u>
Total liabilities and fund balances	<u>\$ 42,050,210</u>	<u>\$ 8,918,038</u>	<u>\$ 2,617,381</u>	<u>\$ 53,585,629</u>

Laguna Beach Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2021

Total Fund Balances - Governmental Funds		\$ 49,094,271
<p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
The cost of capital assets is the following	\$ 99,937,804	
Accumulated depreciation is the following	<u>(40,587,649)</u>	
Total capital assets		59,350,155
<p>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.</p>		
		(241,354)
<p>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</p>		
Other postemployment benefits (OPEB) liability	1,060,138	
Aggregate net pension liability	<u>13,054,374</u>	
Total deferred outflows of resources		14,114,512
<p>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</p>		
Debt refundings (deferred charge on refunding)	(189,500)	
Other postemployment benefits (OPEB) liability	(166,670)	
Aggregate net pension liability	<u>(1,811,188)</u>	
Total deferred inflows of resources		(2,167,358)
<p>Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(57,802,756)
<p>The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(1,532,475)
<p>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</p>		
General obligation bonds	15,920,000	
Premium on issuance	2,130,644	
Compensated absences	<u>402,767</u>	
Total long-term liabilities		<u>(18,453,411)</u>
Total net position - governmental activities		<u>\$ 42,361,584</u>

Laguna Beach Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	\$ 61,136,008	\$ -	\$ -	\$ 61,136,008
Federal sources	2,851,995	-	231,028	3,083,023
Other State sources	5,894,070	-	116,291	6,010,361
Other local sources	3,029,988	109,335	2,730,227	5,869,550
Total revenues	<u>72,912,061</u>	<u>109,335</u>	<u>3,077,546</u>	<u>76,098,942</u>
Expenditures				
Current				
Instruction	37,723,565	-	66,472	37,790,037
Instruction-related activities				
Supervision of instruction	1,023,480	-	-	1,023,480
Instructional library, media, and technology	1,542,680	-	-	1,542,680
School site administration	3,579,180	-	-	3,579,180
Pupil services				
Home-to-school transportation	1,646,837	-	-	1,646,837
Food services	92,553	-	688,121	780,674
All other pupil services	4,850,977	-	-	4,850,977
General administration				
Data processing	1,022,158	-	-	1,022,158
All other general administration	4,000,285	-	1,336	4,001,621
Plant services	6,074,451	86,334	-	6,160,785
Ancillary services	1,521,324	-	161,491	1,682,815
Other outgo	334,581	-	-	334,581
Facility acquisition and construction	1,007,614	2,585,120	259,939	3,852,673
Debt service				
Principal	-	-	2,280,000	2,280,000
Interest and other	-	-	543,809	543,809
Total expenditures	<u>64,419,685</u>	<u>2,671,454</u>	<u>4,001,168</u>	<u>71,092,307</u>
Excess (Deficiency) of Revenues over Expenditures	<u>8,492,376</u>	<u>(2,562,119)</u>	<u>(923,622)</u>	<u>5,006,635</u>
Other Financing Sources (Uses)				
Transfers in	-	2,100,000	450,000	2,550,000
Other sources - proceeds from issuance of general obligation bonds	-	-	16,330,000	16,330,000
Other sources - premium from issuance of general obligation bonds	-	-	2,435,022	2,435,022
Transfers out	(2,550,000)	-	-	(2,550,000)
Other uses - payment to refunded bond escrow agent	-	-	(18,588,375)	(18,588,375)
Net Financing Sources (Uses)	<u>(2,550,000)</u>	<u>2,100,000</u>	<u>626,647</u>	<u>176,647</u>
Net Change in Fund Balances	5,942,376	(462,119)	(296,975)	5,183,282
Fund Balances - Beginning, as restated	<u>32,451,983</u>	<u>8,602,151</u>	<u>2,856,855</u>	<u>43,910,989</u>
Fund Balances - Ending	<u>\$ 38,394,359</u>	<u>\$ 8,140,032</u>	<u>\$ 2,559,880</u>	<u>\$ 49,094,271</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, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 5,183,282

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 depreciation expense exceeds capital outlay in the period.

Depreciation expense	\$ (3,887,987)	
Capital outlay	<u>3,751,210</u>	

Net expense adjustment		(136,777)
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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. (30,830)

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 \$39,766. (39,766)

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 aggregate pension liability during the year. (2,993,636)

Proceeds received from General obligation bonds or certificates of participation is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. This year the District issued the following debt:

General obligation bonds		(16,330,000)
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Governmental funds report the effect of premiums and deferred charge on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This is the net effect of these related items:

Premium on issuance		(2,435,022)
Deferred charge on refunding		(216,572)

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, 2021

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.	\$ (374,248)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of net position and does not affect the Statement of Activities	
General obligation bonds	20,415,000
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	\$ 1,981,536
Amortization of deferred charge on refunding	<u>(980,139)</u>
	1,001,397
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>175,417</u>
Change in net position of governmental activities	<u><u>\$ 4,218,245</u></u>

Laguna Beach Unified School District
Statement of Net Position – Fiduciary Funds
June 30, 2021

	<u>Custodial Fund</u>
Assets	
Investments	<u>\$ 951,577</u>
Net Position	
Restricted for individuals, organizations, or other governments	<u>\$ 951,577</u>

Laguna Beach Unified School District
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2021

	Custodial Fund
Additions	
Interest	\$ 40
Other local revenue	635,434
Total additions	635,474
Deductions	
Other expenditures	13,009
Payments to investors	600,456
Total deductions	613,465
Net Increase in Fiduciary Net Position	22,009
Net Position - Beginning, as restated	929,568
Net Position - Ending	\$ 951,577

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.

