



Financial Statements  
June 30, 2023

# Laguna Beach Unified School District

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## Independent Auditor's Report

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

### Report on the 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, 2023, 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 Laguna Beach Unified School District, as of June 30, 2023, 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.

#### ***Adoption of New Accounting Standard***

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

## ***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 – CalSTRS, schedule of the District's proportionate share of the net pension liability - CalPERS, schedule of the District's contributions – CalSTRS, and schedule of the District's contributions - CalPERS, 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 GAAS, 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 GAAS. 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 November 16, 2023 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.

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

Rancho Cucamonga, California  
November 16, 2023



# LAGUNA BEACH

## UNIFIED SCHOOL DISTRICT



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949.497.7710

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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, 2023, with comparative information for the fiscal year ending on June 30, 2022. 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 2022-2023 included in this report demonstrate the District's continued commitment to fiscal solvency and transparency, ensuring support for student learning. Beyond the balance sheets and numbers, our focus this year was on enhancing the learning and support environment for our students.

The District created new opportunities to challenge and enrich students, simultaneously fostering agency and peer connections. Through unit design planning and implementation, teachers collaborated to reimagine selected units of study, integrating course content with essential competencies, such as collaboration, communication, critical thinking, creativity, and problem-solving. This unit design work aligned with student focus group feedback across both elementary and secondary levels, where students expressed a desire for more relevant, collaborative group tasks and projects with a real-world application focus.

Laguna Beach schools continued to provide students with supplemental, targeted academic intervention opportunities to engage students in learning recovery and acceleration, including expanded learning programs outside of the regular school day and school year. Students participated in meaningful learning activities that promoted the development of communication, collaboration, creativity, critical thinking, and problem-solving skills, enhancing student agency through choice.

Additionally, sustainability has been integrated into our overall strategy. A commitment to reducing carbon emissions stemming from district and school operations was established, with the goal of achieving carbon neutrality by 2030. To support this initiative, a sustainability task force was formed in the past year, alongside the creation of a Coordinator of Environmental Literacy position to lead the district's efforts in implementing environmental literacy education and carrying out the LBUSD Sustainability Plan.

The Laguna Beach Unified School District continues to be in a stable financial condition. The District's primary revenue source is its property tax base, and in Fiscal Year 2022-2023, the District received approximately \$4.6 million more in property taxes compared to Fiscal Year 2021-2022, reflecting positive results despite the ever-changing economic, social, and political landscape.

- The District's total assets in excess of its liabilities as of June 30, 2023, amounted to \$59 million.
- Districtwide total net position increased by \$9.9 million (20.2%), signaling a consistent and stable financial condition. This change primarily resulted from increased deposits and investments, stemming from expense management and higher-than-anticipated revenue, along with a decrease in long-term liabilities other than OPEB and pensions.



- A net increase in total assets of \$4.5 million (3.9%) was primarily due to an increase of \$4.8 million (8.8%) in current assets and a decrease in capital assets of \$0.3 million (0.5%). This growth was primarily attributed to higher property tax revenue from a growing tax base. The Districtwide non-current asset loss mainly relates to deferred capital projects, leading to lower-than-usual capital expenses in Fiscal Year 2022-2023.
- A net increase in total liabilities of \$16 million (30.0%) is primarily due to an increase in long-term liabilities related to the net pension liability of \$51 million. Net pension liability represents total pension liability less the fiduciary net position of the pension plan. Changes in net pension liability are immediately recognized as pension expense or reported as deferred outflows/inflows of resources depending on the nature of the change. The deferred outflows/inflows of resources resulted in a net change of \$21.9 million.
- As of June 30, 2023, the District's governmental funds reported combined fund balances of \$55.4 million, marking an increase of \$5.08 million (10.1%) from June 30, 2022. The General Fund's balance is \$44 million, equivalent to 57.9% of total fiscal year expenditures of \$75.9 million, and 53.6% of total revenues of \$82 million, before other financing sources (uses). The Special Reserve Fund for Capital Outlay Projects has a fund balance of \$8.1 million, and other non-major governmental funds have combined fund balances of \$3.3 million.

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, right-to-use leased assets, and right-to-use subscription IT 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, 2023, than it was in the prior year, an increase of 20.2% to \$59,224,236. Of this amount, \$3,961,724 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	
	2023	2022 as restated
Assets		
Current and other assets	\$ 59,216,891	\$ 54,402,626
Capital assets, right-to-use leased assets, and right-to-use subscription IT assets	60,599,473	61,012,183
Total assets	119,816,364	115,414,809
Deferred outflows of resources	18,285,762	14,481,184
Liabilities		
Current liabilities	4,017,449	4,312,865
Long-term liabilities other than OPEB and pensions	15,322,667	17,945,789
Net other postemployment benefits (OPEB) liability	1,141,158	665,717
Aggregate net pension liability	51,014,882	32,206,962
Total liabilities	71,496,156	55,131,333
Deferred inflows of resources	7,381,734	25,472,764
Net Position		
Net investment in capital assets	46,749,426	44,871,137
Restricted	8,513,086	7,592,553
Unrestricted (deficit)	3,961,724	(3,171,794)
Total net position	\$ 59,224,236	\$ 49,291,896

The \$3,961,724 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased by 224.9% (\$3,961,724 compared to \$(3,171,794)).

### Changes in Net Position

The District's total revenues were \$85,520,272 (See Table 2), an increase of \$8,588,383, or 11.2%. This increase was due primarily to changes in property taxes and 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 81 cents of every dollar received or recognized for accounting purposes.

Table 2

	Governmental Activities	
	2023	2022 *
Revenues		
Program revenues		
Charges for services and sales	\$ 551,039	\$ 451,840
Operating grants and contributions	10,200,780	8,952,164
General revenues		
Property taxes	69,065,358	64,390,837
Other general revenues	5,703,095	3,137,048
Total revenues	<u>85,520,272</u>	<u>76,931,889</u>
Expenses		
Instruction-related	51,587,657	46,355,178
Pupil services	9,407,942	7,865,626
Administration	5,799,567	6,929,382
Plant services	5,984,856	6,051,975
All other services	2,807,910	2,799,415
Total expenses	<u>75,587,932</u>	<u>70,001,576</u>
Change in net position	<u>\$ 9,932,340</u>	<u>\$ 6,930,313</u>

\* The revenues and expenses for fiscal year 2022 were not restated to show the effects of GASB Statement No. 96 for comparative purposes.

The total cost of all programs and services was \$75,587,932. The District's expenses are predominantly related to educating and caring for students (80.7%). The purely administrative activities of the District accounted for 7.7% of total costs.

Total revenues for governmental activities surpassed expenses, increasing the net position by \$9,932,340 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-related, 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

	2023		2022*	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction-related	\$ 51,587,657	\$ 44,257,269	\$ 46,355,178	\$ 40,590,783
Pupil services	9,407,942	6,963,492	7,865,626	5,647,848
Administration	5,799,567	5,702,195	6,929,382	6,883,643
Plant services	5,984,856	5,755,323	6,051,975	5,207,337
All other services	2,807,910	2,157,834	2,799,415	2,267,961
<b>Total</b>	<b>\$ 75,587,932</b>	<b>\$ 64,836,113</b>	<b>\$ 70,001,576</b>	<b>\$ 60,597,572</b>

\* The total and net cost of services for fiscal year 2022 were not restated to show the effects of GASB Statement No. 96 for comparative purposes.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (e.g., capital facilities) or to show that it is properly using certain revenues (e.g., cafeteria revenues).

## Financial Analysis of the District's Funds

The strong financial performance of the District as a whole is reflected in its governmental funds as well. The main day-to-day operating fund of the District is the General Fund. The monies deposited into the General Fund represent the Federal, State, and local revenues available for the ongoing cost related to instruction, school and district administration, student transportation, and regular maintenance and operations. During 2022-2023, the General Fund had revenues and other financing sources of \$83,105,636 and expenditures and other financing uses of \$78,050,490 for an increase of \$5,055,146 or 13.0% over last year. Excluding other financing sources and uses, General Fund revenues exceeded expenditures by \$6,112,582. The District achieves a financial balance between revenues and expenditures for its ongoing day-to-day operations.

The total of all governmental funds saw an increase in fund balance of \$5,084,868. As the District completed the year, its governmental funds reported combined fund balance of \$55,400,275. Expenditures and other financing uses for the General Fund reflect a transfer of \$1,200,000 to the Special Reserve Fund for Capital Outlay Projects for the Capital Improvement Plan and a transfer of \$900,000 to the Special Reserve Fund for Capital Outlay Projects for the Facilities Repair and Replacement Program.

