



Financial Statements
June 30, 2024

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, 2024, 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, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's net OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability – 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 Information

Management is responsible for the other information included in the financial statements. The other information comprises the Local Education Agency Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2024 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, 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
October 16, 2024



LAGUNA BEACH

UNIFIED SCHOOL DISTRICT

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www.lbusd.org

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, 2024, with comparative information for the fiscal year ending on June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Beyond the balance sheets and numbers, our focus this year was on fostering academic excellence, social-emotional well-being, and environmental sustainability while keeping students at the center of our mission. In the 2023-2024 fiscal year, the District made significant progress in preparing students for college and career readiness through a personalized approach to learning. The LBUSD Learner Profile, emphasizing the development of empowered learners, creative problem-solvers, and effective communicators, was integrated into curriculum design. This past year, we expanded opportunities for students to engage in real-world problem-solving, helping them develop essential skills for both academic and life success.

Learning Walks across schools allowed leadership, teachers, and instructional coaches to observe and share effective teaching strategies. These visits highlighted engaging and innovative practices that enhance student learning across grade levels. This process has fostered cross-school collaboration and strengthened teaching methods, helping to create dynamic and inclusive learning environments.

Environmental sustainability remains a defining feature of our district. The District was honored as a 2024 California Green Ribbon School District Sustainability Honoree, earning Gold Level recognition. Our goal of achieving carbon neutrality by 2030 is reinforced by the active involvement of students in sustainability projects.

LBUSD's focus on fostering social-emotional competencies is evident in the ongoing support structures provided to students. Programs such as mental health counseling, peer mentoring, and the establishment of the Laguna Beach Family Resource Center have played a crucial role in promoting student well-being.

Inclusivity is another pillar of the district's strategic plan. LBUSD continues to ensure that learning environments are equitable, culturally relevant, and accessible to all students. This focus is reflected in the district's high levels of student engagement in after-school programs, targeted interventions, and academic support initiatives.

As we look ahead, LBUSD is committed to continuous improvement, fostering empowered and empathetic citizens who are prepared to thrive in an ever-changing world.

For the fiscal year ending June 30, 2024, LBUSD experienced a notable increase in its net position, contributing to a strong financial standing.

As of June 30, 2024, the district's total assets increased to \$124.5 million, up from \$119.8 million in 2023. This growth was primarily driven by an increase in deposits and investments, which rose by approximately \$5.6 million. However, capital assets showed a slight decrease, from \$60.6 million to \$60.0 million, due to regular depreciation of long-term assets.

The District also experienced an increase in deferred outflows of resources, which grew to \$21.6 million from \$18.3 million in 2024. This increase primarily reflects additional contributions to pension and post-employment benefit obligations, as the District continues to address long-term commitments in these areas.

On the liabilities side, total liabilities grew from \$71.5 million to \$75.6 million. This growth is largely attributed to an increase in the net pension liability, which rose to \$55.5 million from \$51.0 million. Additionally, the net other post-employment benefits (OPEB) liability increased to \$2.3 million from \$1.1 million in the prior year, signaling a greater commitment to post-retirement health benefits. Despite this, the district made positive progress in reducing long-term liabilities other than pensions and OPEB, which decreased to \$13.1 million from \$15.3 million.

Deferred inflows of resources decreased from \$7.4 million in 2023 to \$4.9 million in 2024, largely due to changes in pension-related accounting assumptions and adjustments in market conditions.

The District's overall net position improved significantly, increasing by \$6.3 million to reach \$65.5 million in 2024, compared to \$59.2 million in 2023. This growth is primarily reflected in an increase in unrestricted net position, which more than doubled from \$4.0 million to \$8.1 million, providing the district with increased flexibility in managing operational needs. Net investment in capital assets also increased from \$46.7 million to \$48.7 million, highlighting the District's ongoing commitment to maintaining and enhancing its infrastructure. Furthermore, restricted net position, which is set aside for specific purposes such as capital projects and educational programs, increased slightly to \$8.7 million.

This positive financial performance was supported by an increase in property tax revenues, which reached \$71.3 million, up from \$66.4 million in the prior year, alongside higher interest and investment earnings, which totaled \$2.8 million. This steady revenue growth, paired with disciplined spending, allowed the district to improve its financial position while continuing to invest in critical areas such as infrastructure and employee benefits.

LBUSD remains in a strong financial position, with prudent financial management ensuring the district can meet its current obligations while planning for long-term sustainability. The District continues to focus on managing pension liabilities, maintaining sufficient reserves, and investing in the future through capital improvements and educational initiatives.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position was more on June 30, 2024, than it was in the prior year, an increase of 10.6% to \$65,508,828. Of this amount, \$8,119,732 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	
	2024	2023
Assets		
Current and other assets	\$ 64,489,153	\$ 59,216,891
Capital assets	60,049,620	60,599,473
Total assets	124,538,773	119,816,364
Deferred outflows of resources	21,557,376	18,285,762
Liabilities		
Current liabilities	4,763,593	4,017,449
Long-term liabilities other than OPEB and pensions	13,060,035	15,322,667
Net other postemployment benefits (OPEB) liability	2,331,245	1,141,158
Aggregate net pension liability	55,492,426	51,014,882
Total liabilities	75,647,299	71,496,156
Deferred inflows of resources	4,940,022	7,381,734
Net Position		
Net investment in capital assets	48,686,712	46,749,426
Restricted	8,702,384	8,513,086
Unrestricted (deficit)	8,119,732	3,961,724
Total net position	\$ 65,508,828	\$ 59,224,236

The \$8,119,732 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 105% (\$8,119,732 compared to \$3,961,724).

Changes in Net Position

The District's total revenues were \$92,847,991 (See Table 2), an increase of \$7,327,719, or 8.6%. 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 80 cents of every dollar received or recognized for accounting purposes.

Table 2

	Governmental Activities	
	2024	2023
Revenues		
Program revenues		
Charges for services and sales	\$ 558,470	\$ 551,039
Operating grants and contributions	9,271,630	10,200,780
General revenues		
Property taxes	73,830,576	69,065,358
Other general revenues	9,187,315	5,703,095
Total revenues	<u>92,847,991</u>	<u>85,520,272</u>
Expenses		
Instruction-related	58,569,494	51,587,657
Pupil services	11,130,577	9,407,942
Administration	6,933,921	5,799,567
Plant services	6,794,740	5,984,856
All other services	3,134,667	2,807,910
Total expenses	<u>86,563,399</u>	<u>75,587,932</u>
Change in net position	<u>\$ 6,284,592</u>	<u>\$ 9,932,340</u>

The total cost of all programs and services was \$86,563,399. The District's expenses are predominantly related to educating and caring for students (80.5%). The purely administrative activities of the District accounted for 8.0% of total costs.

Total revenues for governmental activities surpassed expenses, increasing the net position by \$6,284,592 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

	2024		2023	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction-related	\$ 58,569,494	\$ (52,208,789)	\$ 51,587,657	\$ (44,257,269)
Pupil services	11,130,577	(8,671,560)	9,407,942	(6,963,492)
Administration	6,933,921	(6,846,278)	5,799,567	(5,702,195)
Plant services	6,794,740	(6,723,776)	5,984,856	(5,755,323)
All other services	3,134,667	(2,282,896)	2,807,910	(2,157,834)
Total	\$ 86,563,399	\$ (76,733,299)	\$ 75,587,932	\$ (64,836,113)

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 2023-2024, the General Fund had revenues and other financing sources of \$87,312,798 and expenditures and other financing uses of \$83,903,143 for an increase of \$3,409,655 or 7.8% over last year. Excluding other financing sources and uses, General Fund revenues exceeded expenditures by \$4,904,461. 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 \$4,490,952. As the District completed the year, its governmental funds reported combined fund balance of \$59,891,227. 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, 2024
	July 1, 2023	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	
General Fund	\$ 43,958,113	\$ 87,312,798	\$ 83,903,143	\$ 47,367,768
Special Reserve Fund for Capital Outlay Projects	8,111,104	4,205,485	3,108,299	9,208,290
Student Activity Fund	237,617	281,221	318,872	199,966
Adult Education Fund	36,478	138,889	154,489	20,878
Cafeteria Fund	405,258	1,198,958	1,381,829	222,387
Capital Facilities Fund	184,899	201,925	81,149	305,675
Bond Interest and Redemption Fund	2,466,806	2,649,257	2,549,800	2,566,263
Total	<u>\$ 55,400,275</u>	<u>\$ 95,988,533</u>	<u>\$ 91,497,581</u>	<u>\$ 59,891,227</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.