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 \$18,856,994, and \$167,796, respectively, as of June 30, 2021.

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.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **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 resources held for benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classification: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by existence of a trust agreement or equivalent arrangement that has certain characteristics.

Trust funds are used to account for resources held by the District under a trust agreement for individuals, private organizations, or other governments. Custodial funds are used to account for resources, not in a trust, that are held by the District for other parties outside the District's reporting entity. The District's custodial funds are held for the Community Facilities District No. 98-1.

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 pension related items, and for OPEB related items. 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 pension plan 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 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 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, and differences between expected and actual experiences in the measurement of total pension liability.

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, 2021, 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, 2021. 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 \$6,522,134 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 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.

The provisions of this Statement have been implemented as of June 30, 2021.

New Accounting Pronouncements

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.

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.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 50,434,890
Fiduciary funds	951,577
	<u>951,577</u>
Total deposits and investments	<u>\$ 51,386,467</u>

Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	\$ 692,193
Cash in revolving	51,295
Investments	<u>50,642,979</u>
Total deposits and investments	<u>\$ 51,386,467</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
Orange County Treasury Investment Pool	\$ 49,691,402	375
US Bank Money Market Fund 5 CT	951,577	1
Total	<u>\$ 50,642,979</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 Orange County Treasury Investment 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% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District's bank balance of \$469,035 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Receivables

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>General</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>
Federal Government				
Categorical aid	\$ 1,342,673	\$ -	\$ 18,554	\$ 1,361,227
State Government				
LCFF apportionment	139,595	-	-	139,595
Categorical aid	628,051	-	9,501	637,552
Lottery	184,963	-	-	184,963
Due from South Orange County SELPA	505,569	-	-	505,569
Local Government				
Interest	19,651	4,289	91	24,031
Other Local Sources	249,163	2,500	2,830	254,493
	<u>\$ 3,069,665</u>	<u>\$ 6,789</u>	<u>\$ 30,976</u>	<u>\$ 3,107,430</u>
Total	<u>\$ 3,069,665</u>	<u>\$ 6,789</u>	<u>\$ 30,976</u>	<u>\$ 3,107,430</u>

Note 4 - Capital Assets

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

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,173,934	\$ -	\$ -	\$ 1,173,934
Construction in process	1,618,169	2,441,179	1,268,712	2,790,636
Total capital assets not being depreciated	2,792,103	2,441,179	1,268,712	3,964,570
Capital assets being depreciated				
Land improvements	18,911,683	31,745	-	18,943,428
Buildings and improvements	62,191,355	1,460,790	-	63,652,145
Portable classrooms and structures	90,200	-	-	90,200
Furniture and equipment	12,535,318	1,086,208	334,065	13,287,461
Total capital assets being depreciated	93,728,556	2,578,743	334,065	95,973,234
Less accumulated depreciation				
Land improvements	(12,033,435)	(923,945)	-	(12,957,380)
Buildings and improvements	(19,371,587)	(1,917,170)	-	(21,288,757)
Portable classrooms and structures	(81,598)	(552)	-	(82,150)
Furniture and equipment	(5,516,277)	(1,046,320)	303,235	(6,259,362)
Total accumulated depreciation	(37,002,897)	(3,887,987)	303,235	(40,587,649)
Governmental activities capital assets, net	\$ 59,517,762	\$ 1,131,935	\$ 1,906,012	\$ 59,350,155

Depreciation expense charged to governmental activities was as follows.

Governmental Activities	
Instruction	\$ 3,499,188
School site administration	194,400
All other pupil services	194,399
Total depreciation expenses governmental activities	\$ 3,887,987

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2021, between major and non-major governmental funds are as follows:

The balance of \$85 is due to the Cafeteria Non-Major Governmental Fund from the General Fund for reimbursement of payroll expenditures.

The balance of \$16,190 is due to the Special Reserve for Capital Outlay Projects Governmental Fund from the General Fund for transfer of expenditures.

Operating Transfers

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

Transfer To	Transfer From General Fund
Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Funds	\$ 2,100,000 450,000
Total	\$ 2,550,000

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 \$450,000 to the Cafeteria Non-Major Governmental Fund to cover program costs.