Table 4

	Balances and Activity			June 30, 2023
	July 1, 2022	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	
General Fund	\$ 38,902,967	\$ 83,105,636	\$ 78,050,490	\$ 43,958,113
Special Reserve Fund for Capital Outlay Projects	8,271,099	2,414,210	2,574,205	8,111,104
Student Activity Fund	197,217	297,170	256,770	237,617
Adult Education Fund	92,747	127,902	184,171	36,478
Cafeteria Fund	526,749	1,181,409	1,302,900	405,258
Capital Facilities Fund	23,604	162,105	810	184,899
Bond Interest and Redemption Fund	2,301,024	2,662,557	2,496,775	2,466,806
Total	<u>\$ 50,315,407</u>	<u>\$ 89,950,989</u>	<u>\$ 84,866,121</u>	<u>\$ 55,400,275</u>

#### General Fund Budgetary Highlights

Throughout 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 year-end closing. The District revised its budget as it addressed unexpected changes in revenues and expenditures.

The final 2022-2023 General Fund budget reflected an excess of revenues over expenditures of \$2,144,537. Actual results for 2022-2023 show an excess of revenues over expenditures of \$6,112,582. The variance reflects the District's actual operations, including one-time, restricted categorical funds.

The final budget amendment was adopted on June 15, 2023. A schedule displaying the District's original and final budget amounts compared with amounts actually paid and received is provided in this annual financial report in the Required Supplementary Information section.

**CAPITAL ASSETS, RIGHT-TO-USE LEASED ASSETS, RIGHT-TO-USE SUBSCRIPTION IT ASSETS, AND LONG-TERM LIABILITIES**

**Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets**

At June 30, 2023, the District had \$60,599,473 in a broad range of capital assets, right-to-use leased assets, and right-to-use subscription IT assets (net of depreciation and amortization), including land, buildings, furniture, equipment, right-to-use leased assets, and right-to-use subscription IT assets. This amount represents a net decrease (including additions, deductions, depreciation, and amortization) of \$412,710, or 0.7%, from last year (Table 5).

Table 5

	Governmental Activities	
	2023	2022 as restated
Land and construction in process	\$ 1,884,636	\$ 1,259,161
Other capital assets, net of accumulated depreciation	58,616,120	59,635,671
Right-to-use leased assets	10,316	-
Right-to-use subscription IT assets	88,401	117,351
Total	<u>\$ 60,599,473</u>	<u>\$ 61,012,183</u>

Several capital projects are planned for the 2023-2024 fiscal year. We anticipate capital additions to be approximately \$3.5 million. We present more detailed information about our capital assets, right-to-use leased assets, and right-to-use subscription IT assets in Note 5 to the financial statements.

**Long-Term Liabilities other than Other Postemployment Benefits (OPEB) and Pensions**

At year-end, the District had \$15,322,667 in long-term liabilities other than OPEB and pensions outstanding versus \$17,945,789, a decrease of \$2,623,122, or 14.6%. Those obligations consisted of:

Table 6

	Governmental Activities	
	2023	2022 as restated
General obligation bonds	\$ 12,050,000	\$ 14,035,000
Premium on issuance	1,521,888	1,826,266
Leases	10,993	-
Subscription-based IT arrangements	77,665	117,351
Early retirement incentive	1,312,156	1,640,193
Compensated absences	349,965	326,979
Total	<u>\$ 15,322,667</u>	<u>\$ 17,945,789</u>

We provide more detailed information regarding long-term liabilities in Note 9 to the financial statements.



### **OPEB and Pension Liabilities**

At year end, the District had a net other postemployment benefit (OPEB) liability of \$1,141,158 versus \$665,717 last year, an increase of \$475,441 or 71.4%. We provide more detailed information regarding OPEB liabilities in Note 10 to the financial statements.

In addition, at year-end, the District has an aggregate net pension liability of \$51,014,882 versus \$32,206,962 last year, an increase of \$18,807,920, or 58.4%. We provide more detailed information regarding pension liabilities in Note 14 to the financial statements.

### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

The District is a community funded district primarily relying on local property taxes, rather than state funds. Property taxes and the values driving that revenue stream are lagging indicators of local economic trends.

The recently released 2023-2024 Orange County Local Assessment Roll of Values projects an overall 6.41% growth. This growth is observed across all of Orange County's 34 cities and unincorporated areas, reflecting the continued appreciation in property values and the restoration of values previously reduced under Proposition 8 decline in market value provisions.

It is important to emphasize that the Assessment Roll of Values reflects taxable property values as of January 1, 2023, based on events that occurred in the calendar year 2022. The growth in assessed valuation is indicative of the anticipated increase in property tax revenue. Although real estate sales are down, new construction and real estate values continue to rise, all helped to add value to the Roll. The extent to which past and potential future interest rate increases will impact the economy remains an open question.

Regarding ongoing expenditures, the District participates in state employee pensions plans, specifically the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), both of which are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2023. The amount of the liability is material to the financial position of the District. The projected employer contribution rate for CalSTRS in 2023-2024 is 19.10% while CalPERS is expected to be 26.68%.

Remaining resourceful and attentive is crucial, as history shows that planning ahead, including building reserves, can mitigate 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 District's obligations and provide financial flexibility in the short term.

Our vision for the future remains clear - to continue empowering excellence through community support and innovation, ensuring that every student in Laguna Beach Unified School District thrives academically, socially, and emotionally.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

# Laguna Beach Unified School District

## Statement of Net Position

June 30, 2023

	Governmental Activities
<b>Assets</b>	
Deposits and investments	\$ 56,638,444
Receivables	2,500,268
Prepaid expenses	56,889
Stores inventories	20,094
Other current assets	1,196
Capital assets not depreciated	1,884,636
Capital assets, net of accumulated depreciation	58,616,120
Right-to-use leased assets, net of accumulated amortization	10,316
Right-to-use subscription IT assets, net of accumulated amortization	88,401
<b>Total assets</b>	<b>119,816,364</b>
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources related to OPEB	1,670,481
Deferred outflows of resources related to pensions	16,615,281
<b>Total deferred outflows of resources</b>	<b>18,285,762</b>
<b>Liabilities</b>	
Accounts payable	3,412,295
Accrued interest	200,833
Unearned revenue	404,321
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	2,508,009
Long-term liabilities other than OPEB and pensions due in more than one year	12,814,658
Net other postemployment benefits (OPEB) liability	1,141,158
Aggregate net pension liability	51,014,882
<b>Total liabilities</b>	<b>71,496,156</b>
<b>Deferred Inflows of Resources</b>	
Deferred charge on refunding	189,501
Deferred inflows of resources related to OPEB	1,282,577
Deferred inflows of resources related to pensions	5,909,656
<b>Total deferred inflows of resources</b>	<b>7,381,734</b>
<b>Net Position</b>	
Net investments in capital assets	46,749,426
Restricted for	
Debt service	2,265,973
Capital projects	184,899
Educational programs	5,404,250
Other activities	657,964
Unrestricted	3,961,724
<b>Total net position</b>	<b>\$ 59,224,236</b>

# Laguna Beach Unified School District

Statement of Activities  
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 44,642,168	\$ 4,165	\$ 6,921,918	\$ (37,716,085)
Instruction-related activities				
Supervision of instruction	1,387,362	4,140	320,636	(1,062,586)
Instructional library, media, and technology	1,681,114	-	12,196	(1,668,918)
School site administration	3,877,013	-	67,333	(3,809,680)
Pupil services				
Home-to-school transportation	2,208,936	-	-	(2,208,936)
Food services	1,332,602	74,467	1,106,942	(151,193)
All other pupil services	5,866,404	594	1,262,447	(4,603,363)
General administration				
Data processing	998,053	-	3,345	(994,708)
All other general administration	4,801,514	452	93,575	(4,707,487)
Plant services	5,984,856	55	229,478	(5,755,323)
Ancillary services	2,242,999	297,060	8,617	(1,937,322)
Interest on long-term liabilities	211,709	-	-	(211,709)
Other outgo	353,202	170,106	174,293	(8,803)
Total governmental activities	<u>\$ 75,587,932</u>	<u>\$ 551,039</u>	<u>\$ 10,200,780</u>	<u>(64,836,113)</u>
General Revenues and Subventions				
Property taxes, levied for general purposes				66,412,235
Property taxes, levied for debt service				2,653,123
Federal and State aid not restricted to specific purposes				2,475,012
Interest and investment earnings				1,581,029
Miscellaneous				<u>1,647,054</u>
Subtotal, general revenues and subventions				<u>74,768,453</u>
Change in Net Position				9,932,340
Net Position - Beginning, as restated				<u>49,291,896</u>
Net Position - Ending				<u>\$ 59,224,236</u>

