Financial Statements
June 30, 2022

Laguna Beach Unified School District

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Schedule of Findings and Questioned Costs

Independent Auditor's Report

To the Governing Board
Laguna Beach Unified School District
Laguna Beach, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Laguna Beach Unified School District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, combining non-major governmental fund financial statements, and 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 our report dated December 5, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 5, 2022

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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, 2022, with comparative information for the fiscal year ending on June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The key financial highlights for the fiscal year 2021-2022 included in this report demonstrate the District's continued commitment to fiscal solvency and transparency to ensure support of student learning.

With students attending school in person for the entire year, the District embraced opportunities to provide rigorous learning for every student, focusing on better academic outcomes, greater levels of student engagement, higher rates of attendance, and better social and emotional well-being. Funding was also utilized to support instruction, including more pathways to college and career readiness.

Various factors contributed to the strength of the District's overall financial 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 $6,930,312 or approximately 16.4% year-over-year. Over time net position can be a useful indicator of the District's financial condition.

- General revenues from property taxes increased 3.0% over the prior year and represent 83.7% of revenue from governmental activities.

- Contributing to revenues is the receipt of the federal COVID-19 financial relief programs, which provided additional funds to mitigate the challenges brought on by the pandemic.

- The District's operational expenses accounted for 91% of total revenues, versus almost 95% in the previous year. Unobligated funds remaining at the end of the budget period are carried forward to the next budget period. The carryover of restricted State and Federal funds allows grantees to use the unused prior year funds in the current budget period.

- At the close of the current fiscal year, the School District's governmental funds financial statement shows a combined ending fund balance of $50.3 million, an increase of $1.2 million from the prior year. The increase is mainly attributable to the increase in property tax revenues.

550 Blumont Street, Laguna Beach, CA 92651

- Net value of capital assets increased slightly by 2.6%, while long-term commitments decreased by 3.4%. The spring of 2022 marked the opening of the newly modernized field at Thurston Middle School. The 2.86-acre athletic field serves for expanded playability for Thurston students, community sports, and intramural sports.

- 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 continues to provide health benefits to eligible retirees. In 2014-2015 the District established an irrevocable other post-employment benefits (OPEB) trust with CalPERS – California Employers' Retiree Benefit Trust (CERBT) to address its fiscal obligation in relation to its OPEB liability. The CERBT serves as an investment solution that places District funds for prefunding the OPEB liability in an irrevocable trust where it can grow at a rate of return higher than achieved in the Orange County Educational Investment Pool.

  According to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, the Net OPEB Liability is calculated as the Total OPEB Liability (TOL) minus the Fiduciary Net Position (FNP). In other words, the portion of the OPEB liability that is unfunded. Earnings through June 30, 2021, represented a 92% funded ratio. Actuarial valuations or calculations are performed at least every two years and updated annually. Calculations are updated between valuations in a disclosure or "roll forward" report. The OPEB liability is updated with the current discount rate, employer contributions, fiduciary net position, and other assumptions.

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

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, 2022, than it was in the prior year, an increase of 16.4% to $49,291,896. Of this amount, $(3,171,794) 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	
	2022	2021
Assets		
Current and other assets	$ 54,402,626	$ 53,569,354
Capital assets	60,894,832	59,350,155
Total assets	115,297,458	112,919,509
Deferred outflows of resources	14,481,184	14,114,512
Liabilities		
Current liabilities	4,312,865	4,716,437
Long-term liabilities other than OPEB and pensions	17,828,438	18,453,411
Net other postemployment benefits (OPEB) liability	665,717	1,532,475
Aggregate net pension liability	32,206,962	57,802,756
Total liabilities	55,013,982	82,505,079
Deferred inflows of resources	25,472,764	2,167,358
Net Position		
Net investment in capital assets	44,871,137	41,110,011
Restricted	7,592,553	6,522,134
Unrestricted (deficit)	(3,171,794)	(5,270,561)
Total net position	$ 49,291,896	$ 42,361,584

The $(3,171,794) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted (deficit) net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased by 39.8% ($(3,171,794) compared to $(5,270,561)).

Changes in Net Position

The District's total revenues were $76,931,889 (See Table 2), a decrease of $2,155,649, or 2.7%. This decrease was due primarily to changes in other general revenue sources. 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 84 cents of every dollar received or recognized for accounting purposes.

Table 2

	Governmental Activities	
	2022	2021
Revenues		
Program revenues		
Charges for services and sales	$ 451,840	$ 254,473
Operating grants and contributions	8,952,164	9,400,901
General revenues		
Property taxes	64,390,837	62,506,629
Other general revenues	3,137,048	6,925,535
Total revenues	76,931,889	79,087,538
Expenses		
Instruction-related	46,355,178	50,670,058
Pupil services	7,865,626	7,837,008
Administration	6,929,382	5,160,566
Plant services	6,051,975	6,705,367
All other services	2,799,415	4,496,294
Total expenses	70,001,576	74,869,293
Change in net position	$ 6,930,313	$ 4,218,245

The total cost of all programs and services was $70,001,576. The District's expenses are predominantly related to educating and caring for students (77.5%). The purely administrative activities of the District accounted for 9.9% of total costs.

Total revenues for governmental activities surpassed expenses, increasing the net position by $6,930,313 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

	2022		2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction-related	$ 46,355,178	$ 40,590,783	$ 50,670,058	$ 43,835,037
Pupil services	7,865,626	5,647,848	7,837,008	6,319,403
Administration	6,929,382	6,883,643	5,160,566	5,036,628
Plant services	6,051,975	5,207,337	6,705,367	5,786,328
All other services	2,799,415	2,267,961	4,496,294	4,236,523
Total	$ 70,001,576	$ 60,597,572	$ 74,869,293	$ 65,213,919

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 2021-2022, the General Fund had revenues of $74,969,147 and expenditures and transfers out of the fund of $74,460,539 for an increase of $508,608 or 1.3% over last year. Excluding transfers to other funds of $(4,050,000), General Fund revenues exceeded expenditures by $4,558,608. 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 $1,221,136. As the District completed the year, its governmental funds reported combined fund balance of $50,315,407. Expenditures and other financing uses for the General Fund reflect a transfer of $2,700,000 to the Special Reserve Fund for Capital Outlay Projects for the Capital Improvement Plan, a transfer of $900,000 to the Special Reserve Fund for Capital Outlay Projects for the Facilities Repair and Replacement Program, and a transfer of $450,000 to the Cafeteria (Non-Major Governmental) Fund to cover cafeteria program costs.

