

**CYPRESS SCHOOL DISTRICT  
ORANGE COUNTY  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2024**



**CYPRESS SCHOOL DISTRICT**  
*For the Fiscal Year Ended June 30, 2024*  
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*Financial Section*

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Cypress School District  
Cypress, California

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cypress School District, as of and for the fiscal 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 Cypress School District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal 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), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' 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.

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards 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 annual report. The other information comprises the LEA 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 the 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 29, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
October 29, 2024

**CYPRESS SCHOOL DISTRICT**  
*Management’s Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2024*

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This discussion and analysis of Cypress School District’s financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

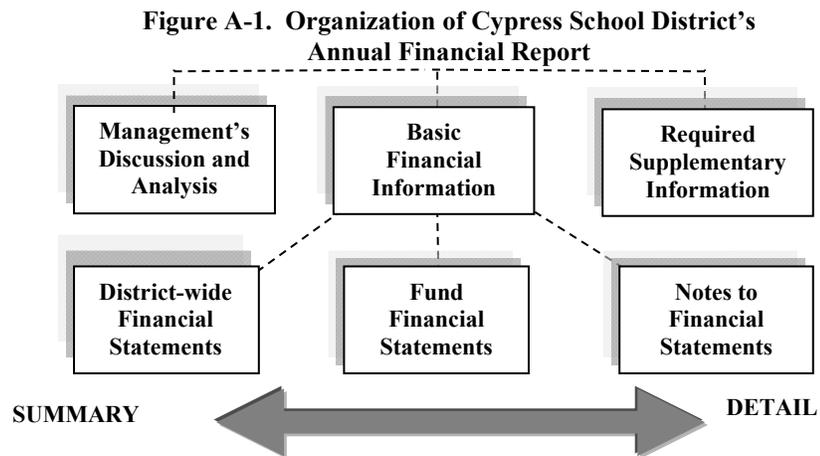
- The District’s financial status decreased overall as a result of this year’s operations. Net position of governmental activities decreased by \$3.0 million, or 30.9%.
- Governmental expenses were about \$65.5 million. Revenues were about \$62.6 million.
- The District acquired over \$3.0 million in new capital and subscription assets during the year.
- Governmental funds decreased by \$0.8 million, or 2.1%.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the District, reporting the District’s operations in more detail than the District-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds* statements.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds* statements.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



# CYPRESS SCHOOL DISTRICT

## Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2024

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### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

#### District-Wide Statements

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

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

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

#### Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant 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 (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- **Proprietary funds** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the District-wide statements but provides more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for dental and vision insurance claims.

## CYPRESS SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2024

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net Position.** The District's combined net position was lower on June 30, 2024, than it was the year before – decreasing 30.9% to \$6.6 million (See Table A-1).

**Table A-1: Statement of Net Position**

	Governmental Activities		Variance
	2024	2023	Increase (Decrease)
<b>Assets</b>			
Current assets	\$ 40,605,625	\$ 41,701,529	\$ (1,095,904)
Capital assets	75,959,963	77,560,426	(1,600,463)
<b>Total assets</b>	<u>116,565,588</u>	<u>119,261,955</u>	<u>(2,696,367)</u>
<b>Total deferred outflows of resources</b>	<u>21,253,914</u>	<u>19,453,934</u>	<u>1,799,980</u>
<b>Liabilities</b>			
Current liabilities	4,697,024	4,956,199	(259,175)
Long-term liabilities	118,449,613	113,322,678	5,126,935
<b>Total liabilities</b>	<u>123,146,637</u>	<u>118,278,877</u>	<u>4,867,760</u>
<b>Total deferred inflows of resources</b>	<u>8,032,390</u>	<u>10,825,955</u>	<u>(2,793,565)</u>
<b>Net position</b>			
Net investment in capital assets	40,990,192	39,895,730	1,094,462
Restricted	17,765,488	32,127,068	(14,361,580)
Unrestricted	(52,115,205)	(62,411,741)	10,296,536
<b>Total net position</b>	<u>\$ 6,640,475</u>	<u>\$ 9,611,057</u>	<u>\$ (2,970,582)</u>

**Changes in net position, governmental activities.** The District's total revenues decreased 4.3% to \$62.6 million (See Table A-2). The decrease is due primarily to one-time state grants received in the previous year.