For the fiscal year ending June 30, 2024, total General Fund revenues exceeded the final budget by \$866,339, primarily due to higher-than-expected local sources, including increased interest earnings. On the expenditure side, actual spending was \$3.78 million below budget, largely due to the timing of various maintenance and capital projects. The excess of revenues over expenditures totaled \$4.9 million, significantly surpassing the final estimate of \$254,633. After accounting for other financing sources, the District ended the year with a net change in fund balance of \$3.41 million, resulting in a final ending fund balance of \$47.37 million, \$5.15 million higher than projected.

The final budget amendment was adopted on June 10, 2024. 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 AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2024, the District had \$60,049,620 in a broad range of capital assets (net of depreciation and amortization), including land, construction in process, land improvements, buildings and improvements, furniture and equipment, right-to-use leased furniture and equipment, and right-to-use subscription IT assets. This amount represents a net decrease (including additions, deductions, depreciation, and amortization) of \$549,853, or 0.9%, from last year (Table 5).

Table 5

	Governmental Activities	
	2024	2023
Land and construction in process	\$ 2,053,608	\$ 1,884,636
Land improvements	7,343,293	8,135,555
Buildings and improvements	42,575,637	42,834,503
Furniture and equipment	7,914,553	7,646,062
Right-to-use leased furniture and equipment	7,737	10,316
Right-to-use subscription IT assets	154,792	88,401
Total	\$ 60,049,620	\$ 60,599,473

The District's capital assets represent approximately 48% of total assets, with the remaining assets consisting mainly of investments, cash, grants, receivables, inventories, and prepaid assets.

This year's additions of \$4.4 million included several facility upgrades, such as the creation of the Family Resource Center, preschool renovation, network system enhancements with ethernet upgrades, and energy and facility master planning. No debt was issued for these additions.

Furthermore, the district has made commitments for future capital expenditures, including the theater lighting modernization project, planned for summer 2024, estimated to be approximately \$1.6 million.

The energy master plan, aimed at supporting the district's goal of carbon neutrality by 2030, will also play a pivotal role in upcoming sustainability initiatives. Several other capital and sustainability projects are in the design phase for the 2024-2025 fiscal year, with funding sources currently being explored.

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

At year-end, the District had \$13,060,035 in long-term liabilities other than OPEB and pensions outstanding versus \$15,322,667, a decrease of \$2,262,632, or 14.8%. Those obligations consisted of:

Table 6

	Governmental Activities	
	2024	2023
General obligation bonds	\$ 9,940,000	\$ 12,050,000
Premium on issuance	1,217,510	1,521,888
Leases	8,800	10,993
Subscription-based IT arrangements	88,313	77,665
Early retirement incentive	1,401,710	1,312,156
Compensated absences	403,702	349,965
Total	<u>\$ 13,060,035</u>	<u>\$ 15,322,667</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 \$2,331,245 versus \$1,141,158 last year, an increase of \$1,190,087 or 104.3%. 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 \$55,492,426 versus \$51,014,882 last year, an increase of \$4,477,544, or 8.8%. 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:

As a community-funded district, Laguna Beach Unified relies primarily on local property taxes rather than state funding. These revenues are influenced by property values, which tend to be lagging indicators of local economic trends. Several key factors will shape the District's financial outlook in the coming years.

One of the most significant considerations is the real estate market, which directly affects property tax revenues. Throughout, rising interest rates and a slowdown in home sales contributed to a reduction in property value growth. This trend is expected to impact the 2024-2025 fiscal year, with property tax revenue growth projected to be more conservative compared to prior years.

The District is also exploring sustainability measures through its Energy Master Plan, which supports long-term operational cost reductions. As such, Laguna Beach Unified will be monitoring real estate trends closely while pursuing fiscal strategies, such as energy efficiency projects, to ensure a stable financial future.

Looking ahead, the District anticipates further growth, with the annual budget projected to reach \$100 million within a few years. With this growth comes the responsibility to enhance internal controls, ensure robust financial oversight, and efficiently manage increased resources. As the District expands its capacity, it will continue to evaluate and strengthen its internal processes to maintain financial transparency and accountability.

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, 2024

	Governmental Activities
Assets	
Deposits and investments	\$ 62,249,479
Receivables	2,209,821
Prepaid expenses	13,574
Stores inventories	16,279
Capital assets not depreciated or amortized	2,053,608
Capital assets, net of accumulated depreciation and amortization	57,996,012
Total assets	<u>124,538,773</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	2,571,291
Deferred outflows of resources related to pensions	18,986,085
Total deferred outflows of resources	<u>21,557,376</u>
Liabilities	
Accounts payable	4,388,634
Accrued interest	165,667
Unearned revenue	209,292
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	2,697,826
Long-term liabilities other than OPEB and pensions due in more than one year	10,362,209
Net other postemployment benefits (OPEB) liability	2,331,245
Aggregate net pension liability	55,492,426
Total liabilities	<u>75,647,299</u>
Deferred Inflows of Resources	
Deferred charge on refunding	108,285
Deferred inflows of resources related to OPEB	1,114,723
Deferred inflows of resources related to pensions	3,717,014
Total deferred inflows of resources	<u>4,940,022</u>
Net Position	
Net investments in capital assets	48,686,712
Restricted for	
Debt service	2,400,596
Capital projects	305,675
Educational programs	5,570,456
Other activities	425,657
Unrestricted	8,119,732
Total net position	<u>\$ 65,508,828</u>

Laguna Beach Unified School District

Statement of Activities

Year Ended June 30, 2024

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	\$ 50,893,142	\$ 3,625	\$ 5,847,409	\$ (45,042,108)
Instruction-related activities				
Supervision of instruction	1,561,843	9,376	358,893	(1,193,574)
Instructional library, media, and technology	1,809,683	-	25,603	(1,784,080)
School site administration	4,304,826	-	115,799	(4,189,027)
Pupil services				
Home-to-school transportation	2,718,377	-	-	(2,718,377)
Food services	1,485,832	55,527	1,143,431	(286,874)
All other pupil services	6,926,368	-	1,260,059	(5,666,309)
General administration				
Data processing	1,219,103	-	6,068	(1,213,035)
All other general administration	5,714,818	113	81,462	(5,633,243)
Plant services	6,794,740	6,616	64,348	(6,723,776)
Ancillary services	2,693,336	275,333	12,903	(2,405,100)
Interest on long-term liabilities	22,378	-	-	(22,378)
Other outgo	418,953	207,880	355,655	144,582
Total governmental activities	<u>\$ 86,563,399</u>	<u>\$ 558,470</u>	<u>\$ 9,271,630</u>	<u>(76,733,299)</u>
General Revenues and Subventions				
Property taxes, levied for general purposes				71,264,768
Property taxes, levied for debt service				2,565,808
Federal and State aid not restricted to specific purposes				4,242,593
Interest and investment earnings				2,819,101
Miscellaneous				<u>2,125,621</u>
Subtotal, general revenues and subventions				<u>83,017,891</u>
Change in Net Position				6,284,592
Net Position - Beginning				<u>59,224,236</u>
Net Position - Ending				<u>\$ 65,508,828</u>