# Laguna Beach Unified School District

## Balance Sheet – Governmental Funds

June 30, 2023

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Deposits and investments	\$ 45,048,852	\$ 8,276,830	\$ 3,312,762	\$ 56,638,444
Receivables	2,300,675	27,490	172,103	2,500,268
Due from other funds	37,690	-	-	37,690
Prepaid expenditures	56,889	-	-	56,889
Stores inventories	-	-	20,094	20,094
Other current assets	-	-	1,196	1,196
<b>Total assets</b>	<u>\$ 47,444,106</u>	<u>\$ 8,304,320</u>	<u>\$ 3,506,155</u>	<u>\$ 59,254,581</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 3,081,672	\$ 193,216	\$ 137,407	\$ 3,412,295
Due to other funds	-	-	37,690	37,690
Unearned revenue	404,321	-	-	404,321
<b>Total liabilities</b>	<u>3,485,993</u>	<u>193,216</u>	<u>175,097</u>	<u>3,854,306</u>
<b>Fund Balances</b>				
Nonspendable	106,889	-	21,389	128,278
Restricted	5,404,250	-	3,309,669	8,713,919
Committed	21,514,689	8,111,104	-	29,625,793
Assigned	13,002,285	-	-	13,002,285
Unassigned	3,930,000	-	-	3,930,000
<b>Total fund balances</b>	<u>43,958,113</u>	<u>8,111,104</u>	<u>3,331,058</u>	<u>55,400,275</u>
<b>Total liabilities and fund balances</b>	<u>\$ 47,444,106</u>	<u>\$ 8,304,320</u>	<u>\$ 3,506,155</u>	<u>\$ 59,254,581</u>

Laguna Beach Unified School District  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2023

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Total Fund Balances - Governmental Funds \$ 55,400,275

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	\$ 108,641,706	
Accumulated depreciation is the following	<u>(48,140,950)</u>	
 Total capital assets		 60,500,756

Right-to-use leased assets used in governmental activities are  
not financial resources and, therefore, are not reported as assets in  
governmental funds.

The cost of right-to-use leased assets is	12,895	
Accumulated amortization is	<u>(2,579)</u>	
 Net right-to-use leased assets		 10,316

Right-to-use subscription IT assets used in governmental activities are  
not financial resources and, therefore, are not reported as assets in  
governmental funds.

The cost of right-to-use subscription IT assets is	155,720	
Accumulated amortization is	<u>(67,319)</u>	
 Net right-to-use subscription IT assets		 88,401

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.

(200,833)

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) liability	1,670,481	
Aggregate net pension liability	<u>16,615,281</u>	
 Total deferred outflows of resources		 18,285,762

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

Deferred charge on refunding	(189,501)	
Net other postemployment benefits (OPEB) liability	(1,282,577)	
Aggregate net pension liability	<u>(5,909,656)</u>	
 Total deferred inflows of resources		 (7,381,734)

Laguna Beach Unified School District  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2023

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Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		\$ (51,014,882)
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.		(1,141,158)
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	\$ (12,050,000)	
Premium on issuance	(1,521,888)	
Leases	(10,993)	
Subscription-based IT arrangements	(77,665)	
Early retirement incentive program	(1,312,156)	
Compensated absences	<u>(349,965)</u>	
Total long-term liabilities		<u>(15,322,667)</u>
Total net position - governmental activities		<u><u>\$ 59,224,236</u></u>

**Laguna Beach Unified School District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds**  
**Year Ended June 30, 2023**

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local Control Funding Formula	\$ 67,486,282	\$ -	\$ -	\$ 67,486,282
Federal sources	1,260,776	-	325,078	1,585,854
Other State sources	8,178,383	-	899,788	9,078,171
Other local sources	5,137,631	314,210	3,206,277	8,658,118
<b>Total revenues</b>	<b>82,063,072</b>	<b>314,210</b>	<b>4,431,143</b>	<b>86,808,425</b>
<b>Expenditures</b>				
Current				
Instruction	44,237,519	-	162,937	44,400,456
Instruction-related activities				
Supervision of instruction	1,487,053	-	-	1,487,053
Instructional library, media, and technology	1,980,972	-	-	1,980,972
School site administration	3,917,969	-	-	3,917,969
Pupil services				
Home-to-school transportation	2,211,127	-	-	2,211,127
Food services	69,271	-	1,302,900	1,372,171
All other pupil services	6,045,792	-	15,991	6,061,783
General administration				
Data processing	1,064,843	-	-	1,064,843
All other general administration	5,186,201	-	5,243	5,191,444
Plant services	5,966,556	-	-	5,966,556
Ancillary services	2,033,784	-	256,770	2,290,554
Other outgo	353,202	-	-	353,202
Facility acquisition and construction	1,322,891	1,574,205	810	2,897,906
Debt service				
Principal	71,257	-	1,985,000	2,056,257
Interest and other	2,053	-	511,775	513,828
<b>Total expenditures</b>	<b>75,950,490</b>	<b>1,574,205</b>	<b>4,241,426</b>	<b>81,766,121</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>6,112,582</b>	<b>(1,259,995)</b>	<b>189,717</b>	<b>5,042,304</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,000,000	2,100,000	-	3,100,000
Other sources - proceeds from leases	12,895	-	-	12,895
Other sources - proceeds from SBITAs	29,669	-	-	29,669
Transfers out	(2,100,000)	(1,000,000)	-	(3,100,000)
<b>Net Financing Sources (Uses)</b>	<b>(1,057,436)</b>	<b>1,100,000</b>	<b>-</b>	<b>42,564</b>
<b>Net Change in Fund Balances</b>	<b>5,055,146</b>	<b>(159,995)</b>	<b>189,717</b>	<b>5,084,868</b>
<b>Fund Balances - Beginning</b>	<b>38,902,967</b>	<b>8,271,099</b>	<b>3,141,341</b>	<b>50,315,407</b>
<b>Fund Balances - Ending</b>	<b>\$ 43,958,113</b>	<b>\$ 8,111,104</b>	<b>\$ 3,331,058</b>	<b>\$ 55,400,275</b>



Laguna Beach Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended June 30, 2023

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Total Net Change in Fund Balances - Governmental Funds \$ 5,084,868

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

Capital outlay 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 expense in the Statement of Activities. This is the amount by which depreciation and amortization expense exceed capital outlay in the period.

Depreciation and amortization expense	\$ (4,364,041)	
Capital outlay	<u>3,951,331</u>	
Net expense adjustment		(412,710)

Right-to-use leased assets acquired this year were financed with leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position. (12,895)

Right-to-use subscription IT assets acquired this year were financed with Subscription-Based IT Arrangements (SBITAs). The amount financed by the SBITAs is reported in the governmental funds as a source of financing. On the other hand, the SBITAs are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position. (29,669)

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 benefits paid were more than the amounts earned by \$328,037. Vacation earned was more than the amounts used by \$22,986. 305,051

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net aggregate pension liability during the year. 2,493,591

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. 145,728

Laguna Beach Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended June 30, 2023

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Governmental funds report the effect of premiums and deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium amortization	\$ 304,378
Deferred charge on refunding amortization	(27,072)

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	1,985,000
Leases	1,902
Subscription-based IT arrangements	69,355

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.

24,813

Change in net position of governmental activities

\$ 9,932,340

Laguna Beach Unified School District  
Statement of Net Position – Fiduciary Funds  
June 30, 2023

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	<u>Custodial Fund</u>
Assets	
Investments	<u>\$ 970,616</u>
Net Position	
Restricted for individuals, organizations, or other governments	<u>\$ 970,616</u>

Laguna Beach Unified School District  
Statement of Changes in Net Position – Fiduciary Funds  
Year Ended June 30, 2023

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	Custodial Fund
	<u>                    </u>
Additions	
Interest	\$          39
Other local revenue	<u>         657,430</u>
Total additions	<u>         657,469</u>
Deductions	
Other expenditures	12,298
Payments to investors	<u>         630,113</u>
Total deductions	<u>         642,411</u>
Net Increase in Fiduciary Net Position	15,058
Net Position - Beginning	<u>         955,558</u>
Net Position - Ending	<u><u>      \$    970,616</u></u>

## **Note 1 - Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

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

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

### **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 \$20,202,535 as of June 30, 2023.

**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 and subscription IT 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 government-wide statements.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### **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, Depreciation, and Amortization**

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.

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, 2023.

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract or useful life of the underlying asset.

The District records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

**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.

### **Leases**

The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of the lease term, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is

reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term or useful life of the underlying asset. The amortization period is 5 years.