Table 4

	Balances and Activity			
	July 1, 2021	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2022
General Fund	$ 38,394,359	$ 74,969,147	$ 74,460,539	$ 38,902,967
Special Reserve Fund for Capital Outlay Projects	8,140,032	4,124,399	3,993,332	8,271,099
Student Activity Fund	117,497	260,895	181,175	197,217
Adult Education Fund	117,803	102,382	127,438	92,747
Cafeteria Fund	84,519	1,570,700	1,128,470	526,749
Capital Facilities Fund	24,593	134,067	135,056	23,604
Bond Interest and Redemption Fund	2,215,468	2,530,956	2,445,400	2,301,024
Total	$ 49,094,271	$ 83,692,546	$ 82,471,410	$ 50,315,407

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.

The final 2021-2022 General Fund budget reflected an excess of revenues over expenditures of $1,940,112. Actual results for 2021-2022 show an excess of revenues over expenditures of $4,558,608. The excess budgeted amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2022, that will be carried over into the 2022-2023 budget.

The final amendment to the budget was adopted on June 7, 2022. (A schedule showing the District’s original and final budget amounts compared with amounts actually paid and received is provided in this annual financial report on page 61.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the District had $60,894,832 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $1,544,677, or 2.60%, from last year (Table 5).

Table 5

	Governmental Activities	
	2022	2021
Land and construction in process	$ 1,259,161	$ 3,964,570
Other capital assets, net of accumulated depreciation	59,635,671	55,385,585
Total	$ 60,894,832	$ 59,350,155

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 $17,828,438 in long-term liabilities other than OPEB and pensions outstanding versus $18,453,411, a decrease of $624,973, or 3.4%. Those obligations consisted of:

Table 6

	Governmental Activities	
	2022	2021
General obligation bonds	$ 14,035,000	$ 15,920,000
Premium on issuance	1,826,266	2,130,644
Early retirement incentive	1,640,193	
Compensated absences	326,979	402,767
Total	$ 17,828,438	$ 18,453,411

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 $665,717, versus $1,532,475 last year, a decrease of $866,758 or 56.6%.

In addition, at year-end, the District has an aggregate net pension liability of $32,206,962 versus $57,802,756 last year, a decrease of $25,595,794, or 44.3%.

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 primarily funded through local property tax, rather than state funds. Property taxes and the values that drive that revenue stream are lagging indicators of what is happening on the ground. The 2022-2023 fiscal year values were liened on January 1, 2022. These liened values reflect events that occurred in the calendar year 2021. 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 2022-2023 local assessment roll of values for the District indicates a projected growth of 7.21%. Each of Orange County’s 34 cities and the unincorporated areas had a year-to-year increase in net taxable value. Value changes are reflecting the Orange County real estate markets that show continued appreciation in property values this year and the restoration of values previously reduced under Proposition 8 decline in market value provisions.

Though we find ourselves in a better public health situation today, there remains instability in the global economy and markets, accompanied by supply chain disruptions, labor shortages, geo-political events, and high inflation. While the current economic situation is still largely unknown, we remain optimistic and hopeful. Our students are at the center of our work, and drive us to innovate, advance, and continuously improve.

Remaining resourceful and attentive is essential as history shows that planning ahead, including building reserves, can help buffer negative impacts during times of economic adversity. The District remains financially secure, evidenced by its “AAA” strong credit rating issued by Standard & Poor. Adequate reserves have been established to fund the obligations of the District and provide a measure of financial flexibility in the short term.

Through the support of the Board of Education, 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.

	Governmental Activities
Assets	
Deposits and investments	$ 51,662,313
Receivables	2,708,238
Prepaid expenses	14,372
Stores inventories	16,567
Other current assets	1,136
Capital assets not depreciated	1,259,161
Capital assets, net of accumulated depreciation	59,635,671
Total assets	115,297,458
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	1,169,957
Deferred outflows of resources related to pensions	13,311,227
Total deferred outflows of resources	14,481,184
Liabilities	
Accounts payable	3,631,268
Accrued interest	225,646
Unearned revenue	455,951
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	2,313,037
Long-term liabilities other than OPEB and pensions due in more than one year	15,515,401
Net other postemployment benefits (OPEB) liability	665,717
Aggregate net pension liability	32,206,962
Total liabilities	55,013,982
Deferred Inflows of Resources	
Deferred charge on refunding	162,429
Deferred inflows of resources related to OPEB	1,403,222
Deferred inflows of resources related to pensions	23,907,113
Total deferred inflows of resources	25,472,764
Net Position	
Net investments in capital assets	44,871,137
Restricted for	
Debt service	2,075,378
Capital projects	23,604
Educational programs	4,694,720
Other activities	798,851
Unrestricted (deficit)	(3,171,794)
Total net position	$ 49,291,896