Laguna Beach Unified School District

Balance Sheet – Governmental Funds

June 30, 2024

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 49,262,436	\$ 9,532,627	\$ 3,454,416	\$ 62,249,479
Receivables	2,049,364	48,508	111,949	2,209,821
Due from other funds	1,300	-	-	1,300
Prepaid expenditures	13,574	-	-	13,574
Stores inventories	-	-	16,279	16,279
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 51,326,674</u>	<u>\$ 9,581,135</u>	<u>\$ 3,582,644</u>	<u>\$ 64,490,453</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 3,749,614	\$ 372,845	\$ 266,175	\$ 4,388,634
Due to other funds	-	-	1,300	1,300
Unearned revenue	209,292	-	-	209,292
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>3,958,906</u>	<u>372,845</u>	<u>267,475</u>	<u>4,599,226</u>
Fund Balances				
Nonspendable	63,574	-	17,574	81,148
Restricted	5,570,456	-	3,297,595	8,868,051
Committed	23,168,785	9,208,290	-	32,377,075
Assigned	14,361,953	-	-	14,361,953
Unassigned	4,203,000	-	-	4,203,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>47,367,768</u>	<u>9,208,290</u>	<u>3,315,169</u>	<u>59,891,227</u>
Total liabilities and fund balances	<u>\$ 51,326,674</u>	<u>\$ 9,581,135</u>	<u>\$ 3,582,644</u>	<u>\$ 64,490,453</u>

Laguna Beach Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2024

Total Fund Balances - Governmental Funds	\$ 59,891,227
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	\$ 112,450,615
Accumulated depreciation and amortization is	<u>(52,400,995)</u>
Net capital assets	60,049,620
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.	(165,667)
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	2,571,291
Aggregate net pension liability	<u>18,986,085</u>
Total deferred outflows of resources	21,557,376
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	(108,285)
Net other postemployment benefits (OPEB) liability	(1,114,723)
Aggregate net pension liability	<u>(3,717,014)</u>
Total deferred inflows of resources	(4,940,022)
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(55,492,426)
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.	(2,331,245)
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	(9,940,000)
Premium on issuance	(1,217,510)
Leases	(8,800)
Subscription-based IT arrangements	(88,313)
Early retirement incentive program	(1,401,710)
Compensated absences	<u>(403,702)</u>
Total long-term liabilities	<u>(13,060,035)</u>
Total net position - governmental activities	<u>\$ 65,508,828</u>

Laguna Beach Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2024

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula (LCFF)	\$ 72,300,323	\$ -	\$ -	\$ 72,300,323
Federal sources	996,227	-	261,046	1,257,273
Other State sources	6,603,931	1,641,872	1,009,597	9,255,400
Other local sources	6,807,123	463,613	3,199,607	10,470,343
Total revenues	86,707,604	2,105,485	4,470,250	93,283,339
Expenditures				
Current				
Instruction	47,890,844	-	88,360	47,979,204
Instruction-related activities				
Supervision of instruction	1,573,361	-	-	1,573,361
Instructional library, media, and technology	1,814,131	-	-	1,814,131
School site administration	4,105,664	-	-	4,105,664
Pupil services				
Home-to-school transportation	2,718,087	-	-	2,718,087
Food services	143,619	-	1,381,829	1,525,448
All other pupil services	6,688,607	-	61,258	6,749,865
General administration				
Data processing	1,310,435	-	-	1,310,435
All other general administration	5,405,839	-	4,871	5,410,710
Plant services	5,818,412	-	-	5,818,412
Ancillary services	2,379,521	-	318,872	2,698,393
Other outgo	418,953	-	-	418,953
Facility acquisition and construction	1,435,593	2,608,299	81,149	4,125,041
Debt service				
Principal	96,739	-	2,110,000	2,206,739
Interest and other	3,338	-	439,800	443,138
Total expenditures	81,803,143	2,608,299	4,486,139	88,897,581
Excess (Deficiency) of Revenues over Expenditures	4,904,461	(502,814)	(15,889)	4,385,758
Other Financing Sources (Uses)				
Transfers in	500,000	2,100,000	-	2,600,000
Other sources - SBITAs	105,194	-	-	105,194
Transfers out	(2,100,000)	(500,000)	-	(2,600,000)
Net Financing Sources (Uses)	(1,494,806)	1,600,000	-	105,194
Net Change in Fund Balances	3,409,655	1,097,186	(15,889)	4,490,952
Fund Balances - Beginning	43,958,113	8,111,104	3,331,058	55,400,275
Fund Balances - Ending	\$ 47,367,768	\$ 9,208,290	\$ 3,315,169	\$ 59,891,227

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, 2024

Total Net Change in Fund Balances - Governmental Funds \$ 4,490,952

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	\$	(4,495,271)
Capital outlay		<u>3,965,301</u>

Net expense adjustment		(529,970)
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Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(19,883)
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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.		(105,194)
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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 earned were more than the amounts paid by \$89,554. Vacation earned was more than the amounts used by \$53,737.		(143,291)
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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.		85,902
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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.		(121,423)
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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, 2024

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	81,216

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	2,110,000
Leases	2,193
Subscription-based IT arrangements	94,546

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

	<u>35,166</u>
Change in net position of governmental activities	<u>\$ 6,284,592</u>

Laguna Beach Unified School District
Statement of Net Position – Fiduciary Funds
June 30, 2024

	<u>Custodial Fund</u>
Assets	
Investments	<u>\$ 988,336</u>
Net Position	
Restricted for individuals, organizations, and other governments	<u>\$ 988,336</u>

Laguna Beach Unified School District
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2024

	Custodial Fund
	<u> </u>
Additions	
Interest	\$ 39
Other local revenue	<u>669,766</u>
Total additions	<u>669,805</u>
Deductions	
Other expenditures	8,988
Payments to investors	<u>643,097</u>
Total deductions	<u>652,085</u>
Net Increase in Fiduciary Net Position	17,720
Net Position - Beginning	<u>970,616</u>
Net Position - Ending	<u><u>\$ 988,336</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 out 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.

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 12, Child Development Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as an extension of the General Fund, and accordingly have 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 \$21,759,618 as of June 30, 2024.

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 the 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 of capital assets 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.

The District's investment in the county treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool are not required to be categorized within the fair value hierarchy.

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, 2024.

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 leased asset (leased 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 leased asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the leased 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 4 years.

Fund Balances - Governmental Funds

As of June 30, 2024, 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 one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 4% 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, 2024. 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 \$8,702,384 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.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2024, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 62,249,479
Fiduciary funds	<u>988,336</u>
Total deposits and investments	<u><u>\$ 63,237,815</u></u>

Deposits and investments as of June 30, 2024, consist of the following:

Cash on hand and in banks	\$ 310,616
Cash in revolving	51,295
Investments	<u>62,875,904</u>
Total deposits and investments	<u><u>\$ 63,237,815</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	\$ 61,887,568	407
US Bank Money Market Fund 5 CT	988,336	1
Total	<u>\$ 62,875,904</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, 2024, none of the District's bank balance was exposed to custodial credit risk.