### **Subscriptions**

The District recognizes a subscription liability and an intangible right-to-use subscription IT asset (subscription IT asset) in the government-wide financial statements. At the commencement of the subscription term, the District measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription liability, plus certain initial direct costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over shorter of the subscription term or useful life of the underlying asset. The amortization period varies from 1 to 3 years.

### **Fund Balances - Governmental Funds**

As of June 30, 2023, 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 % 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, 2023. 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 \$8,513,086 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. 96

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 17 and the additional disclosures required by this standard are included in Notes 5 and 9.

## Note 2 - Deposits and Investments

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 56,638,444
Fiduciary funds	<u>970,616</u>
Total deposits and investments	<u><u>\$ 57,609,060</u></u>

Deposits and investments as of June 30, 2023, consist of the following:

Cash on hand and in banks	\$ 335,750
Cash in revolving	51,295
Investments	<u>57,222,015</u>
Total deposits and investments	<u><u>\$ 57,609,060</u></u>

### Policies and Practices

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

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

### General Authorizations

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

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

### Interest Rate Risk

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

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

Investment Type	Reported Amount	Average Maturity in Days
Orange County Treasury Investment Pool	\$ 56,251,399	225
US Bank Money Market Fund 5 CT	970,616	1
Total	<u>\$ 57,222,015</u>	

### Credit Risk

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

### Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the District's bank balance of \$6,071 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 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.



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

The District's fair value measurements are as follows at June 30, 2023:

Investment Type	Reported Amount	Fair Value Measurements Using Level 2 Inputs
US Bank Money Market Fund 5 CT	\$ 970,616	\$ 970,616
Investments not measured for fair value or subject to fair value hierarchy		
Orange County Treasury Investment Pool	56,251,399	
Total	\$ 57,222,015	

All assets have been valued using a market approach, with quoted market prices.

#### Note 4 - Receivables

Receivables at June 30, 2023, 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	\$ 617,765	\$ -	\$ 37,376	\$ 655,141
State Government				
LCFF apportionment	132,869	-	-	132,869
Categorical aid	780,607	-	108,172	888,779
Lottery	155,778	-	-	155,778
Due from South Orange County SELPA	146,261	-	-	146,261
Local Government				
Interest	146,446	25,890	14,464	186,800
Other Local Sources	320,949	1,600	12,091	334,640
Total	\$ 2,300,675	\$ 27,490	\$ 172,103	\$ 2,500,268

**Note 5 - Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets**

Capital assets, right-to-use leased assets, and right-to-use subscription IT assets activity for the fiscal year ended June 30, 2023, was as follows:

	Balance July 1, 2022 as restated	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,173,934	\$ -	\$ -	\$ 1,173,934
Construction in process	85,227	640,475	15,000	710,702
Total capital assets not being depreciated	1,259,161	640,475	15,000	1,884,636
Capital assets being depreciated				
Land improvements	23,032,506	162,678	276,600	22,918,584
Buildings and improvements	66,798,386	1,343,350	7,875	68,133,861
Portable classrooms and structures	103,251	15,982	-	119,233
Furniture and equipment	13,890,876	1,752,582	58,066	15,585,392
Total capital assets being depreciated	103,825,019	3,274,592	342,541	106,757,070
Less accumulated depreciation				
Land improvements	(13,966,911)	(1,092,718)	(276,600)	(14,783,029)
Buildings and improvements	(23,218,892)	(2,088,341)	(7,875)	(25,299,358)
Portable classrooms and structures	(82,702)	(1,234)	-	(83,936)
Furniture and equipment	(6,920,843)	(1,111,850)	(58,066)	(7,974,627)
Total accumulated depreciation	(44,189,348)	(4,294,143)	(342,541)	(48,140,950)
Net depreciable capital assets	59,635,671	(1,019,551)	-	58,616,120
Right-to-use leased assets being amortized				
Furniture and equipment	-	12,895	-	12,895
Total right-to-use leased assets being amortized	-	12,895	-	12,895
Accumulated amortization				
Furniture and equipment	-	(2,579)	-	(2,579)
Total accumulated amortization	-	(2,579)	-	(2,579)
Net right-to-use leased assets	-	10,316	-	10,316
Right-to-use subscription IT assets being amortized				
Right-to-use subscription IT assets	117,351	38,369	-	155,720
Accumulated amortization	-	(67,319)	-	(67,319)
Net right-to-use subscription IT assets	117,351	(28,950)	-	88,401
Governmental activities capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net	\$ 61,012,183	\$ (397,710)	\$ 15,000	\$ 60,599,473

Depreciation and amortization expenses were charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 3,900,621
School site administration	214,707
All other pupil services	214,707
Data processing	25,436
All other general administration	8,570
	<u>8,570</u>
Total depreciation expense governmental activities	<u>\$ 4,364,041</u>

## Note 6 - Interfund Transactions

### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2023, between major and non-major governmental funds are as follows:

Due To	Non-Major Governmental Funds	Total Governmental Activities
General Fund	\$ 37,690	\$ 37,690

A balance of \$2,831 is due to the General Fund from the Adult Education Non-Major Governmental Fund for reimbursement of indirect costs.

A balance of \$34,859 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for reimbursement of operating expenditures.

### Operating Transfers

Interfund transfers for the year ended June 30, 2023, consisted of the following:

The Special Reserve Fund for Capital Outlay Projects transferred \$1,000,000 to the General Fund for the purpose of building a reserve fund to re-purchase the Aliso Property if the loan on the property goes into default.

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

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

**Note 7 - Accounts Payable**

Accounts payable at June 30, 2023, consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Salaries and benefits	\$ 1,551,268	\$ -	\$ 55,731	\$ 1,606,999
Other vendor payables	1,530,404	193,216	81,676	1,805,296
Total	<u>\$ 3,081,672</u>	<u>\$ 193,216</u>	<u>\$ 137,407</u>	<u>\$ 3,412,295</u>

**Note 8 - Unearned Revenue**

Unearned revenue at June 30, 2023, consisted of the following:

	General Fund
Federal categorical aid	\$ 34,859
State categorical aid	314,340
Other local	55,122
Total	<u>\$ 404,321</u>

**Note 9 - Long-Term Liabilities Other than OPEB and Pensions**

**Summary**

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

	Balance July 1, 2022 as restated	Additions	Deductions	Balance June 30, 2023	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 14,035,000	\$ -	\$ 1,985,000	\$ 12,050,000	\$ 2,110,000
Premium on issuance	1,826,266	-	304,378	1,521,888	-
Leases	-	12,895	1,902	10,993	2,193
Subscription-based IT arrangements	117,351	29,669	69,355	77,665	67,777
Early retirement incentive	1,640,193	-	328,037	1,312,156	328,039
Compensated absences	326,979	22,986	-	349,965	-
Total	<u>\$ 17,945,789</u>	<u>\$ 65,550</u>	<u>\$ 2,688,672</u>	<u>\$ 15,322,667</u>	<u>\$ 2,508,009</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The leases, subscription-based IT arrangements, and 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, 2022	Issued	Redeemed	Bonds Outstanding June 30, 2023
7/7/20	8/1/28	2.00-4.00%	\$ 16,330,000	<u>\$ 14,035,000</u>	<u>\$ -</u>	<u>\$ 1,985,000</u>	<u>\$ 12,050,000</u>

### 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, 2023, the principal balance outstanding was \$12,050,000.

The bonds mature through 2029 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	1,305,000	82,300	1,387,300
2029	<u>1,405,000</u>	<u>28,100</u>	<u>1,433,100</u>
Total	<u>\$ 12,050,000</u>	<u>\$ 1,322,000</u>	<u>\$ 13,372,000</u>

### Leases

The District has entered into agreements to lease equipment. As of June 30, 2023, the District recognized a right-to-use asset of \$10,316 and a lease liability of \$10,993 related to these agreements. The District is required to make principal and interest payments through June 2027. The lease agreement has an interest rate of 14.463%.