Note 6 - Accounts Payable

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

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Salaries and benefits	\$ 1,312,726	\$ -	\$ 42,639	\$ 1,355,365
Supplies and materials	213,621	4,413	-	218,034
Services	1,055,223	5,107	-	1,060,330
Construction	119,721	768,486	10,334	898,541
Due to South Orange County SELPA	195,582	-	-	195,582
Other vendor payables	231,893	-	4,528	236,421
Total	\$ 3,128,766	\$ 778,006	\$ 57,501	\$ 3,964,273

Note 7 - Unearned Revenue

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

	General Fund
State categorical aid	\$ 491,100
Other local	19,710
Total	\$ 510,810

Note 8 - 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, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
General obligation bonds	\$ 20,005,000	\$ 16,330,000	\$ 20,415,000	\$ 15,920,000	\$ 1,885,000
Premium on issuance	1,677,158	2,435,022	1,981,536	2,130,644	-
Compensated absences	363,001	39,766	-	402,767	-
	\$ 22,045,159	\$ 18,804,788	\$ 22,396,536	\$ 18,453,411	\$ 1,885,000

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, 2020	Issued	Redeemed	Bonds Outstanding June 30, 2021
7/8/10	8/1/28	2.00-5.00%	\$ 30,090,000	\$ 20,005,000	\$ -	\$ 20,005,000	\$ -
7/7/20	8/1/28	2.00-4.00%	\$ 16,330,000	-	16,330,000	410,000	15,920,000
				<u>\$ 20,005,000</u>	<u>\$ 16,330,000</u>	<u>\$ 20,415,000</u>	<u>\$ 15,920,000</u>

2010 General Obligation Refunding Bonds

In July 2010, the District issued the \$30,090,000 2010 General Obligation Refunding Bonds. The bonds had a final maturity that was to occur August 1, 2028, with interest rates ranging from 2.00 to 5.00%. At June 30, 2021, the debt was fully defeased with the proceeds from the 2020 General Obligation Refunding Bonds.

2020 General Obligation Refunding Bonds

On July 8, 2020, the Laguna Beach Unified School District issued 2020 General Obligation Refunding Bonds in the amount of \$16,330,000. The refunding bonds were issued as current interest bonds. The refunding bonds were issued at an aggregate price of \$18,765,022 (representing the principal amount of \$16,330,000, premium on issuance amount of \$2,435,022 less cost of issuance of 176,647). The bonds have a final maturity which occurs on August 1, 2028 with interest rates ranging from 2.00 to 4.00%. Proceeds from the sale of bonds were used to provide refunding of the District's 2010 General Obligation Refunding Bonds in the amount of \$18,135,000. The refunding resulted in a cumulative cash flow saving of \$3,462,677 over the life of new debt and an economic gain of \$3,516,162 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.72%. As of June 30, 2021, the principal balance outstanding was \$15,920,000, and unamortized premium on issuance and deferred charge on refunding were \$2,130,644 and \$189,500, respectively.

The bonds mature through 2029 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2022	\$ 1,885,000	\$ 560,400	\$ 2,445,400
2023	1,985,000	511,775	2,496,775
2024	2,110,000	439,800	2,549,800
2025	2,250,000	352,600	2,602,600
2026	2,410,000	259,400	2,669,400
2027-2029	5,280,000	270,200	5,550,200
Total	<u>\$ 15,920,000</u>	<u>\$ 2,394,175</u>	<u>\$ 18,314,175</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$402,767.

Note 9 - Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2021, 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	<u>\$ 1,532,475</u>	<u>\$ 1,060,138</u>	<u>\$ 166,670</u>	<u>\$ 374,248</u>

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
	315
	315

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, 2020, the District contributed \$185,548 to the Plan, which was used for current premiums.

Net OPEB Liability of the District

The District's net OPEB liability of \$1,532,475 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The components of the net OPEB liability of the District at June 30, 2021, were as follows:

Total OPEB liability	\$ 5,067,722
Plan fiduciary net position	(3,535,247)
	\$ 1,532,475
	69.76%

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the liability to June 30, 2021. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75	%
Salary increases	2.75	%, average, including inflation
Investment rate of return	6.00	%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00	% 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, 2020	\$ 4,544,853	\$ 3,326,304	\$ 1,218,549
Service cost	428,439	-	428,439
Interest	279,978	-	279,978
Contributions-employer	-	185,548	(185,548)
Expected investment income	-	199,529	(199,529)
Investment gains/losses	-	11,065	(11,065)
Benefit payments	(185,548)	(185,548)	-
Administrative expense	-	(1,651)	1,651
Net change in total OPEB liability	522,869	208,943	313,926
Balance at June 30, 2021	\$ 5,067,722	\$ 3,535,247	\$ 1,532,475

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:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (5.0%)	\$ 1,867,057
Current discount rate (6.0%)	1,532,475
1% increase (7.0%)	1,221,302

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:

<u>Healthcare Cost Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (3.0%)	\$ 1,192,197
Current healthcare cost trend rate (4.0%)	1,532,475
1% increase (5.0%)	1,872,679

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$374,248. At June 30, 2021, the District reported deferred outflows of resources for OPEB contribution subsequent to measurement date of \$196,962.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 196,962	\$ -
Differences between expected and actual experience	-	135,513
Changes of assumptions	846,124	-
Net difference between projected and actual earnings on OPEB plan investments	17,052	31,157
Total	<u>\$ 1,060,138</u>	<u>\$ 166,670</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflow) of Resources</u>
2022	\$ 60,671
2023	60,667
2024	52,146
2025	59,579
2026	61,792
Thereafter	<u>401,651</u>
	<u>\$ 696,506</u>

Note 10 - 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, 2021, of \$7,460,000.