The total cost of all programs and services increased 6.2% to \$65.5 million. The District's expenses are predominantly related to educating and caring for students, 67.7%. The purely administrative activities of the District accounted for just 7.0% of total costs. A significant contributor to the increase in costs was negotiated salary increases and related pension costs.

**CYPRESS SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2024*

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Table A-2: Statement of Activities**

	<u>Governmental Activities</u>		<b>Variance</b>
	<u>2024</u>	<u>2023</u>	<b>Increase (Decrease)</b>
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 121,587	\$ 455,469	\$ (333,882)
Operating grants and contributions	13,654,198	18,425,818	(4,771,620)
Capital grants and contributions	229	68	161
General Revenues:			
Property taxes	31,099,233	30,043,821	1,055,412
Federal and state aid not restricted	13,714,883	12,998,321	716,562
Other general revenues	3,966,795	3,444,700	522,095
<b>Total revenues</b>	<u>62,556,925</u>	<u>65,368,197</u>	<u>(2,811,272)</u>
<b>Expenses</b>			
Instruction-related	39,359,243	35,561,840	3,797,403
Pupil services	4,989,800	4,318,069	671,731
Administration	4,572,377	4,083,874	488,503
Plant services	6,982,001	6,879,077	102,924
All other activities	9,624,086	10,884,071	(1,259,985)
<b>Total expenses</b>	<u>65,527,507</u>	<u>61,726,931</u>	<u>3,800,576</u>
Increase (decrease) in net position	<u>\$ (2,970,582)</u>	<u>\$ 3,641,266</u>	<u>\$ (6,611,848)</u>
<b>Total net position</b>	<u>\$ 6,640,475</u>	<u>\$ 9,611,057</u>	

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$36.1 million, which is below last year's ending fund balance of \$36.8 million. The primary cause of the decreased fund balance is spending down of one-time grants in the General Fund.

**Table A-3: The District's Fund Balances**

Fund	<u>Fund Balances</u>				
	<u>July 1, 2023</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Sources and (Uses)</u>	<u>June 30, 2024</u>
General Fund	\$ 15,088,528	\$ 55,165,779	\$ 56,463,836	\$ (678,909)	\$ 13,111,562
Child Development Fund	55,502	1,183,049	1,144,786	-	93,765
Cafeteria Fund	1,713,112	3,060,389	2,242,322	-	2,531,179
Deferred Maintenance Fund	1,986,353	103,376	1,000,698	-	1,089,031
Capital Facilities Fund	2,351,902	205,602	5,865	-	2,551,639
County School Facilities Fund	4,407	229	2	-	4,634
Special Reserve Fund (Capital Outlay)	12,966,489	2,342,421	2,674,896	1,192,601	13,826,615
Bond Interest and Redemption Fund	2,657,922	2,986,228	2,791,140	-	2,853,010
	<u>\$ 36,824,215</u>	<u>\$ 65,047,073</u>	<u>\$ 66,323,545</u>	<u>\$ 513,692</u>	<u>\$ 36,061,435</u>

# CYPRESS SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2024

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## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

### General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – decreased by \$4.2 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$0.1 million due to revised staffing and benefits cost estimates.
- Other non-personnel expenses – decreased \$2.2 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$2.2 million, the actual results for the year show that expenditures exceeded revenues by roughly \$0.8 million. Actual revenues were \$0.5 million less than anticipated, and expenditures were \$1.8 million less than budgeted.

That amount consists primarily of capital outlay and restricted program dollars that were not spent as of June 30, 2024, that will be carried over into the 2024-25 budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2023-24 the District had invested \$3.0 million in new capital and subscription assets, related to property exchanges and facilities updates throughout the District. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was approximately \$4.1 million and amortization was \$0.4 million.