The District's liability on lease agreements is summarized below:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,193	\$ 1,474	\$ 3,667
2025	2,528	1,140	3,668
2026	2,913	754	3,667
2027	3,359	309	3,668
Total	<u>\$ 10,993</u>	<u>\$ 3,677</u>	<u>\$ 14,670</u>

#### Subscriptions-Based Information Technology Arrangements (SBITAs)

The District has entered into SBITA agreements for various software. At June 30, 2023, the District has recognized a right-to-use subscriptions IT asset of \$88,401 and a SBITA liability of \$77,655 related to these agreements. During the fiscal year, the District recorded \$67,319 in amortization expense. The District is required to make annual principal and interest payments through December 2024. The subscription agreements have an interest rate of 2.40%.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 67,777	\$ 1,863	\$ 69,640
2025	9,888	237	10,125
Total	<u>\$ 77,665</u>	<u>\$ 2,100</u>	<u>\$ 79,765</u>

#### Early Retirement Incentive

During the 2021-2022 fiscal year, the District offered a supplemental early retirement incentive plan through the Public Agency Retirement System (PARS). 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, and the annuities offered to the employees are to be paid over a five year period. Future annuity payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2024	\$ 328,039
2025	328,039
2026	328,039
2027	328,039
Total	<u>\$ 1,312,156</u>

### Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2023, amounted to \$349,965.

### Note 10 - Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2023, 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	\$ 911,743	\$ 1,670,481	\$ 1,282,577	\$ 140,088
Medicare Premium Payment (MPP) Program	229,415	-	-	(57,806)
Total	<u>\$ 1,141,158</u>	<u>\$ 1,670,481</u>	<u>\$ 1,282,577</u>	<u>\$ 82,282</u>

### District Plan

#### Plan Administration

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

#### Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	21
Active employees	<u>247</u>
	<u>268</u>

#### Benefits Provided

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

## Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Laguna Beach Unified Faculty Association (LBUFA), the local California Service Employees Association (CSEA), and unrepresented groups. The voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, LBUFA, CSEA, and the unrepresented groups are based on availability of funds. For the measurement date of June 30, 2022, the District contributed \$388,885 to the Plan, of which \$188,885 was used for current premiums and \$200,000 was used to fund the OPEB Trust.

## Net OPEB Liability of the District

The District's net OPEB liability of \$911,743 was measured as of June 30, 2022, 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	\$ 4,776,210
Plan fiduciary net position	<u>(3,864,467)</u>
District's net OPEB liability	<u><u>\$ 911,743</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>80.91%</u></u>

## Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. The following assumptions were 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 2022

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 actual 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 (Measurement Date)	\$ 4,494,869	\$ 4,116,373	\$ 378,496
Service cost	258,343	-	258,343
Interest	259,095	-	259,095
Differences between expected and actual experience	(47,212)	-	(47,212)
Contributions-employer	-	388,885	(388,885)
Expected investment income	-	242,411	(242,411)
Investment gains/losses	-	(693,268)	693,268
Benefit payments	(188,885)	(188,885)	-
Administrative expense	-	(1,049)	1,049
Net change in total OPEB liability	281,341	(251,906)	533,247
Balance at June 30, 2022 (Measurement Date)	\$ 4,776,210	\$ 3,864,467	\$ 911,743

**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%)	\$ 1,230,416
Current discount rate (5.75%)	911,743
1% increase (6.75%)	612,520

**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%)	\$ 414,986
Current healthcare cost trend rate (4.00%)	911,743
1% increase (5.00%)	1,488,841

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$140,088. At June 30, 2023, 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	\$ 416,895	\$ -
Differences between expected and actual experience	-	727,299
Changes of assumptions	698,972	383,034
Net difference between projected and actual earnings on OPEB plan investments	554,614	172,244
Total	<u>\$ 1,670,481</u>	<u>\$ 1,282,577</u>

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
2024	\$ 44,376
2025	51,809
2026	54,023
2027	107,482
2028	(31,170)
Thereafter	(255,511)
	<u>\$ (28,991)</u>

**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, 2021 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, 2023, the District reported a liability of \$229,415 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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, 2022 and June 30, 2021, respectively, was 0.0696%, and 0.0720%, resulting in a net decrease in the proportionate share of 0.0024%.

For the year ended June 30, 2023, the District recognized OPEB expense of \$(57,806).

**Actuarial Methods and Assumptions**

The June 30, 2022 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

Measurement Date	June 30, 2022	June 30, 2021
Valuation Date	June 30, 2021	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018	June 30, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.54%	2.16%
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, 2021, 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 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 209 or an average of 0.14% of the potentially eligible population (145,282).

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, 2022, 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, 2022, is 3.54%. 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 3.54%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 1.38% from 2.16% as of June 30, 2021.

**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 (2.54%)	\$ 250,107
Current discount rate (3.54%)	229,415
1% increase (4.54%)	211,499

**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)	\$ 210,497
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	229,415
1% increase (5.50% Part A and 6.40% Part B)	250,860

**Note 11 - Non-Obligatory Debt**

The 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, 2023, of \$6,785,000.

**Note 12 - Fund Balances**

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
<b>Nonspendable</b>				
Revolving cash	\$ 50,000	\$ -	\$ 1,295	\$ 51,295
Stores inventories	-	-	20,094	20,094
Prepaid expenditures	56,889	-	-	56,889
<b>Total nonspendable</b>	<b>106,889</b>	<b>-</b>	<b>21,389</b>	<b>128,278</b>
<b>Restricted</b>				
Legally restricted programs	5,404,250	-	-	5,404,250
Special revenue funds	-	-	657,964	657,964
Capital projects funds	-	-	184,899	184,899
Debt service funds	-	-	2,466,806	2,466,806
<b>Total restricted</b>	<b>5,404,250</b>	<b>-</b>	<b>3,309,669</b>	<b>8,713,919</b>
<b>Committed</b>				
Community-funded differential	20,202,535	-	-	20,202,535
PARS plan liability	1,312,154	-	-	1,312,154
Aliso property	-	4,513,388	-	4,513,388
Capital Improvement Plan	-	2,671,166	-	2,671,166
Facilities repair and replacement program	-	926,550	-	926,550
<b>Total committed</b>	<b>21,514,689</b>	<b>8,111,104</b>	<b>-</b>	<b>29,625,793</b>
<b>Assigned</b>				
Potential one-time expenditures	13,002,285	-	-	13,002,285
<b>Unassigned</b>				
Reserve for economic uncertainties	3,930,000	-	-	3,930,000
<b>Total</b>	<b>\$ 43,958,113</b>	<b>\$ 8,111,104</b>	<b>\$ 3,331,058</b>	<b>\$ 55,400,275</b>

## Note 13 - Risk Management

### Description

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

## Note 14 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2023, 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	\$ 32,244,793	\$ 9,952,636	\$ 5,425,385	\$ 2,884,488
CalPERS	18,770,089	6,662,645	484,271	2,530,715
Total	<u>\$ 51,014,882</u>	<u>\$ 16,615,281</u>	<u>\$ 5,909,656</u>	<u>\$ 5,415,203</u>

The details of each plan are as follows:

### California State Teachers' Retirement System (CalSTRS)

#### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, 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, 2023, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
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, 2023, are presented above and the District's total contributions were \$5,571,533.



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

At June 30, 2023, 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	\$ 32,244,793
State's proportionate share of the net pension liability associated with the District	<u>16,148,066</u>
Total	<u><u>\$ 48,392,859</u></u>

The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, respectively, was 0.0464% and 0.0479%, resulting in a net decrease in the proportionate share of 0.0015%.

For the year ended June 30, 2023, the District recognized pension expense of \$2,884,488. In addition, the District recognized pension expense and revenue of \$1,302,331 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 5,571,533	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,755,545	1,430,866
Differences between projected and actual earnings on pension plan investments	-	1,576,833
Differences between expected and actual experiences in the measurement of the total pension liability	26,451	2,417,686
Changes of assumptions	<u>1,599,107</u>	<u>-</u>
Total	<u><u>\$ 9,952,636</u></u>	<u><u>\$ 5,425,385</u></u>

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

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

<u>Year ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2024	\$ (1,158,300)
2025	(1,254,823)
2026	(1,884,998)
2027	2,721,288
	<u>\$ (1,576,833)</u>

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

<u>Year ended June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2024	\$ 1,262,585
2025	(125,360)
2026	(127,578)
2027	(20,892)
2028	(106,819)
Thereafter	(349,385)
	<u>\$ 532,551</u>

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
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, 2022, 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%)	\$ 54,763,618
Current discount rate (7.10%)	32,244,793
1% increase (8.10%)	13,547,398

### 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, 2021 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, 2023, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 55	2% at 62
Benefit formula	5 Years of Service	5 Years of Service
Benefit vesting schedule	Monthly for Life	Monthly for Life
Benefit payments	55	62
Retirement age	1.1% - 2.5%	1.0% - 2.5%
Monthly benefits as a percentage of eligible compensation	7.000%	8.00%
Required employee contribution rate	25.37%	25.37%
Required employer contribution rate		

### 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, 2023, are presented above and the total District contributions were \$2,337,261.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$18,770,089. The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, respectively, was 0.0545% and 0.0512%, resulting in a net increase in the proportionate share of 0.0033%.