Note 3 - Fair Value Measurements

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

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

Laguna Beach Unified School District

Notes to Financial Statements

June 30, 2024

The District's fair value measurements are as follows at June 30, 2024:

Investment Type	Reported Amount	Fair Value Measurements Using Level 2 Inputs
US Bank Money Market Fund 5 CT	\$ 988,336	\$ 988,336

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

Note 4 - Receivables

Receivables at June 30, 2024, 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	\$ 623,368	\$ -	\$ 37,910	\$ 661,278
State Government				
LCFF apportionment	125,053	-	-	125,053
Categorical aid	588,645	-	45,967	634,612
Lottery	156,056	-	-	156,056
Local Government				
Interest	193,937	11,018	19,104	224,059
Other Local Sources	362,305	37,490	8,968	408,763
Total	\$ 2,049,364	\$ 48,508	\$ 111,949	\$ 2,209,821

Note 5 - Capital Assets

Capital assets activity for the fiscal year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Governmental Activities				
Capital assets not being depreciated or amortized				
Land	\$ 1,173,934	\$ -	\$ -	\$ 1,173,934
Construction in process	710,702	622,639	453,667	879,674
Total capital assets not being depreciated or amortized	1,884,636	622,639	453,667	2,053,608
Capital assets being depreciated and amortized				
Land improvements	22,918,584	197,348	42,424	23,073,508
Buildings and improvements	68,133,861	1,906,824	31,914	70,008,771
Portable classrooms and structures	119,233	-	45,800	73,433
Furniture and equipment	15,585,392	1,505,312	112,404	16,978,300
Right-to-use leased furniture and equipment	12,895	-	-	12,895
Right-to-use subscription IT assets	155,720	186,845	92,465	250,100
Total capital assets being depreciated and amortized	106,925,685	3,796,329	325,007	110,397,007
Accumulated depreciation and amortization				
Land improvements	(14,783,029)	(981,241)	(34,055)	(15,730,215)
Buildings and improvements	(25,299,358)	(2,154,176)	(20,400)	(27,433,134)
Portable classrooms and structures	(83,936)	(1,713)	(45,800)	(39,849)
Furniture and equipment	(7,974,627)	(1,235,108)	(112,404)	(9,097,331)
Right-to-use leased furniture and equipment	(2,579)	(2,579)	-	(5,158)
Right-to-use subscription IT assets	(67,319)	(120,454)	(92,465)	(95,308)
Total accumulated depreciation and amortization	(48,210,848)	(4,495,271)	(305,124)	(52,400,995)
Net depreciable and amortizable capital assets	58,714,837	(698,942)	19,883	57,996,012
Governmental activities capital assets, net	\$ 60,599,473	\$ (76,303)	\$ 473,550	\$ 60,049,620

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

Governmental Activities	
Instruction	\$ 3,987,703
School site administration	218,612
All other pupil services	218,612
Data processing	61,774
All other general administration	8,570
Total depreciation and amortization expense governmental activities	\$ 4,495,271

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, 2024, between major and non-major governmental funds are as follows:

Due To	Non-Major Governmental Funds	Total Governmental Activities
General Fund	\$ 1,300	\$ 1,300

A balance of \$1,300 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, 2024, consisted of the following:

The Special Reserve Fund for Capital Outlay Projects transferred \$500,000 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, 2024, consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Salaries and benefits	\$ 1,949,230	\$ -	\$ 55,925	\$ 2,005,155
Due to other LEAs	105,897	-	-	105,897
Other vendor payables	1,694,487	372,845	210,250	2,277,582
Total	<u>\$ 3,749,614</u>	<u>\$ 372,845</u>	<u>\$ 266,175</u>	<u>\$ 4,388,634</u>

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2024, consisted of the following:

	General Fund
State categorical aid	\$ 188,378
Other local	20,914
Total	<u>\$ 209,292</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, 2023	Additions	Deductions	Balance June 30, 2024	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 12,050,000	\$ -	\$ 2,110,000	\$ 9,940,000	\$ 2,250,000
Premium on issuance	1,521,888	-	304,378	1,217,510	-
Leases	10,993	-	2,193	8,800	2,528
Subscription-based IT arrangements	77,665	105,194	94,546	88,313	33,742
Early retirement incentive	1,312,156	417,593	328,039	1,401,710	411,556
Compensated absences	349,965	53,737	-	403,702	-
Total	<u>\$ 15,322,667</u>	<u>\$ 576,524</u>	<u>\$ 2,839,156</u>	<u>\$ 13,060,035</u>	<u>\$ 2,697,826</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, 2023	Issued	Redeemed	Bonds Outstanding June 30, 2024
7/7/20	8/1/28	2.00-4.00%	\$ 16,330,000	<u>\$ 12,050,000</u>	<u>\$ -</u>	<u>\$ 2,110,000</u>	<u>\$ 9,940,000</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, 2024, the principal balance outstanding was \$9,940,000.

The bonds mature through 2029 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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>\$ 9,940,000</u>	<u>\$ 882,200</u>	<u>\$ 10,822,200</u>

Leases

The District has entered into an agreement to lease equipment. As of June 30, 2024, the District recognized a right-to-use leased asset of \$7,737 and a lease liability of \$8,800 related to this agreement. The District is required to make principal and interest payments through June 2027. The lease agreement has an interest rate of 14.463%.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 2,528	\$ 1,140	\$ 3,668
2026	2,913	754	3,667
2027	3,359	309	3,668
Total	<u>\$ 8,800</u>	<u>\$ 2,203</u>	<u>\$ 11,003</u>

Subscriptions-Based Information Technology Arrangements (SBITAs)

The District has entered into SBITA agreements for various software. At June 30, 2024, the District has recognized a right-to-use subscriptions IT asset of \$154,792 and a SBITA liability of \$88,313 related to these agreements. During the fiscal year, the District recorded \$120,454 in amortization expense. The District is required to make annual principal and interest payments through August 2026. The subscription agreements have interest rates ranging from 2.40% to 5.00%.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 33,742	\$ 4,158	\$ 37,900
2026	26,091	2,729	28,820
2027	28,480	1,424	29,904
Total	<u>\$ 88,313</u>	<u>\$ 8,311</u>	<u>\$ 96,624</u>

Early Retirement Incentive

The District offered supplemental early retirement incentive plans through the Public Agency Retirement System (PARS) during the 2021-2022 and 2023-2024 fiscal years. The plans were offered to eligible employees who retired on or before June 30, 2022 and June 30, 2024, respectively. The District purchased annuities 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:

Fiscal Year	Principal
2025	\$ 411,556
2026	411,558
2027	411,558
2028	83,519
2029	83,519
Total	<u>\$ 1,401,710</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2024, amounted to \$403,702.

Note 10 - Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2024, 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	\$ 2,117,649	\$ 2,571,291	\$ 1,114,723	\$ 81,786
Medicare Premium Payment (MPP) Program	213,596	-	-	(15,819)
Total	<u>\$ 2,331,245</u>	<u>\$ 2,571,291</u>	<u>\$ 1,114,723</u>	<u>\$ 65,967</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, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	29
Active employees	<u>267</u>
	<u>296</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, 2023, the District contributed \$513,866 to the Plan, of which \$413,866 was used for current premiums and \$100,000 was used to fund the OPEB Trust.

Net OPEB Liability of the District

The District's net OPEB liability of \$2,117,649 was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The components of the net OPEB liability of the District at June 30, 2023, were as follows:

Total OPEB liability	\$ 6,143,881
Plan fiduciary net position	<u>(4,026,232)</u>
District's net OPEB liability	<u>\$ 2,117,649</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>65.53%</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Investment rate of return	5.75%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00% for 2023

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 2021 CalPERS 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 long-term expected rate of return on OPEB plan investment was determined using a rolling periods of time for all asset classes in combination to appropriately reflect correlation between asset classes. That means that the average returns for any asset class do not necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average.

Laguna Beach Unified School District

Notes to Financial Statements

June 30, 2024

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
All Equities	22%	7.545%
All Fixed Income	49%	4.250%
Real Estate Investment Trusts	8%	7.250%
All Commodities	5%	7.545%
Treasury Inflation Protected Securities (TIPS)	16%	3.000%

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actual experience study for the period July 1, 2022 to June 30, 2023.