Note 11 - 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	-	-	15,602	15,602
Prepaid expenditures	10,261	-	-	10,261
Total nonspendable	<u>60,261</u>	<u>-</u>	<u>16,897</u>	<u>77,158</u>
Restricted				
Legally restricted programs	4,220,505	-	117,497	4,338,002
Special revenue funds	-	-	185,425	185,425
Capital projects funds	-	-	24,593	24,593
Debt service funds	-	-	2,215,468	2,215,468
Total restricted	<u>4,220,505</u>	<u>-</u>	<u>2,542,983</u>	<u>6,763,488</u>
Committed				
Basic aid differential	18,856,994	-	-	18,856,994
Aliso property	-	5,422,863	-	5,422,863
Capital Improvement Plan	-	1,728,635	-	1,728,635
Facilities repair and replacement program	-	988,534	-	988,534
Total committed	<u>18,856,994</u>	<u>8,140,032</u>	<u>-</u>	<u>26,997,026</u>
Assigned				
Carryover for reallocation	970,194	-	-	970,194
AB 1200 collective bargaining agreement	1,901,966	-	-	1,901,966
Universal transitional kindergarten	1,500,000	-	-	1,500,000
Reserve for STRS/PERS increase	898,445	-	-	898,445
Potential one-time expenditures	6,635,994	-	-	6,635,994
Total assigned	<u>11,906,599</u>	<u>-</u>	<u>-</u>	<u>11,906,599</u>
Unassigned				
Reserve for economic uncertainties	3,350,000	-	-	3,350,000
Total	<u>\$ 38,394,359</u>	<u>\$ 8,140,032</u>	<u>\$ 2,559,880</u>	<u>\$ 49,094,271</u>

Note 12 - 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 15 for additional information regarding the public entity risk pool.

Note 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2021, 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	\$ 42,111,418	\$ 10,340,135	\$ 1,614,383	\$ 5,677,339
CalPERS	<u>15,691,338</u>	<u>2,714,239</u>	<u>196,805</u>	<u>3,101,710</u>
Total	<u>\$ 57,802,756</u>	<u>\$ 13,054,374</u>	<u>\$ 1,811,188</u>	<u>\$ 8,779,049</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, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
	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	16.15%	16.15%
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% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were \$4,271,867.

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

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

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 42,111,418
State's proportionate share of the net pension liability associated with the District	<u>21,708,441</u>
Total	<u>\$ 63,819,859</u>

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.0435% and 0.0425%, resulting in a net increase in the proportionate share of 0.0010%.

For the year ended June 30, 2021, the District recognized pension expense of \$5,677,339. In addition, the District recognized pension expense and revenue of \$3,041,140 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 4,271,867	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	887,175	426,769
Differences between projected and actual earnings on pension plan investments	1,000,326	-
Differences between expected and actual experiences in the measurement of the total pension liability	74,307	1,187,614
Changes of assumptions	<u>4,106,460</u>	<u>-</u>
Total	<u>\$ 10,340,135</u>	<u>\$ 1,614,383</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:

<u>Year ended June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2022	\$ (610,392)
2023	340,829
2024	679,992
2025	589,897
	<u>\$ 1,000,326</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:

<u>Year ended June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2022	\$ 1,098,826
2023	1,002,490
2024	1,290,615
2025	(10,464)
2026	(13,438)
Thereafter	85,530
	<u>\$ 3,453,559</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, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each 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, 2020, are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 63,624,487
Current discount rate (7.10%)	42,111,418
1% increase (8.10%)	24,349,351

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, 2019 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, 2021, 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	20.700%	20.700%

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 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, 2021, are presented above and the total District contributions were \$1,513,546.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$15,691,338. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.0511% and 0.0496%, resulting in a net increase in the proportionate share of 0.0015%.

For the year ended June 30, 2021, the District recognized pension expense of \$3,101,710. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,513,546	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	38,267	196,805
Differences between projected and actual earnings on pension plan investments	326,643	-
Differences between expected and actual experiences in the measurement of the total pension liability	778,242	-
Changes of assumptions	57,541	-
	<u>2,714,239</u>	<u>196,805</u>
Total	<u>\$ 2,714,239</u>	<u>\$ 196,805</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:

<u>Year ended June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2022	\$ (122,237)
2023	109,031
2024	189,513
2025	150,336
	<u>326,643</u>
	<u>\$ 326,643</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>
2022	\$ 477,361
2023	144,659
2024	51,149
2025	4,076
	<u>\$ 677,245</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, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
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% 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:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 22,559,160
Current discount rate (7.15%)	15,691,338
1% increase (8.15%)	9,991,391

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 \$2,456,736 (10.328% 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.