For the year ended June 30, 2023, the District recognized pension expense of \$2,530,715. At June 30, 2023, 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	\$ 2,337,261	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	635,813	17,247
Differences between projected and actual earnings on pension plan investments	2,216,237	-
Differences between expected and actual experiences in the measurement of the total pension liability	84,830	467,024
Changes of assumptions	1,388,504	-
Total	<u>\$ 6,662,645</u>	<u>\$ 484,271</u>

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

The deferred outflows 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 of Resources
2024	\$ 369,598
2025	327,807
2026	167,448
2027	1,351,384
	<u>\$ 2,216,237</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year ended June 30,	Deferred Outflows (Inflows) of Resources
2024	\$ 593,984
2025	535,305
2026	489,640
2027	5,947
	<u>\$ 1,624,876</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. 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 - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	(5%)	(0.59%)

**Discount Rate**

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. 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 expected rate of return on the School Employer Pool investments 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 (5.90%)	\$ 27,114,344
Current discount rate (6.90%)	18,770,089
1% increase (7.90%)	11,873,869

**Tax Deferred Annuity/Social Security**

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

**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,590,484 (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 15 - Commitments and Contingencies****Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims



resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

### **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, 2023.

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

The District is a member of the Alliance of Schools for Cooperative Insurance Program (ASCIP), Schools Excess Liability Fund (SELF), and Western Orange County Self-Funded Workers' Compensation Agency public entity risk pools, and the College and Career Advantage Program. The District pays an annual premium to ASCIP and Western Orange County Self-Funded Workers' Compensation Agency for its property 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, 2023, the District made payments of \$324,209, \$454,087, and \$101,390 to ASCIP, Western Orange County Self-Funded Workers' Compensation Agency, and College and Career Advantage Program, respectively.

**Note 17 - Adoption of New Accounting Standard**

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

Governmental Activities	
Net Position - Beginning, as previously reported on June 30, 2022	\$ 49,291,896
Right-to-use subscription IT assets, net of amortization	117,351
Subscription liabilities	<u>(117,351)</u>
Net Position - Beginning, as Restated on July 1, 2022	<u>\$ 49,291,896</u>



Required Supplementary Information  
June 30, 2023

**Laguna Beach Unified School District**

Laguna Beach Unified School District  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
Revenues				
Local Control Funding Formula	\$ 67,292,662	\$ 67,692,358	\$ 67,486,282	\$ (206,076)
Federal sources	1,233,024	1,299,893	1,260,776	(39,117)
Other State sources	4,813,436	8,615,394	8,178,383	(437,011)
Other local sources	3,376,815	4,265,189	5,137,631	872,442
Total revenues <sup>1</sup>	76,715,937	81,872,834	82,063,072	190,238
Expenditures				
Current				
Certificated salaries	28,914,664	29,498,992	28,915,344	583,648
Classified salaries	10,686,262	10,920,341	10,769,098	151,243
Employee benefits	18,685,708	18,325,933	17,902,641	423,292
Books and supplies	3,367,202	3,994,370	2,857,172	1,137,198
Services and operating expenditures	11,093,835	13,878,798	12,783,377	1,095,421
Other outgo	431,325	464,139	278,316	185,823
Capital outlay	1,343,941	2,642,057	2,371,232	270,825
Debt service				
Debt service - principal	-	1,902	71,257	(69,355)
Debt service - interest and other	-	1,765	2,053	(288)
Total expenditures <sup>1</sup>	74,522,937	79,728,297	75,950,490	3,777,807
Excess of Revenues over Expenditures	2,193,000	2,144,537	6,112,582	3,968,045
Other Financing Sources (Uses)				
Transfers in	-	-	1,000,000	1,000,000
Other sources - proceeds from leases	-	-	12,895	12,895
Other sources - proceeds from SBITAs	-	-	29,669	29,669
Transfers out	(2,100,000)	(2,100,000)	(2,100,000)	-
Net Financing Sources (Uses)	(2,100,000)	(2,100,000)	(1,057,436)	1,042,564
Net Change in Fund Balance	93,000	44,537	5,055,146	5,010,609
Fund Balance - Beginning	38,902,967	38,902,967	38,902,967	-
Fund Balance - Ending	\$ 38,995,967	\$ 38,947,504	\$ 43,958,113	\$ 5,010,609

<sup>1</sup> 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, they are not included in the original and final General Fund budgets.

Laguna Beach Unified School District  
Schedule of Changes in the District's Net OPEB Liability and Related Ratios  
Year Ended June 30, 2023

	2023	2022	2021
Total OPEB Liability			
Service cost	\$ 258,343	\$ 440,221	\$ 428,439
Interest	259,095	317,270	279,978
Difference between expected and actual experience	(47,212)	(678,752)	-
Changes of assumptions	-	(454,630)	-
Benefit payments	(188,885)	(196,962)	(185,548)
Net change in total OPEB liability	281,341	(572,853)	522,869
Total OPEB Liability - Beginning	4,494,869	5,067,722	4,544,853
Total OPEB Liability - Ending (a)	<u>\$ 4,776,210</u>	<u>\$ 4,494,869</u>	<u>\$ 5,067,722</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 388,885	\$ 296,962	\$ 185,548
Expected investment income	242,411	215,077	199,529
Investment gains/losses	(693,268)	267,309	11,065
Benefit payments	(188,885)	(196,962)	(185,548)
Administrative expense	(1,049)	(1,260)	(1,651)
Net change in plan fiduciary net position	(251,906)	581,126	208,943
Plan Fiduciary Net Position - Beginning	4,116,373	3,535,247	3,326,304
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,864,467</u>	<u>\$ 4,116,373</u>	<u>\$ 3,535,247</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 911,743</u>	<u>\$ 378,496</u>	<u>\$ 1,532,475</u>
Plan Fiduciary Net Position As A Percentage of The Total OPEB Liability	<u>80.91%</u>	<u>91.58%</u>	<u>69.76%</u>
Covered Payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Net OPEB Liability As A Percentage Of Covered Payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020

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

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

Laguna Beach Unified School District  
Schedule of Changes in the District's Net OPEB Liability and Related Ratios  
Year Ended June 30, 2023

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

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

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

Laguna Beach Unified School District  
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
Year Ended June 30, 2023

Year ended June 30,	2023	2022
Proportion of the net OPEB liability	0.0696%	0.0720%
Proportionate share of the net OPEB liability	\$ 229,415	\$ 287,221
Covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.80%)
Measurement Date	June 30, 2022	June 30, 2021

<sup>1</sup> 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.

**Laguna Beach Unified School District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS**  
**Year Ended June 30, 2023**

<b>CalSTRS</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Proportion of the net pension liability	0.0464%	0.0479%	0.0435%	0.0425%	0.0425%
Proportionate share of the net pension liability	\$ 32,244,793	\$ 21,800,823	\$ 42,111,418	\$ 38,413,482	\$ 39,089,127
State's proportionate share of the net pension liability	16,148,066	10,969,329	21,708,441	20,957,119	22,380,353
Total	\$ 48,392,859	\$ 32,770,152	\$ 63,819,859	\$ 59,370,601	\$ 61,469,480
Covered payroll	\$ 27,589,203	\$ 26,451,189	\$ 23,640,871	\$ 23,529,472	\$ 22,905,565
Proportionate share of the net pension liability as a percentage of its covered payroll	116.87%	82.42%	178.13%	163.26%	170.65%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
		2018	2017	2016	2015
Proportion of the net pension liability		0.0425%	0.0421%	0.0441%	0.0424%
Proportionate share of the net pension liability		\$ 39,259,595	\$ 34,074,498	\$ 29,723,141	\$ 24,794,719
State's proportionate share of the net pension liability		23,225,645	19,398,004	15,720,265	14,972,122
Total		\$ 62,485,240	\$ 53,472,502	\$ 45,443,406	\$ 39,766,841
Covered payroll		\$ 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		175.27%	162.95%	147.63%	129.21%
Plan fiduciary net position as a percentage of the total pension liability		69%	70%	74%	77%
Measurement Date		June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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



Laguna Beach Unified School District  
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS  
Year Ended June 30, 2023