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, 2022 (Measurement Date)	\$ 4,776,210	\$ 3,864,467	\$ 911,743
Service cost	265,447	-	265,447
Interest	274,751	-	274,751
Differences between expected and actual experience	882,638	-	882,638
Changes in assumptions	358,701	-	358,701
Contributions-employer	-	513,866	(513,866)
Expected investment income	-	225,050	(225,050)
Investment gains/losses	-	(162,185)	162,185
Benefit payments	(413,866)	(413,866)	-
Administrative expense	-	(1,100)	1,100
Net change in total OPEB liability	1,367,671	161,765	1,205,906
Balance at June 30, 2023 (Measurement Date)	\$ 6,143,881	\$ 4,026,232	\$ 2,117,649

Changes of assumptions reflect a change in rates of termination, retirement, and mortality.

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

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (4.75%)	\$ 2,533,879
Current discount rate (5.75%)	2,117,649
1% increase (6.75%)	1,728,910

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

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

<u>Healthcare Cost Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease (3.00%)	\$ 2,533,879
Current healthcare cost trend rate (4.00%)	2,117,649
1% increase (5.00%)	1,728,910

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$81,786. At June 30, 2024, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 261,439	\$ -
Differences between expected and actual experience	809,692	658,351
Changes of assumptions	954,452	347,236
Net difference between projected and actual earnings on OPEB plan investments	545,708	109,136
Total	<u>\$ 2,571,291</u>	<u>\$ 1,114,723</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:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflow) of Resources</u>
2025	\$ 186,837
2026	189,051
2027	242,510
2028	103,858
2029	71,421
Thereafter	401,452
	<u>\$ 1,195,129</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, 2022 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, 2024, the District reported a liability of \$213,596 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. 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, 2023 and June 30, 2022, respectively, was 0.0704%, and 0.0696%, resulting in a net increase in the proportionate share of 0.0008%.

For the year ended June 30, 2024, the District recognized OPEB expense of \$(15,819).

Actuarial Methods and Assumptions

The June 30, 2023 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total OPEB liability to June 30, 2023, using the assumptions listed in the following table:

Measurement Date	June 30, 2023	June 30, 2022
Valuation Date	June 30, 2022	June 30, 2021
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	3.65%	3.54%
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, 2022, 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 179 or an average of 0.13% of the potentially eligible population (138,780).

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, 2023, 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

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2023, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2023, was 3.65%, which is an increase of 0.11% from 3.54% as of June 30, 2022.

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 (2.65%)	\$ 232,135
Current discount rate (3.65%)	213,596
1% increase (4.65%)	197,477

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)	\$ 196,530
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	213,596
1% increase (5.50% Part A and 6.40% Part B)	232,864

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, 2024, of \$6,410,000.

Note 12 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 50,000	\$ -	\$ 1,295	\$ 51,295
Stores inventories	-	-	16,279	16,279
Prepaid expenditures	13,574	-	-	13,574
Total nonspendable	63,574	-	17,574	81,148
Restricted				
Legally restricted programs	5,570,456	-	-	5,570,456
Special revenue funds	-	-	425,657	425,657
Capital projects funds	-	-	305,675	305,675
Debt service funds	-	-	2,566,263	2,566,263
Total restricted	5,570,456	-	3,297,595	8,868,051
Committed				
Community-funded differential	21,742,076	-	-	21,742,076
PARS plan liability	1,426,709	-	-	1,426,709
Aliso property	-	4,230,013	-	4,230,013
Capital Improvement Plan	-	4,559,914	-	4,559,914
Facilities repair and replacement program	-	418,363	-	418,363
Total committed	23,168,785	9,208,290	-	32,377,075
Assigned				
District goals and education priorities	4,044,411	-	-	4,044,411
Facilities Master Plan	10,000,000	-	-	10,000,000
Textbooks	300,000	-	-	300,000
Child development activities	17,542	-	-	17,542
Total assigned	14,361,953	-	-	14,361,953
Unassigned				
Reserve for economic uncertainties	4,203,000	-	-	4,203,000
Total	\$ 47,367,768	\$ 9,208,290	\$ 3,315,169	\$ 59,891,227

Note 13 - Risk Management**Description**

The District's risk management activities are recorded in the General Fund. Employee life, medical, 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, 2024, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 36,245,306	\$ 12,190,205	\$ 3,131,695	\$ 5,448,603
CalPERS	19,247,120	6,795,880	585,319	3,179,448
Total	<u>\$ 55,492,426</u>	<u>\$ 18,986,085</u>	<u>\$ 3,717,014</u>	<u>\$ 8,628,051</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, 2022, 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, 2024, 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, 2024, are presented above and the District's total contributions were \$5,979,349.

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

At June 30, 2024, 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	\$ 36,245,306
State's proportionate share of the net pension liability associated with the District	<u>17,366,145</u>
Total	<u><u>\$ 53,611,451</u></u>

The net pension liability was measured as of June 30, 2023. 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, 2023 and June 30, 2022, respectively, was 0.0476% and 0.0464%, resulting in a net increase in the proportionate share of 0.0012%.

For the year ended June 30, 2024, the District recognized pension expense of \$5,448,603. In addition, the District recognized pension expense and revenue of \$2,362,275 for support provided by the State. At June 30, 2024, 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	\$ 5,979,349	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,997,553	1,192,388
Differences between projected and actual earnings on pension plan investments	155,145	-
Differences between expected and actual experiences in the measurement of the total pension liability	2,848,284	1,939,307
Changes of assumptions	<u>209,874</u>	<u>-</u>
Total	<u><u>\$ 12,190,205</u></u>	<u><u>\$ 3,131,695</u></u>

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

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

<u>Year ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2025	\$ (1,140,305)
2026	(1,787,057)
2027	2,936,763
2028	145,744
	<u>\$ 155,145</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>
2025	\$ 478,605
2026	477,274
2027	587,002
2028	500,847
2029	264,036
Thereafter	616,252
	<u>\$ 2,924,016</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, 2022 and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
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 expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2023, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.1%

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%)	\$ 60,798,608
Current discount rate (7.10%)	36,245,306
1% increase (8.10%)	15,850,926

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, 2022 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, 2024, are summarized as follows:

	School Employer Pool (CalPERS)	
	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	7.00%	8.00%
Required employee contribution rate	26.680%	26.680%
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, 2024, are presented above and the total District contributions were \$2,734,604.

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

As of June 30, 2024, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$19,247,120. The net pension liability was measured as of June 30, 2023. 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, 2023 and June 30, 2022, respectively, was 0.0532% and 0.0545%, resulting in a net decrease in the proportionate share of 0.0013%.

Laguna Beach Unified School District

Notes to Financial Statements

June 30, 2024

For the year ended June 30, 2024, the District recognized pension expense of \$3,179,448. At June 30, 2024, 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	\$ 2,734,604	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	416,319	289,712
Differences between projected and actual earnings on pension plan investments	2,055,868	-
Differences between expected and actual experiences in the measurement of the total pension liability	702,382	295,607
Changes of assumptions	886,707	-
Total	<u>\$ 6,795,880</u>	<u>\$ 585,319</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
2025	\$ 383,500
2026	227,196
2027	1,381,193
2028	63,979
	<u>\$ 2,055,868</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
2025	\$ 677,494
2026	625,919
2027	116,676
	<u>\$ 1,420,089</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, 2022 and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
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%	4.54%
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%)	\$ 27,826,361
Current discount rate (6.90%)	19,247,120
1% increase (7.90%)	12,156,573

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 \$2,777,740 (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, 2024.

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, 2024.

Construction Commitments

As of June 30, 2024, the District had the following commitments with respect to unfinished capital projects:

Capital Projects	Remaining Construction Commitments	Expected Date of Completion
Laguna Beach High School - Theatre Lighting Modernization	\$ 1,559,758	2024-2025
Laguna Beach High School - Pool Modernization	1,581,380	TBD
El Morro Elementary - TK/K Classroom Modernization	359,117	TBD
Top of the World Elementary - TK/K Classroom Modernization	88,682	TBD
Districtwide - Comprehensive Energy Master Plan	16,250	TBD
Total	<u>\$ 3,605,187</u>	

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

The District is a member of the Northern Orange County Liability & Property Self Insurance Authority 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 Northern Orange County Liability & Property Self Insurance Authority and Western Orange County Self-Funded Workers' Compensation Agency for its property and liability coverage and workers' compensation, respectively. 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, 2024, the District made payments of \$340,755, \$488,993, and \$208,635 to Northern Orange County Liability & Property Self Insurance Authority, Western Orange County Self-Funded Workers' Compensation Agency, and College and Career Advantage Program, respectively.