Note 14 - Commitments and Contingencies**Grants**

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

Litigation

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

Construction Commitments

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

<u>Capital Projects</u>	<u>Remaining Construction Commitments</u>	<u>Expected Date of Completion</u>
Middle School - Classroom construction	\$ 122,074	2021-2022
Middle School - New Synthetic Turf to existing field	768,968	2021-2022
Middle School - Field construction	<u>2,484,655</u>	2021-2022
	<u>\$ 3,375,697</u>	

Note 15 - 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, 2021, the District made payments of \$308,705, \$475,118, and \$185,821 to ASCIP, Western Orange County Self-Funded Workers' Compensation Agency, and College and Career Advantage Program, respectively.

Note 16 - Restatement of Prior Year Net Position and Fund Balance

As of June 30, 2021, the Laguna Beach Unified School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. Additionally, the District restated its custodial funds beginning net position that were previously reported as liabilities. The following table describes the effects of the implementation on beginning fund balance/net position.

	Non-Major Governmental Funds	Total Governmental Funds
Beginning fund balance as previously reported as of June 30, 2020	\$ 2,677,219	\$ 43,731,353
Reclassification of student activity fund from agency funds to a special revenue fund	179,636	179,636
Fund Balance As Restated, July 1, 2020	\$ 2,856,855	\$ 43,910,989
 Government-Wide Financial Statements		
Beginning fund balance as previously reported as of June 30, 2020		\$ 37,963,703
Reclassification of student activity fund from agency funds to a special revenue fund		179,636
Net Position As Restated, July 1, 2020		\$ 38,143,339
 Custodial Fund		
Beginning net position as previously reported as of June 30, 2020		\$ -
Inclusion of beginning net position from the adoption of GASB Statement No. 84		929,568
Net Position As Restated, July 1, 2020		\$ 929,568



Required Supplementary Information
June 30, 2021

Laguna Beach Unified School District

Laguna Beach Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 59,487,432	\$ 61,108,100	\$ 61,136,008	\$ 27,908
Federal sources	812,512	2,866,930	2,851,995	(14,935)
Other State sources	3,874,413	6,081,261	5,894,070	(187,191)
Other local sources	2,846,468	2,815,220	3,029,988	214,768
Total revenues ¹	67,020,825	72,871,511	72,912,061	40,550
Expenditures				
Current				
Certificated salaries	24,209,565	26,258,178	26,079,822	178,356
Classified salaries	9,487,317	9,182,982	9,163,372	19,610
Employee benefits	14,847,143	15,099,565	14,771,547	328,018
Books and supplies	2,013,512	3,410,673	2,499,783	910,890
Services and operating expenditures	10,370,242	12,406,837	10,534,293	1,872,544
Other outgo	383,000	337,767	333,245	4,522
Capital outlay	2,324,996	1,570,639	1,037,623	533,016
Total expenditures ¹	63,635,775	68,266,641	64,419,685	3,846,956
Excess of Revenues over Expenditures	3,385,050	4,604,870	8,492,376	3,887,506
Other Financing Uses				
Transfers out	(2,350,000)	(2,550,000)	(2,550,000)	-
Net Change in Fund Balance	1,035,050	2,054,870	5,942,376	3,887,506
Fund Balance - Beginning	32,451,983	32,451,983	32,451,983	-
Fund Balance - Ending	\$ 33,487,033	\$ 34,506,853	\$ 38,394,359	\$ 3,887,506

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.

Laguna Beach Unified School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 428,439	\$ 313,628	\$ 305,234	\$ 355,725
Interest	279,978	204,769	183,511	165,777
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	(159,081)	-	-
Changes of assumptions	-	993,276	-	-
Benefit payments	(185,548)	(127,479)	(149,817)	(261,339)
Net change in total OPEB liability	522,869	1,225,113	338,928	260,163
Total OPEB Liability - Beginning	4,544,853	3,319,740	2,980,812	2,720,649
Total OPEB Liability - Ending (a)	<u>\$ 5,067,722</u>	<u>\$ 4,544,853</u>	<u>\$ 3,319,740</u>	<u>\$ 2,980,812</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 185,548	\$ 127,479	\$ 425,529	\$ 525,623
Expected investment investment income	199,529	186,196	170,427	105,639
Investment gains/losses	11,065	37,177	(42,636)	-
Benefit payments	(185,548)	(127,479)	(149,817)	(261,339)
Administrative expense	(1,651)	(669)	(5,003)	(1,277)
Net change in plan fiduciary net position	208,943	222,704	398,500	368,646
Plan Fiduciary Net Position - Beginning	3,326,304	3,103,600	2,705,100	2,336,454
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,535,247</u>	<u>\$ 3,326,304</u>	<u>\$ 3,103,600</u>	<u>\$ 2,705,100</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 1,532,475</u>	<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	69.76%	73.19%	93.49%	90.75%
Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Net OPEB Liability As A Percentage Of Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2020	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, 2021