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 39,795,102	$ 1,120	$ 5,413,903	$ (34,380,079)
Instruction-related activities				
Supervision of instruction	1,260,576	-	324,370	(936,206)
Instructional library, media, and technology	1,622,818	-	4,798	(1,618,020)
School site administration	3,676,682	-	20,204	(3,656,478)
Pupil services				
Home-to-school transportation	1,932,725	-	-	(1,932,725)
Food services	1,158,492	74,203	1,077,279	(7,010)
All other pupil services	4,774,409	3,666	1,062,630	(3,708,113)
General administration				
Data processing	1,020,735	-	1,324	(1,019,411)
All other general administration	5,908,647	282	44,133	(5,864,232)
Plant services	6,051,975	7,916	836,722	(5,207,337)
Ancillary services	1,906,067	223,396	40,397	(1,642,274)
Interest on long-term liabilities	213,242	-	-	(213,242)
Other outgo	680,106	141,257	126,404	(412,445)
Total governmental activities	$ 70,001,576	$ 451,840	$ 8,952,164	(60,597,572)
General Revenues and Subventions				
Property taxes, levied for general purposes				61,862,192
Property taxes, levied for debt service				2,528,645
Federal and State aid not restricted to specific purposes				2,292,984
Interest, investment earnings and change in fair market valuations				(640,711)
Miscellaneous				1,484,775
Subtotal, general revenues and subventions				67,527,885
Change in Net Position				6,930,313
Net Position - Beginning				42,361,583
Net Position - Ending				$ 49,291,896

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	$ 40,082,453	$ 8,654,754	$ 2,925,106	$ 51,662,313
Receivables	2,441,941	4,748	261,549	2,708,238
Prepaid expenditures	14,372	-	-	14,372
Stores inventories	-	-	16,567	16,567
Other current assets	-	-	1,136	1,136
Total assets	$ 42,538,766	$ 8,659,502	$ 3,204,358	$ 54,402,626
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 3,179,848	$ 388,403	$ 63,017	$ 3,631,268
Unearned revenue	455,951	-	-	455,951
Total liabilities	3,635,799	388,403	63,017	4,087,219
Fund Balances				
Nonspendable	64,372	-	17,862	82,234
Restricted	4,694,720	-	3,123,479	7,818,199
Committed	20,248,876	8,271,099	-	28,519,975
Assigned	10,219,999	-	-	10,219,999
Unassigned	3,675,000	-	-	3,675,000
Total fund balances	38,902,967	8,271,099	3,141,341	50,315,407
Total liabilities and fund balances	$ 42,538,766	$ 8,659,502	$ 3,204,358	$ 54,402,626

Total Fund Balances - Governmental Funds		$ 50,315,407
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is the following	$ 105,084,180	
Accumulated depreciation is the following	(44,189,348)	
Total capital assets		60,894,832
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.		(225,646)
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		
Net other postemployment benefits (OPEB) liabiliity	1,169,957	
Aggregate net pension liability	13,311,227	
Total deferred outflows of resources		14,481,184
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		
Debt refundings (deferred charge on refunding)	(162,429)	
Net other postemployment benefits (OPEB) liabiliity	(1,403,222)	
Aggregate net pension liability	(23,907,113)	
Total deferred inflows of resources		(25,472,764)
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(32,206,962)
The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(665,717)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds	14,035,000	
Premium on issuance	1,826,266	
Early retirement incentive program	1,640,193	
Compensated absences	326,979	
Total long-term liabilities		(17,828,438)
Total net position - governmental activities		$ 49,291,896

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	$ 62,951,945	$ 598,344	$ -	$ 63,550,289
Federal sources	3,116,908	-	985,908	4,102,816
Other State sources	6,020,127	-	171,517	6,191,644
Other local sources	2,880,167	(73,945)	2,991,575	5,797,797
Total revenues	74,969,147	524,399	4,149,000	79,642,546
Expenditures				
Current				
Instruction	40,620,831	-	124,947	40,745,778
Instruction-related activities				
Supervision of instruction	1,376,421	-	-	1,376,421
Instructional library, media, and technology	1,783,114	-	-	1,783,114
School site administration	3,876,680	-	-	3,876,680
Pupil services				
Home-to-school transportation	1,936,154	-	-	1,936,154
Food services	94,994	-	1,128,470	1,223,464
All other pupil services	5,142,095	-	-	5,142,095
General administration				
Data processing	1,103,329	-	-	1,103,329
All other general administration	4,656,484	-	2,491	4,658,975
Plant services	6,042,155	-	-	6,042,155
Ancillary services	1,823,792	-	181,175	2,004,967
Other outgo	680,106	-	-	680,106
Facility acquisition and construction	1,274,384	3,993,332	135,056	5,402,772
Debt service				
Principal	-	-	1,885,000	1,885,000
Interest and other	-	-	560,400	560,400
Total expenditures	70,410,539	3,993,332	4,017,539	78,421,410
Excess (Deficiency) of Revenues over Expenditures	4,558,608	(3,468,933)	131,461	1,221,136
Other Financing Sources (Uses)				
Transfers in	-	3,600,000	450,000	4,050,000
Transfers out	(4,050,000)	-	-	(4,050,000)
Net Financing Sources (Uses)	(4,050,000)	3,600,000	450,000	-
Net Change in Fund Balances	508,608	131,067	581,461	1,221,136
Fund Balances - Beginning	38,394,359	8,140,032	2,559,880	49,094,271
Fund Balances - Ending	$ 38,902,967	$ 8,271,099	$ 3,141,341	$ 50,315,407

Total Net Change in Fund Balances - Governmental Funds		$ 1,221,136
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expenses in the Statement of Activities. This is the amount by which capital outlay exceeds depreciation expnese in the period.		
Capital outlay	$ 5,507,461	
Depreciation expense	(3,957,745)	
Net expense adjustment		1,549,716
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(5,039)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement), are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination beenfits paid were less than the amounts earned by $1,640,193. Vacation earned was less than the amounts used by $75,788.		(1,564,405)
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.		3,756,722
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.		(259,975)

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		$ 1,885,000
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	$ 304,378	
Amortization of deferred charge on refunding	27,072	
		331,450
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.		15,708
Change in net position of governmental activities		$ 6,930,313

	Custodial Fund
Assets	
Investments	$ 955,558
Net Position	
Restricted for individuals, organizations, or other governments	$ 955,558

	Custodial Fund
Additions	
Interest	$ 39
Other local revenue	633,511
Total additions	633,550
Deductions	
Other expenditures	13,691
Payments to investors	615,878
Total deductions	629,569
Net Increase in Fiduciary Net Position	3,981
Net Position - Beginning	951,577
Net Position - Ending	$ 955,558

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 of $18,608,683 and a decrease in revenues of $248,310 as of June 30, 2022.