CalPERS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.0545%	0.0512%	0.0511%	0.0496%	0.0509%
Proportionate share of the net pension liability	\$ 18,770,089	\$ 10,406,139	\$ 15,691,338	\$ 14,457,517	\$ 13,574,934
Covered payroll	\$ 7,957,674	\$ 7,311,816	\$ 7,370,275	\$ 6,862,280	\$ 6,614,281
Proportionate share of the net pension liability as a percentage of its covered payroll	235.87%	142.32%	212.90%	210.68%	205.24%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
		2018	2017	2016	2015
Proportion of the net pension liability		0.0501%	0.0512%	0.0502%	0.0505%
Proportionate share of the net pension liability		\$ 11,961,743	\$ 10,108,492	\$ 7,397,321	\$ 5,735,409
Covered payroll		\$ 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		185.99%	166.57%	134.30%	106.56%
Plan fiduciary net position as a percentage of the total pension liability		72%	74%	79%	83%
Measurement Date		June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Laguna Beach Unified School District  
Schedule of the District's Contributions - CalSTRS  
Year Ended June 30, 2023

CalSTRS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 5,571,533	\$ 4,668,369	\$ 4,271,867	\$ 4,042,589	\$ 3,830,598
Less contributions in relation to the contractually required contribution	<u>5,571,533</u>	<u>4,668,369</u>	<u>4,271,867</u>	<u>4,042,589</u>	<u>3,830,598</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 29,170,330</u>	<u>\$ 27,589,203</u>	<u>\$ 26,451,189</u>	<u>\$ 23,640,871</u>	<u>\$ 23,529,472</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>
		2018	2017	2016	2015
Contractually required contribution		\$ 3,305,273	\$ 2,817,878	\$ 2,243,728	\$ 1,787,884
Less contributions in relation to the contractually required contribution		<u>3,305,273</u>	<u>2,817,878</u>	<u>2,243,728</u>	<u>1,787,884</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		<u>\$ 22,905,565</u>	<u>\$ 22,399,666</u>	<u>\$ 20,910,792</u>	<u>\$ 20,133,829</u>
Contributions as a percentage of covered payroll		<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>

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

Laguna Beach Unified School District  
Schedule of the District's Contributions - CalPERS  
Year Ended June 30, 2023

CalPERS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 2,337,261	\$ 1,823,103	\$ 1,513,546	\$ 1,453,492	\$ 1,239,465
Less contributions in relation to the contractually required contribution	<u>2,337,261</u>	<u>1,823,103</u>	<u>1,513,546</u>	<u>1,453,492</u>	<u>1,239,465</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 9,212,696</u>	<u>\$ 7,957,674</u>	<u>\$ 7,311,816</u>	<u>\$ 7,370,275</u>	<u>\$ 6,862,280</u>
Contributions as a percentage of covered payroll	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>
		2018	2017	2016	2015
Contractually required contribution		\$ 1,027,264	\$ 893,190	\$ 718,928	\$ 648,337
Less contributions in relation to the contractually required contribution		<u>1,027,264</u>	<u>893,190</u>	<u>718,928</u>	<u>648,337</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		<u>\$ 6,614,281</u>	<u>\$ 6,431,380</u>	<u>\$ 6,068,439</u>	<u>\$ 5,507,921</u>
Contributions as a percentage of covered payroll		<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

## **Note 1 - Purpose of Schedules**

### **Budgetary Comparison Schedule**

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

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

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

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

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

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

### **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 2.16% to 3.54% 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 the CalSTRS plan from the previous valuations. The CalPERS plan rate of investment return assumption was changed from 7.15% to 6.90% since the previous valuation.

#### **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, 2023

## Laguna Beach Unified School District

Laguna Beach Unified School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	\$ 59
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	342,574
Subtotal			342,633
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	258,441
Title II, Part A, Supporting Effective Instruction	84.367	14341	57,092
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	20,269
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	15,000
Passed through South Orange County SELPA			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	426,828
Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	24,304
Alternate Dispute Resolution, Part B, Sec 611	84.027A	13007	1,111
Subtotal			452,243
Preschool Grants, Part B, Section 619	84.173	13430	11,504
Preschool Staff Development, Part B, Sec 619	84.173A	13431	129
Subtotal			11,633
Total Special Education (IDEA) Cluster			463,876
Passed through California Department of Rehabilitation			
Workability II, Transitions Partnership Program	84.126	10006	103,465
Total for U.S. Department of Education			1,260,776
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Cluster			
National School Lunch Program - Section 11	10.555	13524	64,175
National School Lunch Program - Section 4	10.555	13523	96,341
Commodities	10.555	13524	58,353
Subtotal			218,869
Especially Needy Breakfast Program	10.553	13525	106,209
Total Child Nutrition Cluster			325,078
Total for U.S. Department of Agriculture			325,078
Total Federal Financial Assistance			\$ 1,585,854

## 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
Jan Vickers	President	2024
Kelly Osborne	Clerk	2024
James Kelly	Member	2026
Joan Malczewski	Member	2026
Dee Perry	Member	2026

## Administration

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



Laguna Beach Unified School District  
Schedule of Average Daily Attendance  
Year Ended June 30, 2023

	Final Report	
	Second Period Report 3ED5584E	Annual Report 5BD8DB7B
Regular ADA		
Transitional kindergarten through third	589.54	591.66
Fourth through sixth	479.66	480.54
Seventh and eighth	349.63	350.36
Ninth through twelfth	861.61	862.22
Total regular	2,280.44	2,284.78
Extended Year Special Education		
Transitional kindergarten through third	0.46	0.46
Fourth through sixth	0.31	0.31
Seventh and eighth	0.09	0.09
Ninth through twelfth	0.20	0.20
Total extended year special education	1.06	1.06
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.75	1.78
Fourth through sixth	3.58	3.63
Seventh and eighth	3.34	3.26
Ninth through twelfth	4.58	4.62
Total special education, nonpublic, nonsectarian schools	13.25	13.29
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.26	0.26
Fourth through sixth	0.17	0.17
Seventh and eighth	0.68	0.68
Ninth through twelfth	0.78	0.78
Total extended year special education, nonpublic, nonsectarian schools	1.89	1.89
Total ADA	2,296.64	2,301.02

Laguna Beach Unified School District

Schedule of Instructional Time

Year Ended June 30, 2023

Grade Level	1986-1987 Minutes Requirement	2022-2023 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	48,668	-	48,668	180	-	180	N/A	N/A	N/A	Complied
Grades 1 - 3	50,400										
Grade 1		53,598	-	53,598	180	-	180	N/A	N/A	N/A	Complied
Grade 2		53,598	-	53,598	180	-	180	N/A	N/A	N/A	Complied
Grade 3		53,598	-	53,598	180	-	180	N/A	N/A	N/A	Complied
Grades 4 - 8	54,000										
Grade 4		55,182	-	55,182	180	-	180	N/A	N/A	N/A	Complied
Grade 5		55,182	-	55,182	180	-	180	N/A	N/A	N/A	Complied
Grade 6		57,948	-	57,948	180	-	180	N/A	N/A	N/A	Complied
Grade 7		57,948	-	57,948	180	-	180	N/A	N/A	N/A	Complied
Grade 8		57,948	-	57,948	180	-	180	N/A	N/A	N/A	Complied
Grades 9 - 12	64,800										
Grade 9		64,985	-	64,985	180	-	180	N/A	N/A	N/A	Complied
Grade 10		64,985	-	64,985	180	-	180	N/A	N/A	N/A	Complied
Grade 11		64,985	-	64,985	180	-	180	N/A	N/A	N/A	Complied
Grade 12		64,985	-	64,985	180	-	180	N/A	N/A	N/A	Complied

Laguna Beach Unified School District  
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
Year Ended June 30, 2023

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2023.

Laguna Beach Unified School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2023

	(Budget) 2024 <sup>1</sup>	2023	2022 <sup>1</sup>	2021 <sup>1</sup>
General Fund <sup>3</sup>				
Revenues	\$ 83,044,400	\$ 81,469,220	\$ 75,217,458	\$ 72,744,265
Other sources and transfers in	-	42,564	-	-
Total revenues and other sources	<u>83,044,400</u>	<u>81,511,784</u>	<u>75,217,458</u>	<u>72,744,265</u>
Expenditures	80,894,400	75,597,288	70,410,539	64,419,685
Other uses	<u>2,100,000</u>	<u>2,453,202</u>	<u>4,050,000</u>	<u>2,550,000</u>
Total expenditures and other uses	<u>82,994,400</u>	<u>78,050,490</u>	<u>74,460,539</u>	<u>66,969,685</u>
Increase in Fund Balance	<u>\$ 50,000</u>	<u>\$ 3,461,294</u>	<u>\$ 756,919</u>	<u>\$ 5,774,580</u>
Ending Fund Balance	<u>\$ 23,805,578</u>	<u>\$ 23,755,578</u>	<u>\$ 20,294,284</u>	<u>\$ 19,537,365</u>
Available Reserves <sup>2</sup>	<u>\$ 3,818,150</u>	<u>\$ 3,930,000</u>	<u>\$ 3,675,000</u>	<u>\$ 3,350,000</u>
Available Reserves as a percentage of total outgo	<u>4.60%</u>	<u>5.04%</u>	<u>4.94%</u>	<u>5.00%</u>
Long-Term Liabilities including OPEB and pensions	<u>N/A</u>	<u>\$ 67,478,707</u>	<u>\$ 50,413,896</u>	<u>\$ 77,788,642</u>
K-12 Average Daily Attendance at P-2	<u>2,258</u>	<u>2,297</u>	<u>2,395</u>	<u>2,675</u>

The General Fund balance has increased by \$4,218,213 over the past two years. The fiscal year 2023-2024 budget projects an increase of \$50,000 (0.2%). For a district this size, the State recommends available reserves of at least 3% 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 2023-2024 fiscal year. Total long-term liabilities have decreased by \$10,309,935 over the past two years.