	2021	2020	2019	2018
CalSTRS				
Proportion of the net pension liability	0.0435%	0.0425%	0.0425%	0.0425%
Proportionate share of the net pension liability	\$ 42,111,418	\$ 38,413,482	\$ 39,089,127	\$ 39,259,595
State's proportionate share of the net pension liability	21,708,441	20,957,119	22,380,353	23,225,645
Total	<u>\$ 63,819,859</u>	<u>\$ 59,370,601</u>	<u>\$ 61,469,480</u>	<u>\$ 62,485,240</u>
Covered payroll	<u>\$ 23,640,871</u>	<u>\$ 23,529,472</u>	<u>\$ 22,905,565</u>	<u>\$ 22,399,666</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	178.13%	163.26%	170.65%	175.27%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
CalPERS				
Proportion of the net pension liability	0.0511%	0.0496%	0.0509%	0.0501%
Proportionate share of the net pension liability	\$ 15,691,338	\$ 14,457,517	\$ 13,574,934	\$ 11,961,743
Covered payroll	<u>\$ 7,370,275</u>	<u>\$ 6,862,280</u>	<u>\$ 6,614,281</u>	<u>\$ 6,431,380</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	212.90%	210.68%	205.24%	185.99%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

Laguna Beach Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2017	2016	2015
CalSTRS			
Proportion of the net pension liability	0.0421%	0.0441%	0.0424%
Proportionate share of the net pension liability	\$ 34,074,498	\$ 29,723,141	\$ 24,794,719
State's proportionate share of the net pension liability	19,398,004	15,720,265	14,972,122
Total	<u>\$ 53,472,502</u>	<u>\$ 45,443,406</u>	<u>\$ 39,766,841</u>
Covered payroll	<u>\$ 20,910,792</u>	<u>\$ 20,133,829</u>	<u>\$ 19,189,962</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<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>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS			
Proportion of the net pension liability	0.0512%	0.0502%	0.0505%
Proportionate share of the net pension liability	\$ 10,108,492	\$ 7,397,321	\$ 5,735,409
Covered payroll	<u>\$ 6,068,439</u>	<u>\$ 5,507,921</u>	<u>\$ 5,382,462</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<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>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	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, 2021

	2021	2020	2019	2018
CaISTRS				
Contractually required contribution	\$ 4,271,867	\$ 4,042,589	\$ 3,830,598	\$ 3,305,273
Less contributions in relation to the contractually required contribution	<u>4,271,867</u>	<u>4,042,589</u>	<u>3,830,598</u>	<u>3,305,273</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 26,451,189</u>	<u>\$ 23,640,871</u>	<u>\$ 23,529,472</u>	<u>\$ 22,905,565</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>
CaIPERS				
Contractually required contribution	\$ 1,513,546	\$ 1,453,492	\$ 1,239,465	\$ 1,027,264
Less contributions in relation to the contractually required contribution	<u>1,513,546</u>	<u>1,453,492</u>	<u>1,239,465</u>	<u>1,027,264</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 7,311,816</u>	<u>\$ 7,370,275</u>	<u>\$ 6,862,280</u>	<u>\$ 6,614,281</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>

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, 2021

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CaISTRS			
Contractually required contribution	\$ 2,817,878	\$ 2,243,728	\$ 1,787,884
Less contributions in relation to the contractually required contribution	<u>2,817,878</u>	<u>2,243,728</u>	<u>1,787,884</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 22,399,666</u>	<u>\$ 20,910,792</u>	<u>\$ 20,133,829</u>
Contributions as a percentage of covered payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CaIPERS			
Contractually required contribution	\$ 893,190	\$ 718,928	\$ 648,337
Less contributions in relation to the contractually required contribution	<u>893,190</u>	<u>718,928</u>	<u>648,337</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 6,431,380</u>	<u>\$ 6,068,439</u>	<u>\$ 5,507,921</u>
Contributions as a percentage of covered payroll	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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 States 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, 2021