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 and amortization of leased assets. 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 governmental 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.

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the 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, 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.

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.

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

Fund Balances - Governmental Funds

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

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or 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, 2022. 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 $7,592,553 of restricted net position.

Interfund Activity

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

Implementation of GASB Statement No. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. No lease liabilities or lease assets were recorded as of June 30, 2022. Therefore, the implementation of this standard did not have an effect on beginning net position.

Implementation of GASB Statement No. 92

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

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting.

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

The requirements of this Statement are effective as follows:

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

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

Implementation of GASB Statement No. 93

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

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.

- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

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

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

Governmental activities	$ 51,662,313
Fiduciary funds	955,558
Total deposits and investments	$ 52,617,871

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

Cash on hand and in banks	$ 731,651
Cash in revolving	51,295
Investments	51,834,925
Total deposits and investments	$ 52,617,871

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	$ 50,879,367	287
US Bank Money Market Fund 5 CT	955,558	1
Total	$ 51,834,925	

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, 2022, the District’s bank balance of $430,709 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, 2022, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	$ 1,749,376	$ -	$ 238,250	$ 1,987,626
State Government				
Categorical aid	209,264	-	16,523	225,787
Lottery	158,754	-	-	158,754
Due from South Orange County SELPA	113,930	-	-	113,930
Local Government				
Interest	24,479	4,748	2,290	31,517
Other Local Sources	186,138	-	4,486	190,624
Total	$ 2,441,941	$ 4,748	$ 261,549	$ 2,708,238

Note 4 - Capital Assets

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

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	$ 1,173,934	$ -	$ -	$ 1,173,934
Construction in process	2,790,636	58,227	2,763,636	85,227
Total capital assets not being depreciated	3,964,570	58,227	2,763,636	1,259,161
Capital assets being depreciated				
Land improvements	18,943,428	4,089,078	-	23,032,506
Buildings and improvements	63,652,145	3,163,814	17,573	66,798,386
Portable classrooms and structures	90,200	13,051	-	103,251
Furniture and equipment	13,287,461	946,927	343,512	13,890,876
Total capital assets being depreciated	95,973,234	8,212,870	361,085	103,825,019
Less accumulated depreciation				
Land improvements	(12,957,380)	(1,009,531)	-	(13,966,911)
Buildings and improvements	(21,288,757)	(1,942,669)	(12,534)	(23,218,892)
Portable classrooms and structures	(82,150)	(552)	-	(82,702)
Furniture and equipment	(6,259,362)	(1,004,993)	(343,512)	(6,920,843)
Total accumulated depreciation	(40,587,649)	(3,957,745)	(356,046)	(44,189,348)
Net depreciable capital assets	55,385,585	4,255,125	5,039	59,635,671
Governmental activities capital assets assets, net	$ 59,350,155	$ 4,313,352	$ 2,768,675	$ 60,894,832

Depreciation expense was charged to governmental activities was as follows:

Governmental Activities	
Instruction	$ 3,561,971
School site administration	197,887
All other pupil services	197,887
Total depreciation expense governmental activities	$ 3,957,745

Note 5 - Interfund Transactions

Operating Transfers

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

Transfer To	Transfer From General Fund
Special Reserve Fund for Capital Outlay Projects	$ 3,600,000
Non-Major Governmental Funds	450,000
Total	$ 4,050,000

The General Fund transferred $2,700,000 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, 2022, consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Salaries and benefits	$ 1,452,658	$ -	$ 41,772	$ 1,494,430
Supplies and materials	226,863	-	-	226,863
Services	1,491,819	6,995	-	1,498,814
Construction	-	381,408	-	381,408
Other vendor payables	8,508	-	21,245	29,753
Total	$ 3,179,848	$ 388,403	$ 63,017	$ 3,631,268

Note 7 - Unearned Revenue

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

	General Fund
State categorical aid	$ 429,423
Other local	26,528
Total	$ 455,951

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, 2021	Additions	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 15,920,000	$ -	$ 1,885,000	$ 14,035,000	$ 1,985,000
Premium on issuance	2,130,644	-	304,378	1,826,266	-
Early retirement incentive	-	1,640,193	-	1,640,193	328,037
Compensated absences	402,767	-	75,788	326,979	-
Total	$ 18,453,411	$ 1,640,193	$ 2,265,166	$ 17,828,438	$ 2,313,037

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The early retirement incentive will be paid by the General Fund. 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, 2021	Issued	Redeemed	Bonds Outstanding June 30, 2022
7/7/20	8/1/28	2.00-4.00%	$ 16,330,000	$ 15,920,000	$ -	$ 1,885,000	$ 14,035,000

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. As of June 30, 2022, the principal balance outstanding was $14,035,000, and unamortized premium on issuance and deferred charge on refunding were $1,826,267 and $162,429, respectively.

The bonds mature through 2029 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	2,570,000	159,800	2,729,800
2028-2029	2,710,000	110,400	2,820,400
Total	$ 14,035,000	$ 1,833,775	$ 15,868,775

Early Retirement Incentive

The District offered a supplemental early retirement incentive plan through the Public Agency Retirement System (PARS) in the current year. The plan was offered to eligible employees who retired on or before June 30, 2022. The District purchased an annuity through PARS for the employees. Benefit payments are scheduled to be paid over five years beginning July 10, 2022. Future payments are as follows:

Fiscal Year	Principal
2023	$ 328,037
2024	328,039
2025	328,039
2026	328,039
2027	328,039
Total	$ 1,640,193

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to $326,979.

Note 9 - Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2022, 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	$ 378,496	$ 1,169,957	$ 1,403,222	$ (27,246)
Medicare Premium Payment (MPP) Program	287,221	-	-	287,221
Total	$ 665,717	$ 1,169,957	$ 1,403,222	$ 259,975

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, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	21
Active employees	247
	268

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, 2021, the District contributed $296,962 to the Plan, of which $196,962 was used for current premiums and $100,000 was used to fund the OPEB Trust.