**Table A-4: Capital Assets at Year End, Net of Depreciation**

	Governmental Activities		Variance
	2024	2023	Increase (Decrease)
Land	\$ 22,095,078	\$ 22,095,078	\$ -
Improvement of sites	2,863,141	2,667,474	195,667
Buildings	49,575,268	51,457,194	(1,881,926)
Equipment	879,801	990,541	(110,740)
Construction in progress	34,196	219,189	(184,993)
Subscription assets	512,479	130,950	381,529
Total	<u>\$ 75,959,963</u>	<u>\$ 77,560,426</u>	<u>\$ (1,600,463)</u>

### Long-Term Debt

At year-end the District had \$118.4 million in long-term liabilities – an increase of 4.5% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 7-9 to the financial statements).

**CYPRESS SCHOOL DISTRICT**  
*Management’s Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2024*

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Table A-5: Outstanding Long-Term Debt at Year-End**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2024</b>	<b>2023</b>	
General obligation bonds	\$ 59,101,084	\$ 59,047,882	\$ 53,202
Certificates of participation	2,726,000	3,335,000	(609,000)
Compensated absences	403,988	362,183	41,805
Financed purchases	78,561	112,136	(33,575)
Subscription based IT arrangements	357,251	44,574	312,677
Early retirement incentive	226,447	339,671	(113,224)
Other postemployment benefits	11,933,415	11,832,325	101,090
Net pension liability	43,622,867	38,248,907	5,373,960
<b>Total</b>	<b>\$ 118,449,613</b>	<b>\$ 113,322,678</b>	<b>\$ 5,126,935</b>

**FACTORS BEARING ON THE DISTRICT’S FUTURE**

***State Budget***

The Legislature passed an initial budget on June 15, 2024. The main structural difference between the legislative package and the May Revision was that the legislative package started the proposed limitation on NOLs and tax credits one year earlier—resulting in roughly \$5 billion in additional revenue. The Legislature’s budget used that additional budget capacity to reject some of the Governor’s spending solutions and/or provide other augmentations. The legislative package also included a large number of other smaller changes across a variety of programs. The legislative package used slightly more (nearly \$1 billion) in general purpose reserves than the May Revision.

**K-14 Education**

***Funds Modest COLA and a Few Smaller Augmentations***

For 2024-25, the budget provides \$1 billion to cover a 1.07 percent COLA for existing school and community college programs. For schools, the budget also provides an increase of \$300 million (\$179 million ongoing and \$121 million one time) to cover cost increases related to universal school meals. A small portion of the budget’s remaining funds are allocated to cover enrollment- and caseload-driven increases in a few specific areas.

***Implements Small Payment Deferral***

The budget reduces spending in 2024-25 by deferring \$487 million in payments to 2025-26. Of this deferral, half applies to schools and half applies to community colleges. The state will implement the deferral by delaying a portion of the payment districts ordinarily would receive in June 2025 to July 2025. The law allows school districts to be exempt from this deferral (meaning they would receive all of their funding on time) if they can show the delay would cause fiscal insolvency. The purpose of the deferral is to reduce spending in 2024-25 to the minimum level required by Proposition 98.

## **CYPRESS SCHOOL DISTRICT**

*Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2024*

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### **FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

#### ***Suspends Proposition 98 Requirement and Reduces Spending***

For 2023-24, the budget invokes a provision allowing the state to suspend the minimum Proposition 98 requirement and reduce spending on schools and community colleges by \$8.3 billion relative to the level otherwise required that year. Separate from this action, the budget makes a \$2.6 billion reduction attributable to 2022-23. Both of these reductions lower the Proposition 98 requirement on an ongoing basis. The combined effect of these reductions is to reduce General Fund spending by \$12.7 billion over the 2022-23 through 2024-25 period. As required by the State Constitution, the budget also withdraws the entire balance from the Proposition 98 Reserve (\$8.4 billion) in 2023-24 to supplement the funding provided to schools and community colleges. In 2024-25, the budget begins to build back the Proposition 98 Reserve by making a discretionary deposit of nearly \$1.1 billion.