Laguna Beach Unified School District

Laguna Beach Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Treasury			
Passed through California Department of Education (CDE)			
COVID-19 Coronavirus Relief Fund: Learning Loss Mitigation	21.019	14329	\$ 849,800
Total U.S. Department of Treasury			<u>849,800</u>
U.S. Department of Education			
Passed through CDE			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	188,163
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	762,631
COVID-19 Governor's Emergency Education Relief Fund: Learning Loss Mitigation	84.425C	15517	152,264
COVID-19 CARES Act Supplemental Meal Reimbursement	84.425D	15535	<u>4,118</u>
Subtotal			<u>1,107,176</u>
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	241,015
Title II, Part A, Supporting Effective Instruction	84.367	14341	57,883
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	17,375
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	15,926
Passed through South Orange County SELPA			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	440,930
Preschool Grants, Part B, Section 619	84.173	13430	12,350
Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	26,025
Preschool Staff Development, Part B, Sec 619	84.173A	13431	142
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	<u>1,500</u>
Subtotal Special Education (IDEA) Cluster			<u>480,947</u>
Passed through California Department of Rehabilitation			
Workability II, Transitions Partnership Program	84.126	10006	<u>85,991</u>
Subtotal Rehabilitation Services - Vocational Rehabilitation Grants			<u>85,991</u>
Total for U.S. Department of Education			<u>2,006,313</u>
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	186,966
Especially Needy Breakfast Program	10.553	13525	5,658
Commodities	10.555	13396	<u>34,286</u>
Subtotal Child Nutrition Cluster			<u>226,910</u>
Total for U.S. Department of Agriculture			<u>226,910</u>
Total Federal Financial Assistance			<u>\$ 3,083,023</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
Carol Normandin	President	2021
Kelly Osborne	Clerk	2023
James Kelly	Member	2021
Dee Perry	Member	2021
Jan Vickers	Member	2023

Administration

NAME	TITLE
Jason Vilorio	Superintendent
Jeff Dixon	Assistant Superintendent, Business Services
Chad Mabery	Assistant Superintendent, Instructional Services
Michael Conlon	Assistant Superintendent, Human Resources and Public Communications

Laguna Beach Unified School District

Schedule of Instructional Time

Year Ended June 30, 2021

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	N/A	-	180	Complied
Grades 1 - 3					
Grade 1	180	N/A	-	180	Complied
Grade 2	180	N/A	-	180	Complied
Grade 3	180	N/A	-	180	Complied
Grades 4 - 8					
Grade 4	180	N/A	-	180	Complied
Grade 5	180	N/A	-	180	Complied
Grade 6	180	N/A	-	180	Complied
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied
Grades 9 - 12					
Grade 9	180	N/A	-	180	Complied
Grade 10	180	N/A	-	180	Complied
Grade 11	180	N/A	-	180	Complied
Grade 12	180	N/A	-	180	Complied

Laguna Beach Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2021

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2021.

Laguna Beach Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2021

	(Budget) 2022 ¹	2021	2020	2019
General Fund ³				
Revenues	\$ 72,180,308	\$ 72,744,265	\$ 67,380,887	\$ 65,775,080
Total revenues	<u>72,180,308</u>	<u>72,744,265</u>	<u>67,380,887</u>	<u>65,775,080</u>
Expenditures	68,774,608	64,419,685	60,446,055	61,385,228
Other uses	3,050,000	2,550,000	3,525,000	3,250,000
Total expenditures and other uses	<u>71,824,608</u>	<u>66,969,685</u>	<u>63,971,055</u>	<u>64,635,228</u>
Increase in Fund Balance	<u>\$ 355,700</u>	<u>\$ 5,774,580</u>	<u>\$ 3,409,832</u>	<u>\$ 1,139,852</u>
Ending Fund Balance	<u>\$ 19,893,065</u>	<u>\$ 19,537,365</u>	<u>\$ 13,762,785</u>	<u>\$ 10,352,953</u>
Available Reserves ⁴	<u>\$ 3,600,000</u>	<u>\$ 3,350,000</u>	<u>\$ 3,139,302</u>	<u>\$ 3,133,624</u>
Available Reserves as a percentage of total outgo	<u>5.01%</u>	<u>5.00%</u>	<u>5.03%</u>	<u>5.00%</u>
Long-Term Liabilities including OPEB and pensions	<u>N/A</u>	<u>\$ 77,788,642</u>	<u>\$ 76,134,707</u>	<u>\$ 76,759,950</u>
K-12 Average Daily Attendance at P-2	<u>2,552</u>	<u>2,675</u>	<u>2,675</u>	<u>2,742</u>

The General Fund balance has increased by \$9,184,412 over the past two years. The fiscal year 2021-2022 budget projects an increase of \$355,700 (1.8%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures 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 2021-2022 fiscal year. Total long-term liabilities have increased by \$1,028,692 over the past two years.

Average daily attendance has decreased by 67 over the past two years. An additional decline of 123 ADA is anticipated during fiscal year 2021-2022.