Net OPEB Liability of the District

The District's net OPEB liability of $378,496 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The components of the net OPEB liability of the District at June 30, 2022, were as follows:

Total OPEB liability	$ 4,494,869
Plan fiduciary net position	(4,116,373)
District's net OPEB liability	$ 378,496
Plan fiduciary net position as a percentage of the total OPEB liability	91.58%

Actuarial Assumptions

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

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Investment rate of return	5.75%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00% for 2021

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous and Schools 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, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2020 to June 30, 2021.

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, 2021	$ 5,067,722	$ 3,535,247	$ 1,532,475
Service cost	440,221	-	440,221
Interest	317,270	-	317,270
Differences between expected and actual experience	(678,752)	-	(678,752)
Changes in assumptions	(454,630)	-	(454,630)
Contributions-employer	-	296,962	(296,962)
Expected investment income	-	215,077	(215,077)
Investment gains/losses	-	267,309	(267,309)
Benefit payments	(196,962)	(196,962)	-
Administrative expense	-	(1,260)	1,260
Net change in total OPEB liability	(572,853)	581,126	(1,153,979)
Balance at June 30, 2022	$ 4,494,869	$ 4,116,373	$ 378,496

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

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

Discount Rate	Net OPEB Liability
1% decrease (4.75%)	$ 685,030
Current discount rate (5.75%)	378,496
1% increase (6.75%)	90,754

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

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

Healthcare Cost Trend Rates	Net OPEB Liability (Asset)
1% decrease (3.00%)	$ (59,277)
Current healthcare cost trend rate (4.00%)	378,496
1% increase (5.00%)	885,636

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

For the year ended June 30, 2022, the District recognized OPEB expense of $(27,246). At June 30, 2022, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $388,885.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 388,885	$ -
Differences between expected and actual experience	-	749,035
Changes of assumptions	772,548	418,832
Net difference between projected and actual earnings on OPEB plan investments	8,524	235,355
Total	$ 1,169,957	$ 1,403,222

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflow) of Resources
2023	$ (82,039)
2024	(90,560)
2025	(83,127)
2026	(80,913)
2027	(27,452)
Thereafter	(258,059)
	$ (622,150)

Medicare Premium Payment (MPP) Program

Plan Description

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

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

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2022, the District reported a liability of $287,221 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.0720%, and 0.0659%, resulting in a net increase in the proportionate share of 0.0061%.

For the year ended June 30, 2022, the District recognized OPEB expense of $287,221.

Actuarial Methods and Assumptions

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

Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2020	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018	June 30,-2014 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.16%	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

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

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population (152,062).

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

Discount Rate

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

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

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

Discount Rate	Net OPEB Liability
1% decrease (1.16%)	$ 316,596
Current discount rate (2.16%)	287,221
1% increase (3.16%)	262,122

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

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	$ 261,194
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	287,221
1% increase (5.50% Part A and 6.40% Part B)	317,060

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, 2022, of $7,135,000.

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	-	-	16,567	16,567
Prepaid expenditures	14,372	-	-	14,372
Total nonspendable	64,372	-	17,862	82,234
Restricted				
Legally restricted programs	4,694,720	-	-	4,694,720
Special revenue funds	-	-	798,851	798,851
Capital projects funds	-	-	23,604	23,604
Debt service funds	-	-	2,301,024	2,301,024
Total restricted	4,694,720	-	3,123,479	7,818,199
Committed				
Basic aid differential	18,608,683	-	-	18,608,683
PARS plan liability	1,640,193	-	-	1,640,193
Aliso property	-	5,351,602	-	5,351,602
Capital Improvement Plan	-	1,563,959	-	1,563,959
Facilities repair and replacement program	-	1,355,538	-	1,355,538
Total committed	20,248,876	8,271,099	-	28,519,975
Assigned				
Potential one-time expenditures	10,219,999	-	-	10,219,999
Unassigned				
Reserve for economic uncertainties	3,675,000	-	-	3,675,000
Total	$ 38,902,967	$ 8,271,099	$ 3,141,341	$ 50,315,407

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 21,800,823	$ 11,174,695	$ 19,778,459	$ 1,687,290
CalPERS	10,406,139	2,136,532	4,128,654	1,047,460
Total	$ 32,206,962	$ 13,311,227	$ 23,907,113	$ 2,734,750

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
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	16.92%	16.92%
Required State contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were $4,668,369.

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

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

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	$ 21,800,823
State's proportionate share of the net pension liability associated with the District	10,969,329
Total	$ 32,770,152

The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.0479% and 0.0435%, resulting in a net increase in the proportionate share of 0.0044%.

For the year ended June 30, 2022, the District recognized pension expense of $1,687,290. In addition, the District recognized pension expense and revenue of $375,302 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,668,369	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,362,769	213,384
Differences between projected and actual earnings on pension plan investments	-	17,245,013
Differences between expected and actual experiences in the measurement of the total pension liability	54,612	2,320,062
Changes of assumptions	3,088,945	-
Total	$ 11,174,695	$ 19,778,459

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

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

Year ended June 30,	Deferred Outflows (Inflows) of Resources
2023	$ (4,379,199)
2024	(4,005,536)
2025	(4,104,941)
2026	(4,755,337)
	$ (17,245,013)

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

Year ended June 30,	Deferred Outflows (Inflows) of Resources
2023	$ 1,348,605
2024	1,643,908
2025	212,931
2026	210,693
2027	321,368
Thereafter	235,375
	$ 3,972,880

Actuarial Methods and Assumptions

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2021, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 44,378,673
Current discount rate (7.10%)	21,800,823
1% increase (8.10%)	3,061,639

California Public Employees Retirement System (CalPERS)

Plan Description

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

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

Benefits Provided

CalPERS 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, 2022, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
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	22.910%	22.910%

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, 2022, are presented above and the total District contributions were $1,823,103.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $10,406,139. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.0512% and 0.0511%, resulting in a net increase in the proportionate share of 0.0001%.