#### ***Bond Funds***

The state is seeking approval of two bond measures on the November 2024 ballot: Proposition 2 and Proposition 4. Proposition 2 would allow the state to borrow \$10 billion to build new facilities and renovate existing facilities at school districts and community colleges. The cost to repay this bond would be about \$500 million each year for 35 years. Proposition 4 would allow the state to borrow \$10 billion to pay for various natural resources and climate activities. The cost to repay this bond would be about \$400 million each year for 40 years. The cost to repay both bonds would total about \$900 million each year.

#### ***Scores Savings Related to Attendance and a Few Other Adjustments***

In response to significant declines in attendance over the past several years, the state adopted a series of policies temporarily funding school districts based on the attendance they reported prior to the COVID-19 pandemic. For 2024-25, the budget assumes savings of \$1.8 billion as these higher pre-pandemic attendance levels phase out of district funding calculations. In addition, the budget obtains \$1.2 billion in savings by (1) deferring some payments from 2024-25 to 2025-26, (2) reducing funding for State Preschool that is expected to go unused, and (3) repurposing certain unspent appropriations from previous years. Under the Constitution, the state must dedicate all of these savings to other school and community college purposes.

All of these factors were considered in preparing the Cypress School District budget for the 2024-25 fiscal year.

### **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 any questions about this report or need additional financial information, contact the District's Business Office at (714) 220-6941.

# CYPRESS SCHOOL DISTRICT

## Statement of Net Position

June 30, 2024

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	<b>Total Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 37,234,831
Accounts receivable	3,245,343
Inventories	28,055
Prepaid expenses	85,352
Other current assets	12,044
Capital assets:	
Non-depreciable assets	22,129,274
Depreciable assets	101,907,353
Less accumulated depreciation	(48,589,143)
Subscription assets	780,397
Less accumulated amortization	(267,918)
Total assets	<u>116,565,588</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	19,069,651
Deferred outflows related to OPEB	1,315,206
Deferred amounts on refunding	869,057
Total deferred outflows of resources	<u>21,253,914</u>
<b>LIABILITIES</b>	
Accounts payable	3,757,173
Accrued interest payable	282,430
Unearned revenue	657,421
Noncurrent liabilities:	
Due or payable within one year	3,424,353
Due in more than one year:	
Other than OPEB and pensions	59,468,978
Total OPEB liability	11,933,415
Net pension liability	43,622,867
Total liabilities	<u>123,146,637</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	6,578,722
Deferred inflows related to OPEB	1,453,668
Total deferred inflows of resources	<u>8,032,390</u>
<b>NET POSITION</b>	
Net investment in capital assets	40,990,192
Restricted for:	
Capital projects	2,556,273
Debt service	2,853,010
Categorical and nutrition programs	12,255,665
Self-insurance	100,540
Unrestricted	(52,115,205)
Total net position	<u>\$ 6,640,475</u>