Note 17 - Early Retirement Incentive Program

The District has adopted an early retirement incentive program, pursuant to *Education Code* Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District.

Retiree Information

A total of two employees have retired in exchange for the additional two years of service credit.

Position Vacated	Employee Age	Service Credit	Retired Employee		Replacement Employee (If Applicable)	
			Salary	Benefits	Salary	Benefits
Teacher	67.8	25	\$ 172,378	\$ 37,416	\$ -	\$ -
Psychologist	60.4	27.177	191,314	41,527	-	-

Additional Costs

As a result of this early retirement incentive program, the District expects to incur \$251,258 in additional costs. The breakdown in additional costs is presented below:

Retirement costs	\$ 230,934
Postretirement health benefit costs	19,744
Administrative costs	580
Total	<u>\$ 251,258</u>



Required Supplementary Information
June 30, 2024

Laguna Beach Unified School District

Laguna Beach Unified School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
Revenues				
Local Control Funding Formula	\$ 71,944,969	\$ 72,596,040	\$ 72,300,323	\$ (295,717)
Federal sources	882,416	996,557	996,227	(330)
Other State sources	6,455,474	6,895,695	6,603,931	(291,764)
Other local sources	3,761,541	5,352,973	6,807,123	1,454,150
Total revenues ¹	83,044,400	85,841,265	86,707,604	866,339
Expenditures				
Current				
Certificated salaries	31,475,026	31,508,297	31,460,437	47,860
Classified salaries	11,962,476	11,932,946	11,932,747	199
Employee benefits	19,645,342	19,334,710	19,304,074	30,636
Books and supplies	2,815,646	3,296,955	2,768,682	528,273
Services and operating expenditures	13,018,566	15,793,418	14,085,293	1,708,125
Other outgo	520,000	510,215	414,082	96,133
Capital outlay	1,457,344	3,110,013	1,737,751	1,372,262
Debt service				
Debt service - principal	-	96,740	96,739	1
Debt service - interest and other	-	3,338	3,338	-
Total expenditures ¹	80,894,400	85,586,632	81,803,143	3,783,489
Excess of Revenues over Expenditures	2,150,000	254,633	4,904,461	4,649,828
Other Financing Sources (Uses)				
Transfers in	-	-	500,000	500,000
Other sources - proceeds from SBITAs	-	105,195	105,194	(1)
Transfers out	(2,100,000)	(2,100,000)	(2,100,000)	-
Net Financing Sources (Uses)	(2,100,000)	(1,994,805)	(1,494,806)	499,999
Net Change in Fund Balance	50,000	(1,740,172)	3,409,655	5,149,827
Fund Balance - Beginning	43,958,113	43,958,113	43,958,113	-
Fund Balance - Ending	\$ 44,008,113	\$ 42,217,941	\$ 47,367,768	\$ 5,149,827

¹ Due to the consolidation of Fund 12, Child Development Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds 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, 2024

	2024	2023	2022	2021
Total OPEB Liability				
Service cost	\$ 265,447	\$ 258,343	\$ 440,221	\$ 428,439
Interest	274,751	259,095	317,270	279,978
Difference between expected and actual experience	882,638	(47,212)	(678,752)	-
Changes of assumptions	358,701	-	(454,630)	-
Benefit payments	(413,866)	(188,885)	(196,962)	(185,548)
Net change in total OPEB liability	1,367,671	281,341	(572,853)	522,869
Total OPEB Liability - Beginning	4,776,210	4,494,869	5,067,722	4,544,853
Total OPEB Liability - Ending (a)	<u>\$ 6,143,881</u>	<u>\$ 4,776,210</u>	<u>\$ 4,494,869</u>	<u>\$ 5,067,722</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 513,866	\$ 388,885	\$ 296,962	\$ 185,548
Expected investment income	225,050	242,411	215,077	199,529
Investment gains/losses	(162,185)	(693,268)	267,309	11,065
Benefit payments	(413,866)	(188,885)	(196,962)	(185,548)
Administrative expense	(1,100)	(1,049)	(1,260)	(1,651)
Net change in plan fiduciary net position	161,765	(251,906)	581,126	208,943
Plan Fiduciary Net Position - Beginning	3,864,467	4,116,373	3,535,247	3,326,304
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,026,232</u>	<u>\$ 3,864,467</u>	<u>\$ 4,116,373</u>	<u>\$ 3,535,247</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 2,117,649</u>	<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	65.53%	80.91%	91.58%	69.76%
Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Net OPEB Liability As A Percentage Of Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

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

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

Laguna Beach Unified School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2024

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

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

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

Laguna Beach Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2024

Year ended June 30,	2024	2023	2022
Proportion of the net OPEB liability	0.0704%	0.0696%	0.0720%
Proportionate share of the net OPEB liability	\$ 213,596	\$ 229,415	\$ 287,221
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.96%)	(0.94%)	-0.80%
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021

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

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

Laguna Beach Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS
Year Ended June 30, 2024

CalSTRS	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Proportion of the net pension liability	<u>0.0476%</u>	<u>0.0464%</u>	<u>0.0479%</u>	<u>0.0435%</u>	<u>0.0425%</u>
Proportionate share of the net pension liability	<u>\$ 36,245,306</u>	<u>\$ 32,244,793</u>	<u>\$ 21,800,823</u>	<u>\$ 42,111,418</u>	<u>\$ 38,413,482</u>
State's proportionate share of the net pension liability	<u>17,366,145</u>	<u>16,148,066</u>	<u>10,969,329</u>	<u>21,708,441</u>	<u>20,957,119</u>
Total	<u>\$ 53,611,451</u>	<u>\$ 48,392,859</u>	<u>\$ 32,770,152</u>	<u>\$ 63,819,859</u>	<u>\$ 59,370,601</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>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>124.25%</u>	<u>116.87%</u>	<u>82.42%</u>	<u>178.13%</u>	<u>163.26%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81%</u>	<u>81%</u>	<u>87%</u>	<u>72%</u>	<u>73%</u>
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	<u>0.0425%</u>	<u>0.0425%</u>	<u>0.0421%</u>	<u>0.0441%</u>	<u>0.0424%</u>
Proportionate share of the net pension liability	<u>\$ 39,089,127</u>	<u>\$ 39,259,595</u>	<u>\$ 34,074,498</u>	<u>\$ 29,723,141</u>	<u>\$ 24,794,719</u>
State's proportionate share of the net pension liability	<u>22,380,353</u>	<u>23,225,645</u>	<u>19,398,004</u>	<u>15,720,265</u>	<u>14,972,122</u>
Total	<u>\$ 61,469,480</u>	<u>\$ 62,485,240</u>	<u>\$ 53,472,502</u>	<u>\$ 45,443,406</u>	<u>\$ 39,766,841</u>
Covered payroll	<u>\$ 22,905,565</u>	<u>\$ 22,399,666</u>	<u>\$ 20,910,792</u>	<u>\$ 20,133,829</u>	<u>\$ 19,189,962</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>170.65%</u>	<u>175.27%</u>	<u>162.95%</u>	<u>147.63%</u>	<u>129.21%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Laguna Beach Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS
Year Ended June 30, 2024