For the year ended June 30, 2022, the District recognized pension expense of $1,047,460. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,823,103	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,779	110,555
Differences between projected and actual earnings on pension plan investments	-	3,993,567
Differences between expected and actual experiences in the measurement of the total pension liability	310,650	24,532
Total	$ 2,136,532	$ 4,128,654

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

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

Year ended June 30,	Deferred Outflows (Inflows) of Resources
2023	$ (1,001,583)
2024	(921,046)
2025	(960,251)
2026	(1,110,687)
	$ (3,993,567)

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

Year ended June 30,	Deferred Outflows (Inflows) of Resources
2023	$ 137,801
2024	44,179
2025	(2,939)
2026	(699)
	$ 178,342

Actuarial Methods and Assumptions

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

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

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% 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%)	$ 17,546,212
Current discount rate (7.15%)	10,406,139
1% increase (8.15%)	4,478,347

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 $3,080,920 (10.828% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Note 14 - Commitments and Contingencies

Grants

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

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2022.

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 and liability coverage and workers' compensation, respectively. Payments for excess insurance for property and 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, 2022, the District made payments of $322,088, $474,354, and $209,000 to ASCIP, Western Orange County Self-Funded Workers' Compensation Agency, and College and Career Advantage Program, respectively.

Required Supplementary Information
June 30, 2022

Laguna Beach Unified School District

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
Revenues				
Local Control Funding Formula	$63,159,875	$63,160,689	$ 62,951,945	$ (208,744)
Federal sources	879,116	3,116,908	3,116,908	-
Other State sources	5,486,268	6,423,305	6,020,127	(403,178)
Other local sources	2,655,049	3,393,643	2,880,167	(513,476)
Total revenues [1]	72,180,308	76,094,545	74,969,147	(1,125,398)
Expenditures				
Current				
Certificated salaries	26,315,911	27,896,151	27,658,696	237,455
Classified salaries	9,719,337	10,425,870	10,354,564	71,306
Employee benefits	16,294,223	16,708,866	16,743,619	(34,753)
Books and supplies	2,363,282	3,361,108	2,349,357	1,011,751
Services and operating expenditures	11,753,904	12,752,626	11,091,607	1,661,019
Other outgo	448,844	679,716	677,615	2,101
Capital outlay	1,879,107	2,330,096	1,535,081	795,015
Total expenditures [1]	68,774,608	74,154,433	70,410,539	3,743,894
Excess of Revenues over Expenditures	3,405,700	1,940,112	4,558,608	2,618,496
Other Financing Uses				
Transfers out	(3,050,000)	(4,050,000)	(4,050,000)	-
Net Change in Fund Balance	355,700	(2,109,888)	508,608	2,618,496
Fund Balance - Beginning	38,394,359	38,394,359	38,394,359	-
Fund Balance - Ending	$ 38,750,059	$ 36,284,471	$ 38,902,967	$ 2,618,496

[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, however, are not included in the original and final General Fund budgets.

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 440,221	$ 428,439	$ 313,628	$ 305,234	$ 355,725
Interest	317,270	279,978	204,769	183,511	165,777
Difference between expected and actual experience	(678,752)	-	(159,081)	-	-
Changes of assumptions	(454,630)	-	993,276	-	-
Benefit payments	(196,962)	(185,548)	(127,479)	(149,817)	(261,339)
Net change in total OPEB liability	(572,853)	522,869	1,225,113	338,928	260,163
Total OPEB Liability - Beginning	5,067,722	4,544,853	3,319,740	2,980,812	2,720,649
Total OPEB Liability - Ending (a)	$ 4,494,869	$ 5,067,722	$ 4,544,853	$ 3,319,740	$ 2,980,812
Plan Fiduciary Net Position					
Contributions - employer	$ 296,962	$ 185,548	$ 127,479	$ 425,529	$ 525,623
Expected investment investment income	215,077	199,529	186,196	170,427	105,639
Investment gains/losses	267,309	11,065	37,177	(42,636)	-
Benefit payments	(196,962)	(185,548)	(127,479)	(149,817)	(261,339)
Administrative expense	(1,260)	(1,651)	(669)	(5,003)	(1,277)
Net change in plan fiduciary net position	581,126	208,943	222,704	398,500	368,646
Plan Fiduciary Net Position - Beginning	3,535,247	3,326,304	3,103,600	2,705,100	2,336,454
Plan Fiduciary Net Position - Ending (b)	$ 4,116,373	$ 3,535,247	$ 3,326,304	$ 3,103,600	$ 2,705,100
Net OPEB Liability - Ending (a) - (b)	$ 378,496	$ 1,532,475	$ 1,218,549	$ 216,140	$ 275,712
Plan Fiduciary Net Position As A Percentage of The Total OPEB Liability	91.58%	69.76%	73.19%	93.49%	90.75%
Covered Payroll	N/A[1]	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]	N/A[1]
Measurement Date	June 30, 2021	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.

Year ended June 30,	2022
Proportion of the net OPEB liability	0.0720%
Proportionate share of the net OPEB liability	$ 287,221
Covered payroll	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.80%
Measurement Date	June 30, 2021