**CYPRESS SCHOOL DISTRICT**  
*Statement of Activities*  
*For the Fiscal Year Ended June 30, 2024*

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Governmental Activities</b>					
Instructional Services:					
Instruction	\$ 35,651,272	\$ 1,283	\$ 7,009,777	\$ 229	\$ (28,639,983)
Instruction-Related Services:					
Supervision of instruction	1,382,356	1,795	190,540	-	(1,190,021)
Instructional library, media and technology	142,419	-	7,130	-	(135,289)
School site administration	2,183,196	2,307	(16,692)	-	(2,197,581)
Pupil Support Services:					
Home-to-school transportation	522,015	-	-	-	(522,015)
Food services	2,553,967	-	3,072,949	-	518,982
All other pupil services	1,913,818	3,696	284,167	-	(1,625,955)
General Administration Services:					
Data processing services	1,136,475	-	-	-	(1,136,475)
Other general administration	3,435,902	179	240,046	-	(3,195,677)
Plant Services	6,982,001	-	507,928	-	(6,474,073)
Community Services	1,112,191	-	1,071,817	-	(40,374)
Enterprise Activities	6,581	-	(286)	-	(6,867)
Interest on Long-Term Debt	3,024,834	-	-	-	(3,024,834)
Other Outgo	1,056,493	112,327	1,286,822	-	342,656
Depreciation (unallocated)	4,066,749	-	-	-	(4,066,749)
Amortization (unallocated)	357,238	-	-	-	(357,238)
Total Governmental Activities	<u>\$ 65,527,507</u>	<u>\$ 121,587</u>	<u>\$ 13,654,198</u>	<u>\$ 229</u>	<u>(51,751,493)</u>
<b>General Revenues:</b>					
Property taxes					31,099,233
Federal and state aid not restricted to specific purpose					13,714,883
Interest and investment earnings					1,637,444
Miscellaneous					<u>2,329,351</u>
Total general revenues					<u>48,780,911</u>
Change in net position					(2,970,582)
Net position - July 1, 2023					<u>9,611,057</u>
Net position - June 30, 2024					<u>\$ 6,640,475</u>

**CYPRESS SCHOOL DISTRICT**  
*Balance Sheet – Governmental Funds*  
*June 30, 2024*

	General Fund	Child Development Fund	Special Reserve Fund for Capital Outlay	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Deposits and investments	\$ 15,748,098	\$ 765,016	\$ 12,758,869	\$ 7,838,407	\$ 37,110,390
Accounts receivable	2,705,355	3,401	69,125	433,808	3,211,689
Stores inventories	-	-	-	28,055	28,055
Due from other funds	748,175	-	1,192,601	16,433	1,957,209
Prepaid expenditures	85,352	-	-	-	85,352
Other current assets	12,044	-	-	-	12,044
Total Assets	<u>\$ 19,299,024</u>	<u>\$ 768,417</u>	<u>\$ 14,020,595</u>	<u>\$ 8,316,703</u>	<u>\$ 42,404,739</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 3,331,437	\$ 48,319	\$ 193,980	\$ 154,938	\$ 3,728,674
Due to other funds	1,209,034	526,872	-	221,303	1,957,209
Unearned revenue	557,960	99,461	-	-	657,421
Total Liabilities	<u>5,098,431</u>	<u>674,652</u>	<u>193,980</u>	<u>376,241</u>	<u>6,343,304</u>
<b>Fund Balances</b>					
Nonspendable	100,352	-	-	28,055	128,407
Restricted	9,630,721	93,765	-	7,912,407	17,636,893
Assigned	1,712,331	-	13,826,615	-	15,538,946
Unassigned	2,757,189	-	-	-	2,757,189
Total Fund Balances	<u>14,200,593</u>	<u>93,765</u>	<u>13,826,615</u>	<u>7,940,462</u>	<u>36,061,435</u>
Total Liabilities and Fund Balances	<u>\$ 19,299,024</u>	<u>\$ 768,417</u>	<u>\$ 14,020,595</u>	<u>\$ 8,316,703</u>	<u>\$ 42,404,739</u>

# CYPRESS SCHOOL DISTRICT

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2024

**Total fund balances - governmental funds** \$ 36,061,435

Amounts reported for governmental activities in the statement of net position are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental

Capital assets at historical cost	124,036,627	
Accumulated depreciation	(48,589,143)	
Subscription assets	780,397	
Accumulated amortization	<u>(267,918)</u>	75,959,963

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: (282,430)

In governmental funds, interest subsidies received from Qualified School Construction Bonds (QSCB) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The federal interest subsidies included in receivables in the government-wide statements were: 29,056

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	59,101,084	
Compensated absences payable	403,988	
Early retirement incentive	226,447	
Financed purchases	78,561	
Subscription-based IT arrangements	357,251	
Certificates of participation payable	2,726,000	
Other postemployment benefits payable	11,933,415	
Net pension liability	<u>43,622,867</u>	
	Total	(118,449,613)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the 869,057

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources	19,069,651
Deferred inflows of resources	(6,578,722)

In governmental funds, deferred outflows and inflows of resources relating to other post-employment benefits (OPEB) are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.