CalPERS	2024	2023	2022	2021	2020
Proportion of the net pension liability	0.0532%	0.0545%	0.0512%	0.0511%	0.0496%
Proportionate share of the net pension liability	\$ 19,247,120	\$ 18,770,089	\$ 10,406,139	\$ 15,691,338	\$ 14,457,517
Covered payroll	\$ 9,212,696	\$ 7,957,674	\$ 7,311,816	\$ 7,370,275	\$ 6,862,280
Proportionate share of the net pension liability as a percentage of its covered payroll	208.92%	235.87%	142.32%	212.90%	210.68%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	81%	70%	70%
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.0509%	0.0501%	0.0512%	0.0502%	0.0505%
Proportionate share of the net pension liability	\$ 13,574,934	\$ 11,961,743	\$ 10,108,492	\$ 7,397,321	\$ 5,735,409
Covered payroll	\$ 6,614,281	\$ 6,431,380	\$ 6,068,439	\$ 5,507,921	\$ 5,382,462
Proportionate share of the net pension liability as a percentage of its covered payroll	205.24%	185.99%	166.57%	134.30%	106.56%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Laguna Beach Unified School District
Schedule of the District's Contributions - CalSTRS
Year Ended June 30, 2024

CalSTRS	2024	2023	2022	2021	2020
Contractually required contribution	\$ 5,979,349	\$ 5,571,533	\$ 4,668,369	\$ 4,271,867	\$ 4,042,589
Less contributions in relation to the contractually required contribution	<u>5,979,349</u>	<u>5,571,533</u>	<u>4,668,369</u>	<u>4,271,867</u>	<u>4,042,589</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 31,305,492</u>	<u>\$ 29,170,330</u>	<u>\$ 27,589,203</u>	<u>\$ 26,451,189</u>	<u>\$ 23,640,871</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,830,598	\$ 3,305,273	\$ 2,817,878	\$ 2,243,728	\$ 1,787,884
Less contributions in relation to the contractually required contribution	<u>3,830,598</u>	<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>	<u>\$ -</u>
Covered payroll	<u>\$ 23,529,472</u>	<u>\$ 22,905,565</u>	<u>\$ 22,399,666</u>	<u>\$ 20,910,792</u>	<u>\$ 20,133,829</u>
Contributions as a percentage of covered payroll	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>

Laguna Beach Unified School District
Schedule of the District's Contributions - CalPERS
Year Ended June 30, 2024

CalPERS	2024	2023	2022	2021	2020
Contractually required contribution	\$ 2,734,604	\$ 2,337,261	\$ 1,823,103	\$ 1,513,546	\$ 1,453,492
Less contributions in relation to the contractually required contribution	<u>2,734,604</u>	<u>2,337,261</u>	<u>1,823,103</u>	<u>1,513,546</u>	<u>1,453,492</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 10,249,640</u>	<u>\$ 9,212,696</u>	<u>\$ 7,957,674</u>	<u>\$ 7,311,816</u>	<u>\$ 7,370,275</u>
Contributions as a percentage of covered payroll	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,239,465	\$ 1,027,264	\$ 893,190	\$ 718,928	\$ 648,337
Less contributions in relation to the contractually required contribution	<u>1,239,465</u>	<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>	<u>\$ -</u>
Covered payroll	<u>\$ 6,862,280</u>	<u>\$ 6,614,281</u>	<u>\$ 6,431,380</u>	<u>\$ 6,068,439</u>	<u>\$ 5,507,921</u>
Contributions as a percentage of covered payroll	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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* – Changes of assumptions reflect a change in rates of termination, retirement, and mortality.

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 3.54% to 3.65% 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 or CalPERS plans from the previous valuations.

Schedule of the District's Contributions

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



Supplementary Information
June 30, 2024

Laguna Beach Unified School District

Laguna Beach Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	256,348
Title II, Part A, Supporting Effective Instruction	84.367	14341	58,192
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	20,331
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	20,000
Passed through South Orange County SELPA			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	449,818
Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	29,330
Alternate Dispute Resolution, Part B, Sec 611	84.027A	13007	1,064
Subtotal			480,212
Preschool Grants, Part B, Section 619	84.173	13430	11,159
Preschool Staff Development, Part B, Sec 619	84.173A	13431	124
Subtotal			11,283
Total Special Education (IDEA) Cluster			491,495
Passed through California Department of Rehabilitation Workability II, Transitions Partnership Program	84.126	10006	110,399
Total for U.S. Department of Education			956,765
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Cluster			
National School Lunch Program - Section 11	10.555	13524	71,734
National School Lunch Program - Section 4	10.555	13523	54,308
Commodities	10.555	13524	53,164
Subtotal			179,206
School Breakfast Basic	10.553	13525	81,840
Total Child Nutrition Cluster			261,046
NSLP Equipment Assistance Grants	10.579	14906	38,504
Total for U.S. Department of Agriculture			299,550
U.S. Department of Health and Human Services			
Passed through Orange County Department of Education			
Workforce Development Grant	93.354	[1]	958
Total for U.S. Department of Health and Human Services			958
Total Federal Financial Assistance			\$ 1,257,273

[1] Pass-through entity identifying number not available.

Laguna Beach Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2024

	Final Report	
	Second Period	Annual
	Report BFF14D46	Report AAC7DD1E
Regular ADA		
Transitional kindergarten through third	574.02	575.49
Fourth through sixth	513.66	512.72
Seventh and eighth	325.58	324.36
Ninth through twelfth	831.77	828.68
Total regular	2,245.03	2,241.25
Extended Year Special Education		
Transitional kindergarten through third	0.30	0.30
Fourth through sixth	0.31	0.31
Seventh and eighth	0.18	0.18
Total extended year special education	0.79	0.79
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.71	1.75
Fourth through sixth	1.78	1.81
Seventh and eighth	3.61	3.55
Ninth through twelfth	4.47	4.71
Total special education, nonpublic, nonsectarian schools	11.57	11.82
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.17	0.17
Fourth through sixth	0.13	0.13
Seventh and eighth	0.12	0.12
Ninth through twelfth	0.42	0.42
Total extended year special education, nonpublic, nonsectarian schools	0.84	0.84
Total ADA	2,258.23	2,254.70

Laguna Beach Unified School District

Schedule of Instructional Time

Year Ended June 30, 2024

Grade Level	1986-1987 Minutes Requirement	2023-2024 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	37,571	-	37,571	180	-	180	N/A	N/A	N/A	Complied
Grades 1 - 3	50,400										
Grade 1		53,865	-	53,865	180	-	180	N/A	N/A	N/A	Complied
Grade 2		53,865	-	53,865	180	-	180	N/A	N/A	N/A	Complied
Grade 3		53,865	-	53,865	180	-	180	N/A	N/A	N/A	Complied
Grades 4 - 8	54,000										
Grade 4		55,473	-	55,473	180	-	180	N/A	N/A	N/A	Complied
Grade 5		55,473	-	55,473	180	-	180	N/A	N/A	N/A	Complied
Grade 6		57,823	-	57,823	180	-	180	N/A	N/A	N/A	Complied
Grade 7		57,823	-	57,823	180	-	180	N/A	N/A	N/A	Complied
Grade 8		57,823	-	57,823	180	-	180	N/A	N/A	N/A	Complied
Grades 9 - 12	64,800										
Grade 9		64,801	-	64,801	180	-	180	N/A	N/A	N/A	Complied
Grade 10		64,801	-	64,801	180	-	180	N/A	N/A	N/A	Complied
Grade 11		64,801	-	64,801	180	-	180	N/A	N/A	N/A	Complied
Grade 12		64,801	-	64,801	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, 2024

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2024.