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

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

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Proportion of the net pension liability	0.0479%	0.0435%	0.0425%	0.0425%	0.0425%	0.0421%	0.0441%	0.0424%
Proportionate share of the net pension liability	$ 21,800,823	$ 42,111,418	$ 38,413,482	$ 39,089,127	$ 39,259,595	$ 34,074,498	$ 29,723,141	$ 24,794,719
State's proportionate share of the net pension liability	10,969,329	21,708,441	20,957,119	22,380,353	23,225,645	19,398,004	15,720,265	14,972,122
Total	$ 32,770,152	$ 63,819,859	$ 59,370,601	$ 61,469,480	$ 62,485,240	$ 53,472,502	$ 45,443,406	$ 39,766,841
Covered payroll	$ 26,451,189	$ 23,640,871	$ 23,529,472	$ 22,905,565	$ 22,399,666	$ 20,910,792	$ 20,133,829	$ 19,189,962
Proportionate share of the net pension liability as a percentage of its covered payroll	82.42%	178.13%	163.26%	170.65%	175.27%	162.95%	147.63%	129.21%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS								
Proportion of the net pension liability	0.0512%	0.0511%	0.0496%	0.0509%	0.0501%	0.0512%	0.0502%	0.0505%
Proportionate share of the net pension liability	$ 10,406,139	$ 15,691,338	$ 14,457,517	$ 13,574,934	$ 11,961,743	$ 10,108,492	$ 7,397,321	$ 5,735,409
Covered payroll	$ 7,311,816	$ 7,370,275	$ 6,862,280	$ 6,614,281	$ 6,431,380	$ 6,068,439	$ 5,507,921	$ 5,382,462
Proportionate share of the net pension liability as a percentage of its covered payroll	142.32%	212.90%	210.68%	205.24%	185.99%	166.57%	134.30%	106.56%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Contractually required contribution	$ 4,668,369	$ 4,271,867	$ 4,042,589	$ 3,830,598	$ 3,305,273	$ 2,817,878	$ 2,243,728	$ 1,787,884
Less contributions in relation to the contractually required contribution	4,668,369	4,271,867	4,042,589	3,830,598	3,305,273	2,817,878	2,243,728	1,787,884
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 27,589,203	$ 26,451,189	$ 23,640,871	$ 23,529,472	$ 22,905,565	$ 22,399,666	$ 20,910,792	$ 20,133,829
Contributions as a percentage of covered payroll	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS								
Contractually required contribution	$ 1,823,103	$ 1,513,546	$ 1,453,492	$ 1,239,465	$ 1,027,264	$ 893,190	$ 718,928	$ 648,337
Less contributions in relation to the contractually required contribution	1,823,103	1,513,546	1,453,492	1,239,465	1,027,264	893,190	718,928	648,337
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 7,957,674	$ 7,311,816	$ 7,370,275	$ 6,862,280	$ 6,614,281	$ 6,431,380	$ 6,068,439	$ 5,507,921
Contributions as a percentage of covered payroll	22.910%	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United 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* – The discount rate assumption was changed from 6.00% to 5.75% since the previous valuation.

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

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

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

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

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

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

Schedule of the District's Contributions

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

Supplementary Information
June 30, 2022

Laguna Beach Unified School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	$ 17
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	1,370,298
COVID-19 Expanded Learning Opportunities: ESSER II State Reserve	84.425D	15618	248,585
COVID-19 Expanded Learning Opportunities: Governor's Emergency Education Relief II (GEER II) Fund	84.425C	15619	57,053
COVID-19 Expanded Learning Opportunities: ESSER III State Reserve Emergency Needs	84.425U	15620	162,049
COVID-19 Expanded Learning Opportunities: ESSER III State Reserve Learning Loss	84.425U	15621	279,344
			2,117,346
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	249,649
Title II, Part A, Supporting Effective Instruction	84.367	14341	59,875
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	17,178
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	15,480
Passed through South Orange County SELPA			
Special Education (IDEA) Cluster			
COVID-19 American Rescue Plan (ARP) Local Assistance Entitlement, Part B, Section 611	84.027	15638	87,789
COVID-19 American Rescue Plan (ARP) Preschool Grants, Part B, Section 619	84.173	15639	7,521
			95,310
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	417,778
Preschool Grants, Part B, Section 619	84.173	13430	11,508
Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	24,231
Preschool Staff Development, Part B, Sec 619	84.173A	13431	298
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	6,744
Subtotal Special Education (IDEA) Cluster			555,869
Passed through California Department of Rehabilitation			
Workability II, Transitions Partnership Program	84.126	10006	101,511
Total for U.S. Department of Education			3,116,908

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Cluster			
Especially Needy Breakfast Program	10.553	13525	$ 314,586
COVID-19: Emergency Operational Costs Reimbursement	10.555	15637	18,471
National School Lunch Program - Section 11	10.555	13524	543,178
National School Lunch Program - Section 4	10.555	13523	56,767
Commodities	10.555	13524	42,850
			661,266
Fresh Fruit and Vegetable Program	10.582	14968	10,056
Subtotal Child Nutrition Cluster			985,908
Total for U.S. Department of Agriculture			985,908
Total Federal Financial Assistance			$ 4,102,816

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	2022
Kelly Osborne	Clerk	2024
James Kelly	Member	2022
Dee Perry	Member	2022
Jan Vickers	Member	2024

Administration

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

	Final Report	
	Second Period Report DF22600F	Annual Report 2ACFB647
Regular ADA		
Transitional kindergarten through third	594.18	594.70
Fourth through sixth	473.45	472.74
Seventh and eighth	380.78	380.37
Ninth through twelfth	931.87	925.73
Total regular	2,380.28	2,373.54
Extended Year Special Education		
Transitional kindergarten through third	0.90	0.90
Fourth through sixth	0.27	0.27
Seventh and eighth	0.23	0.23
Total extended year special education	1.40	1.40
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.50	1.54
Fourth through sixth	3.87	3.72
Seventh and eighth	3.52	3.32
Ninth through twelfth	2.81	2.96
Total special education, nonpublic, nonsectarian schools	11.70	11.54
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.14	0.14
Fourth through sixth	0.40	0.40
Seventh and eighth	0.29	0.29
Ninth through twelfth	0.39	0.39
Total extended year special education, nonpublic, nonsectarian schools	1.22	1.22
Total ADA	2,394.60	2,387.70

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A*	Total Minutes Offered	Traditional Calendar Number of Actual Days	Traditional Calendar Number of Days Credited Form J-13A*	Traditional Calendar Total Days Offered	Status
Kindergarten	36,000	37,022	288	37,310	179	1	180	Complied
Grades 1 - 3	50,400							
Grade 1		53,703	315	54,018	179	1	180	Complied
Grade 2		53,703	315	54,018	179	1	180	Complied
Grade 3		53,703	315	54,018	179	1	180	Complied
Grades 4 - 8	54,000							
Grade 4		55,323	327	55,650	179	1	180	Complied
Grade 5		55,323	327	55,650	179	1	180	Complied
Grade 6		58,146	336	58,482	179	1	180	Complied
Grade 7		58,146	336	58,482	179	1	180	Complied
Grade 8		58,146	336	58,482	179	1	180	Complied
Grades 9 - 12	64,800							
Grade 9		64,448	373	64,821	179	1	180	Complied
Grade 10		64,448	373	64,821	179	1	180	Complied
Grade 11		64,448	373	64,821	179	1	180	Complied
Grade 12		64,448	373	64,821	179	1	180	Complied

* The District received an approved J-13A for the number of minutes indicated above by grade level and 1 day.