¹ Budget 2022 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances 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, 2021

	Student Activity Fund	Adult Education Fund	Cafeteria Fund
Assets			
Deposits and investments	\$ 116,335	\$ 109,512	\$ 91,369
Receivables	-	8,291	20,897
Due from other funds	-	-	85
Stores inventories	-	-	15,602
Other current assets	1,171	-	-
	<u>\$ 117,506</u>	<u>\$ 117,803</u>	<u>\$ 127,953</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 9	\$ -	\$ 43,434
Fund Balances			
Nonspendable	-	-	16,897
Restricted	117,497	117,803	67,622
	<u>117,497</u>	<u>117,803</u>	<u>84,519</u>
Total fund balances	<u>117,497</u>	<u>117,803</u>	<u>84,519</u>
Total liabilities and fund balances	<u>\$ 117,506</u>	<u>\$ 117,803</u>	<u>\$ 127,953</u>

Laguna Beach Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets			
Deposits and investments	\$ 38,638	\$ 2,213,693	\$ 2,569,547
Receivables	13	1,775	30,976
Due from other funds	-	-	85
Stores inventories	-	-	15,602
Other current assets	-	-	1,171
	<u>\$ 38,651</u>	<u>\$ 2,215,468</u>	<u>\$ 2,617,381</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 14,058	\$ -	\$ 57,501
Fund Balances			
Nonspendable	-	-	16,897
Restricted	24,593	2,215,468	2,542,983
	<u>24,593</u>	<u>2,215,468</u>	<u>2,559,880</u>
Total fund balances	<u>24,593</u>	<u>2,215,468</u>	<u>2,559,880</u>
Total liabilities and fund balances	<u>\$ 38,651</u>	<u>\$ 2,215,468</u>	<u>\$ 2,617,381</u>

Laguna Beach Unified School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2021

	Student Activity Fund	Adult Education Fund	Cafeteria Fund
Revenues			
Federal sources	\$ -	\$ -	\$ 231,028
Other State sources	-	98,807	13,629
Other local sources	99,352	908	3,028
	<u>99,352</u>	<u>99,715</u>	<u>247,685</u>
Total revenues	<u>99,352</u>	<u>99,715</u>	<u>247,685</u>
Expenditures			
Current			
Instruction	-	66,472	-
Pupil services			
Food services	-	-	688,121
General administration			
All other general administration	-	1,336	-
Ancillary services	161,491	-	-
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
	<u>161,491</u>	<u>67,808</u>	<u>688,121</u>
Total expenditures	<u>161,491</u>	<u>67,808</u>	<u>688,121</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(62,139)</u>	<u>31,907</u>	<u>(440,436)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	450,000
Other sources - proceeds from issuance of general obligation bonds	-	-	-
Other sources - premium from issuance of general obligation bonds	-	-	-
Other uses - payment to refunded bond escrow agent	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>450,000</u>
Net Change in Fund Balances	(62,139)	31,907	9,564
Fund Balances - Beginning, as restated	<u>179,636</u>	<u>85,896</u>	<u>74,955</u>
Fund Balances - Ending	<u>\$ 117,497</u>	<u>\$ 117,803</u>	<u>\$ 84,519</u>

Laguna Beach Unified School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2021

	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues			
Federal sources	\$ -	\$ -	\$ 231,028
Other State sources	-	3,855	116,291
Other local sources	159,447	2,467,492	2,730,227
Total revenues	159,447	2,471,347	3,077,546
Expenditures			
Current			
Instruction	-	-	66,472
Pupil services			
Food services	-	-	688,121
General administration			
All other general administration	-	-	1,336
Ancillary services	-	-	161,491
Facility acquisition and construction	259,939	-	259,939
Debt service			
Principal	-	2,280,000	2,280,000
Interest and other	-	543,809	543,809
Total expenditures	259,939	2,823,809	4,001,168
Excess (Deficiency) of Revenues over Expenditures	(100,492)	(352,462)	(923,622)
Other Financing Sources (Uses)			
Transfers in	-	-	450,000
Other sources - proceeds from issuance of general obligation bonds	-	16,330,000	16,330,000
Other sources - premium from issuance of general obligation bonds	-	2,435,022	2,435,022
Other uses - payment to refunded bond escrow agent	-	(18,588,375)	(18,588,375)
Net Financing Sources (Uses)	-	176,647	626,647
Net Change in Fund Balances	(100,492)	(175,815)	(296,975)
Fund Balances - Beginning, as restated	125,085	2,391,283	2,856,855
Fund Balances - Ending	\$ 24,593	\$ 2,215,468	\$ 2,559,880

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, 2021. 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, 2021, the District had \$888 in food commodities inventory at year end.

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 Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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.

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, 2021

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 Governing Board
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, 2021, 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 December 3, 2021.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 and Note 16 to the financial statements, Laguna Beach Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

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*.

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.

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

Rancho Cucamonga, California
December 3, 2021



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

To the Governing Board
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, 2021. 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, 2021.

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
December 3, 2021



Independent Auditor's Report on State Compliance

To the Governing Board
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 *2020-2021 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, 2021.

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 *2020-2021 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:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
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
K-3 Grade Span Adjustment	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
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	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	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	No, see below

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.

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.

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, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 3, 2021



Schedule of Findings and Questioned Costs
June 30, 2021

Laguna Beach Unified School District

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 Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/ Federal CFDA Number</u>
COVID-19 Coronavirus Relief Fund: Learning Loss Mitigation	21.019
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D
COVID-19 Governor's Emergency Education Relief Fund: Learning Loss Mitigation	84.425C
COVID-19 CARES Act Supplemental Meal Reimbursement	84.425D
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

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.