Laguna Beach Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2024

	(Budget) 2025 ¹	2024	2023 ¹	2022 ¹
General Fund ³				
Revenues	\$ 86,720,000	\$ 85,650,521	\$ 81,469,220	\$ 75,217,458
Other sources	-	105,194	42,564	-
Total revenues and other sources	86,720,000	85,755,715	81,511,784	75,217,458
Expenditures	84,320,000	81,803,143	75,597,288	70,410,539
Other uses	2,400,000	2,100,000	2,453,202	4,050,000
Total expenditures and other uses	86,720,000	83,903,143	78,050,490	74,460,539
Increase in Fund Balance	\$ -	\$ 1,852,572	\$ 3,461,294	\$ 756,919
Ending Fund Balance	\$ 25,608,150	\$ 25,608,150	\$ 23,755,578	\$ 20,294,284
Available Reserves ²	\$ 4,350,000	\$ 4,203,000	\$ 3,930,000	\$ 3,675,000
Available Reserves as a percentage of total outgo	5.02%	5.01%	5.04%	4.94%
Long-Term Liabilities including OPEB and pensions	N/A	\$ 70,883,706	\$ 67,478,707	\$ 50,413,896
K-12 Average Daily Attendance at P-2	2,177	2,258	2,297	2,395

The General Fund balance has increased by \$5,313,866 over the past two years. The fiscal year 2024-2025 budget projects no change in fund balance. 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 no change in fund balance during the 2024-2025 fiscal year. Total long-term liabilities have increased by \$20,469,810 over the past two years.

Average daily attendance has decreased by 137 over the past two years. An additional decline of 81 ADA is anticipated during fiscal year 2024-2025.

¹ Financial information for 2025, 2023, and 2022 are included for analytical purposes only and has not been subjected to audit.

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

³ General Fund amounts do not include activity related to the consolidation of Fund 12, Child Development Fund, or 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, 2024

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets						
Deposits and investments	\$ 199,966	\$ 53,547	\$ 273,276	\$ 378,374	\$ 2,549,253	\$ 3,454,416
Receivables	-	11,537	74,982	8,420	17,010	111,949
Stores inventories	-	-	16,279	-	-	16,279
Total assets	<u>\$ 199,966</u>	<u>\$ 65,084</u>	<u>\$ 364,537</u>	<u>\$ 386,794</u>	<u>\$ 2,566,263</u>	<u>\$ 3,582,644</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ 44,206	\$ 140,850	\$ 81,119	\$ -	\$ 266,175
Due to other funds	-	-	1,300	-	-	1,300
Total liabilities	<u>-</u>	<u>44,206</u>	<u>142,150</u>	<u>81,119</u>	<u>-</u>	<u>267,475</u>
Fund Balances						
Nonspendable	-	-	17,574	-	-	17,574
Restricted	199,966	20,878	204,813	305,675	2,566,263	3,297,595
Total fund balances	<u>199,966</u>	<u>20,878</u>	<u>222,387</u>	<u>305,675</u>	<u>2,566,263</u>	<u>3,315,169</u>
Total liabilities and fund balances	<u>\$ 199,966</u>	<u>\$ 65,084</u>	<u>\$ 364,537</u>	<u>\$ 386,794</u>	<u>\$ 2,566,263</u>	<u>\$ 3,582,644</u>

Laguna Beach Unified School District

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

Year Ended June 30, 2024

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues						
Federal sources	\$ -	\$ -	\$ 261,046	\$ -	\$ -	\$ 261,046
Other State sources	-	134,937	871,347	-	3,313	1,009,597
Other local sources	281,221	3,952	66,565	201,925	2,645,944	3,199,607
Total revenues	281,221	138,889	1,198,958	201,925	2,649,257	4,470,250
Expenditures						
Current						
Instruction	-	88,360	-	-	-	88,360
Pupil services						
Food services	-	-	1,381,829	-	-	1,381,829
All other pupil services	-	61,258	-	-	-	61,258
General administration						
All other general administration	-	4,871	-	-	-	4,871
Ancillary services	318,872	-	-	-	-	318,872
Facility acquisition and construction	-	-	-	81,149	-	81,149
Debt service						
Principal	-	-	-	-	2,110,000	2,110,000
Interest and other	-	-	-	-	439,800	439,800
Total expenditures	318,872	154,489	1,381,829	81,149	2,549,800	4,486,139
Net Change in Fund Balances	(37,651)	(15,600)	(182,871)	120,776	99,457	(15,889)
Fund Balances - Beginning	237,617	36,478	405,258	184,899	2,466,806	3,331,058
Fund Balances - Ending	\$ 199,966	\$ 20,878	\$ 222,387	\$ 305,675	\$ 2,566,263	\$ 3,315,169

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, 2024. 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 Laguna Beach Unified School District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2024, the District did not report food commodities in inventory.

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.



Other Information
June 30, 2024

Laguna Beach Unified School District

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 Vilorio	Superintendent
Jeff Dixon	Assistant Superintendent, Business Services
Chad Mabery	Assistant Superintendent, Instructional Services
Michael Conlon	Assistant Superintendent, Human Resources



Independent Auditor's Reports
June 30, 2024

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*, 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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 16, 2024.

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 October 16, 2024.

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
October 16, 2024



Independent Auditor's Report on Compliance for the 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 the Major Federal Program

Opinion on the 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 the District's major federal program for the year ended June 30, 2024. The District's major federal program is 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 its major federal program for the year ended June 30, 2024.

Basis for Opinion on the 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 the 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
October 16, 2024



Independent Auditor's Report on State Compliance and on Internal Control Over 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 *2023-2024 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, 2024.

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, 2024.

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 *2023-2024 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 *2023-2024 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 *2023-2024 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 *2023-2024 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:

2023-2024 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	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Yes

2023-2024 K-12 Audit Guide Procedures	Procedures Performed
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A
Home to School Transportation Reimbursement	Yes
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	N/A
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	N/A
Immunizations	N/A
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	N/A
Career Technical Education Incentive Grant	N/A
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Charter Schools	N/A
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

We did not perform testing for Independent Study because average daily attendance reported did not exceed the threshold for testing.

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

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 *2023-2024 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
October 16, 2024



Schedule of Findings and Questioned Costs
June 30, 2024

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</u>
Special Education (IDEA) Cluster	84.027, 84.027A, 84.173, 84.173A
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, 2024, 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 October 16, 2024, on the government-wide financial statements of the District.

Associated Student Body

Thurston Middle School

Observations

1. Based on the review of the cash receipting procedures, it was noted that club advisors and teachers are not consistently providing adequate supporting documentation for cash collections. Out of two deposits tested, both contained receipts that were not supported by adequate documentation or a paper trail. As a result, the completeness and timeliness of these deposits could not be verified.
2. Based on the review of the cash receipting procedures, it was noted two of two receipts were not deposited in a timely manner. The delay in deposit ranged from eight to 13 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.
3. Based on the review of the disbursement procedures, it was noted that two of two disbursements tested did not contain explicit receiving documentation to indicate that goods had been received. As a result, the vendor invoice was paid without direct confirmation that the goods being ordered had been received by the ASB.
4. Based on the review of the disbursement procedures, it was noted that two of two disbursements tested were not approved prior to transactions taking place. 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.

Recommendations

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. The ASB, should, at a minimum, make their deposits once a week to minimize the amount of cash held at the site. 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.
3. 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.
4. 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 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.

Laguna Beach High School

Observations

1. Based on the review of the cash receipting procedures, it was noted that one of nine receipts tested were not deposited in a timely manner. The delay in deposit was 10 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 disbursement procedures, it was noted that nine of 15 disbursements tested did not contain explicit receiving documentation to indicate that goods had been received. As a result, the vendor invoice was paid without direct confirmation that the goods being ordered had been received by the ASB.
3. In reviewing the sites outstanding check listing for the September 2023 reconciliation, we noted that numerous checks were over six months old, making the probability of them clearing the account low.

Recommendations

1. The ASB, should, at a minimum, make their deposits once a week to minimize the amount of cash held at the site. 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. 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.
3. Outstanding checks over six months old should be credited back to the appropriate account and taken off the subsequent bank reconciliations. Although the chances are low, the check may clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as "outstanding check written off-cleared".

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
October 16, 2024