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2022.

	(Budget) 2023 [1]	2022	2021 [1]	2020 [1]
General Fund [3]				
Revenues	$ 76,715,937	$ 75,217,458	$ 72,744,265	$ 67,380,887
Expenditures	74,522,937	70,410,539	64,419,685	60,446,055
Other uses	2,100,000	4,050,000	2,550,000	3,525,000
Total expenditures and other uses	76,622,937	74,460,539	66,969,685	63,971,055
Increase in Fund Balance	$ 93,000	$ 756,919	$ 5,774,580	$ 3,409,832
Ending Fund Balance	$ 20,387,284	$ 20,294,284	$ 19,537,365	$ 13,762,785
Available Reserves [2]	$ 3,835,000	$ 3,675,000	$ 3,350,000	$ 3,139,302
Available Reserves as a percentage of total outgo	5.01%	4.94%	5.00%	4.91%
Long-Term Liabilities including OPEB and pensions	N/A	$ 50,413,896	$ 77,788,642	$ 76,134,707
K-12 Average Daily Attendance at P-2	2,310	2,395	2,675	2,675

The General Fund balance has increased by $6,531,499 over the past two years. The fiscal year 2022-2023 budget projects an increase of $93,000 (0.5%). 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 2022-2023 fiscal year. Total long-term liabilities have decreased by $25,720,811 over the past two years.

Average daily attendance has decreased by 280 over the past two years. An additional decline of 85 ADA is anticipated during fiscal year 2022-2023.

[1] Financial information for 2023, 2021, and 2020 are 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 Fund 17, Special Reserve Fund for Other Than Outlay Projects as required by GASB Statement No. 54.

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets						
Deposits and investments	$ 196,150	$ 92,678	$ 309,952	$ 27,332	$ 2,298,994	$ 2,925,106
Receivables	-	69	257,027	2,423	2,030	261,549
Stores inventories	-	-	16,567	-	-	16,567
Other current assets	1,136	-	-	-	-	1,136
Total assets	$ 197,286	$ 92,747	$ 583,546	$ 29,755	$ 2,301,024	$ 3,204,358
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 69	$ -	$ 56,797	$ 6,151	$ -	$ 63,017
Fund Balances						
Nonspendable	-	-	17,862	-	-	17,862
Restricted	197,217	92,747	508,887	23,604	2,301,024	3,123,479
Total fund balances	197,217	92,747	526,749	23,604	2,301,024	3,141,341
Total liabilities and fund balances	$ 197,286	$ 92,747	$ 583,546	$ 29,755	$ 2,301,024	$ 3,204,358

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues						
Federal sources	$ -	$ -	$ 985,908	$ -	$ -	$ 985,908
Other State sources	-	103,462	64,217	-	3,838	171,517
Other local sources	260,895	(1,080)	70,575	134,067	2,527,118	2,991,575
Total revenues	260,895	102,382	1,120,700	134,067	2,530,956	4,149,000
Expenditures						
Current						
Instruction	-	124,947	-	-	-	124,947
Pupil services						
Food services	-	-	1,128,470	-	-	1,128,470
General administration						
All other general administration	-	2,491	-	-	-	2,491
Ancillary services	181,175	-	-	-	-	181,175
Facility acquisition and construction	-	-	-	135,056	-	135,056
Debt service						
Principal	-	-	-	-	1,885,000	1,885,000
Interest and other	-	-	-	-	560,400	560,400
Total expenditures	181,175	127,438	1,128,470	135,056	2,445,400	4,017,539
Excess (Deficiency) of Revenues over Expenditures	79,720	(25,056)	(7,770)	(989)	85,556	131,461
Other Financing Sources						
Transfers in	-	-	450,000	-	-	450,000
Net Change in Fund Balances	79,720	(25,056)	442,230	(989)	85,556	581,461
Fund Balances - Beginning	117,497	117,803	84,519	24,593	2,215,468	2,559,880
Fund Balances - Ending	$ 197,217	$ 92,747	$ 526,749	$ 23,604	$ 2,301,024	$ 3,141,341

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, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the 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, 2022, the District had $4,293 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 Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

Independent Auditor's Reports
June 30, 2022

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 (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 5, 2022

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

Opinion on Each Major Federal Program

We have audited Laguna Beach Unified School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 5, 2022

Independent Auditor's Report on State Compliance

To the Governing Board
Laguna Beach Unified School District
Laguna Beach, California

Report on Compliance

Opinion on State Compliance

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

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below

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

We did not perform procedures for Kindergarten Continuance because there were no Kindergarteners retained in 2020-2021 that were in Kindergarten in 2021-2022.

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

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

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

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

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

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

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

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

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

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

The District was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

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

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

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 5, 2022

Schedule of Findings and Questioned Costs
June 30, 2022

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

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U
COVID-19 Expanded Learning Opportunities: ESSER II State Reserve	84.425D
COVID-19 Expanded Learning Opportunities: Governor's Emergency Education Relief II	84.425C
COVID-19 Expanded Learning Opportunities: ESSER III State Reserve Emergency Needs	84.425U
COVID-19 Expanded Learning Opportunities: ESSER III State Reserve Learning Loss	84.425U
Child Nutrition Cluster	10.553, 10.555, 10.582

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

State Compliance

Internal control over state compliance 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 programs	Unmodified

None reported.

None reported.

None reported.

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