Average daily attendance has decreased by 378 over the past two years. An additional decline of 39 ADA is anticipated during fiscal year 2023-2024.

<sup>1</sup> Financial information for 2024, 2022, and 2021 are included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> 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.

Laguna Beach Unified School District  
Combining Balance Sheet – Non-Major Governmental Funds  
June 30, 2023

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<b>Assets</b>						
Deposits and investments	\$ 236,064	\$ 105,085	\$ 343,963	\$ 173,835	\$ 2,453,815	\$ 3,312,762
Receivables	-	289	147,759	11,064	12,991	172,103
Stores inventories	-	-	20,094	-	-	20,094
Other current assets	1,196	-	-	-	-	1,196
<b>Total assets</b>	<u>\$ 237,260</u>	<u>\$ 105,374</u>	<u>\$ 511,816</u>	<u>\$ 184,899</u>	<u>\$ 2,466,806</u>	<u>\$ 3,506,155</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ (357)	\$ 66,065	\$ 71,699	\$ -	\$ -	\$ 137,407
Due to other funds	-	2,831	34,859	-	-	37,690
<b>Total liabilities</b>	<u>(357)</u>	<u>68,896</u>	<u>106,558</u>	<u>-</u>	<u>-</u>	<u>175,097</u>
<b>Fund Balances</b>						
Nonspendable	-	-	21,389	-	-	21,389
Restricted	237,617	36,478	383,869	184,899	2,466,806	3,309,669
<b>Total fund balances</b>	<u>237,617</u>	<u>36,478</u>	<u>405,258</u>	<u>184,899</u>	<u>2,466,806</u>	<u>3,331,058</u>
<b>Total liabilities and fund balances</b>	<u>\$ 237,260</u>	<u>\$ 105,374</u>	<u>\$ 511,816</u>	<u>\$ 184,899</u>	<u>\$ 2,466,806</u>	<u>\$ 3,506,155</u>

Laguna Beach Unified School District

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

Year Ended June 30, 2023

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues						
Federal sources	\$ -	\$ -	\$ 325,078	\$ -	\$ -	\$ 325,078
Other State sources	-	124,781	771,261	-	3,746	899,788
Other local sources	297,170	3,121	85,070	162,105	2,658,811	3,206,277
Total revenues	297,170	127,902	1,181,409	162,105	2,662,557	4,431,143
Expenditures						
Current						
Instruction	-	162,937	-	-	-	162,937
Pupil services						
Food services	-	-	1,302,900	-	-	1,302,900
All other pupil services	-	15,991	-	-	-	15,991
General administration						
All other general administration	-	5,243	-	-	-	5,243
Ancillary services	256,770	-	-	-	-	256,770
Facility acquisition and construction	-	-	-	810	-	810
Debt service						
Principal	-	-	-	-	1,985,000	1,985,000
Interest and other	-	-	-	-	511,775	511,775
Total expenditures	256,770	184,171	1,302,900	810	2,496,775	4,241,426
Net Change in Fund Balances	40,400	(56,269)	(121,491)	161,295	165,782	189,717
Fund Balances - Beginning	197,217	92,747	526,749	23,604	2,301,024	3,141,341
Fund Balances - Ending	\$ 237,617	\$ 36,478	\$ 405,258	\$ 184,899	\$ 2,466,806	\$ 3,331,058

## **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, 2023. 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 District, it is not intended to and does not present the financial position, changes in net position or fund balance, of the 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, 2023, the District did not report food commodities in inventory.

### **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, 2023

# 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 (*Government Auditing Standards*), 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 16, 2023.

***Adoption of New Accounting Standard***

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities and net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

**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*.

We noted certain matters that we reported to management of the District in a separate letter dated November 16, 2023.

### **Purpose of this Report**

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

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

Rancho Cucamonga, California  
November 16, 2023



## **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, 2023. 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, 2023.

#### ***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.

#### ***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.

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

Rancho Cucamonga, California  
November 16, 2023



## 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 *2022-2023 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, 2023.

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, 2023.

#### ***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 *2022-2023 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 *2022-2023 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 *2022-2023 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 *2022-2023 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:

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below



2022-2023 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
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes
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	No, see below
Transitional Kindergarten	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 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.

The District did not elect to operate as a school district of choice; therefore, we did not perform procedures related to District of Choice.

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.

We did not perform Career Technical Education Incentive Grant procedures because the District did not receive funding for this grant.

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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Rancho Cucamonga, California  
November 16, 2023



Schedule of Findings and Questioned Costs  
June 30, 2023

# Laguna Beach Unified School District

**Financial Statements**

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

**Federal Awards**

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

**Identification of major programs**

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing Number</u>
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U
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.



Management  
Laguna Beach Unified School District  
Laguna Beach, California

In planning and performing our audit of the financial statements of Laguna Beach Unified School District (the District) for the year ended June 30, 2023, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 16, 2023, on the government-wide financial statements of the District.

#### **Associated Student Body (ASB)**

*Thurston Middle School*

#### **Observations**

1. Based on the review of the cash receipting procedures, it was noted that the one deposit tested did not contain signature from two separate individuals indicating that cash was counted for accuracy on the cash count form.
2. Based on the review of the cash disbursement procedures, two of three disbursements tested did not contain three signatures required to approve the transaction in accordance with *Education Code* section 48933(b).
3. Based on the review of the bank reconciliation procedures, it was noted that the bank reconciliations tested for the months of October 2022 and November 2022 were not prepared within a timely manner. The bank reconciliations were prepared between three to five months after receipt of the bank statements.

#### **Recommendations**

1. The ASB should ensure that proper controls are in place regarding cash counting procedures to prevent misappropriation of cash or inaccurate balances recorded in the ledger.
2. The ASB should ensure that proper controls are in place regarding cash disbursement procedures. *Education Code* section 48933(b) requires all ASB disbursements to be approved by the following three persons: an employee or official of the school district designated by the governing board, the certificated employee who is the designated advisor of the student body organization, and a representative of the student body organization.
3. Bank reconciliations should be completed and reviewed timely. The review process will help identify any errors that may have otherwise gone unidentified.

Observation

1. Based on the review of the cash receipting procedures, it was noted that the three deposits tested were not deposited in a timely manner. The delay in deposit was between 11 to 41 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Based on the review of the cash receipting procedures, it was noted that the three deposits tested did not contain signature from two separate individuals indicating that cash was counted for accuracy on the cash count form.
3. Based on the review of the disbursement procedures, it was noted that 10 of 12 disbursements tested were not approved prior to transactions taking place and six of the 12 did not have a purchase request form completed. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
4. Based on the review of the disbursement procedures, it was noted that six of 12 disbursements were made without explicit receiving documentation for goods being ordered.
5. Based on the review of the disbursement procedures, it was noted that 11 of 12 disbursements did not contain dated approval signatures. As such, the auditor was not able to determine whether appropriate approvals were obtained prior to the disbursement taking place.
6. Based on the review of the bank reconciliation procedures, it was noted that the bank reconciliations tested for the months of October 2022 and November 2022 did not contain preparer or reviewer signatures. As such, the auditor was not able to determine whether the bank reconciliations were prepared or reviewed timely.

Recommendation

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. The ASB should ensure that proper controls are in place regarding cash counting procedures to prevent misappropriation of cash or inaccurate balances recorded in the ledger.
3. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
4. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
5. In order to ensure proper internal controls over ASB disbursements, the site should ensure that all approval signatures are obtained prior to disbursements being made and that evidence is documented as such, including dates of approval.

6. Bank reconciliations should be completed and reviewed timely and should contain evidence of the preparation and review. The review process will help identify any errors that may have otherwise gone unidentified.

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

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

Rancho Cucamonga, California  
November 16, 2023