Deferred outflows of resources	1,315,206
Deferred inflows of resources	(1,453,668)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal services funds at the end of the period is: 100,540

**Total net position - governmental activities** \$ 6,640,475

# CYPRESS SCHOOL DISTRICT

## Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2024

	General Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCCF sources	\$ 40,322,835	\$ -	\$ -	\$ -	\$ 40,322,835
Federal sources	1,800,610	-	-	1,191,674	2,992,284
Other state sources	10,518,646	1,144,786	-	1,836,693	13,500,125
Other local sources	2,627,064	38,263	2,342,421	3,224,081	8,231,829
<b>Total Revenues</b>	<b>55,269,155</b>	<b>1,183,049</b>	<b>2,342,421</b>	<b>6,252,448</b>	<b>65,047,073</b>
<b>EXPENDITURES</b>					
Current:					
Instructional Services:					
Instruction	37,658,331	7,891	-	-	37,666,222
Instruction-Related Services:					
Supervision of instruction	1,422,579	-	-	-	1,422,579
Instructional library, media and technology	869,074	-	-	-	869,074
School site administration	2,195,537	-	-	-	2,195,537
Pupil Support Services:					
Home-to-school transportation	500,967	-	-	-	500,967
Food services	269,797	-	-	2,242,322	2,512,119
All other pupil services	2,063,569	-	-	-	2,063,569
Enterprise Activities	7,297	-	-	-	7,297
General Administration Services:					
Data processing services	1,055,153	-	-	-	1,055,153
Other general administration	3,196,438	66,086	-	-	3,262,524
Plant Services	5,722,231	-	4,323	5,865	5,732,419
Community Services	-	1,070,809	-	-	1,070,809
Capital Outlay	1,211,082	-	2,009,690	2	3,220,774
Intergovernmental Transfers	1,051,908	-	-	-	1,051,908
Debt Service:					
Principal	234,590	-	609,000	1,761,479	2,605,069
Interest	5,981	-	51,883	1,029,661	1,087,525
<b>Total Expenditures</b>	<b>57,464,534</b>	<b>1,144,786</b>	<b>2,674,896</b>	<b>5,039,329</b>	<b>66,323,545</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,195,379)	38,263	(332,475)	1,213,119	(1,276,472)
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	-	-	1,192,601	-	1,192,601
Interfund transfers out	(1,192,601)	-	-	-	(1,192,601)
Proceeds from SBITAs	513,692	-	-	-	513,692
<b>Total Other Financing Sources and Uses</b>	<b>(678,909)</b>	<b>-</b>	<b>1,192,601</b>	<b>-</b>	<b>513,692</b>
<b>Net Change in Fund Balances</b>	<b>(2,874,288)</b>	<b>38,263</b>	<b>860,126</b>	<b>1,213,119</b>	<b>(762,780)</b>
Fund Balances, July 1, 2023, as originally stated	17,074,881	-	12,966,489	6,782,845	36,824,215
Change within financial reporting entity (nonmajor to major fund)	-	55,502	-	(55,502)	-
Fund Balances, July 1, 2023	17,074,881	55,502	12,966,489	6,727,343	36,824,215
Fund Balances, June 30, 2024	\$ 14,200,593	\$ 93,765	\$ 13,826,615	\$ 7,940,462	\$ 36,061,435

# CYPRESS SCHOOL DISTRICT

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For the Fiscal Year Ended June 30, 2024

**Total net change in fund balances - governmental funds** \$ (762,780)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation and amortization expense for the period is:

Expenditures for capital outlay	2,280,718	
Depreciation expense	(4,066,749)	
Expenditures for subscriptions	738,767	
Amortization expense	<u>(357,238)</u>	(1,404,502)

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (195,961)

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 2,605,069

The issuance of long-term debt is reported in the governmental funds as a source of financing, but in the government-wide statements it is not report in the statement of activities, but rather as a long-term liability in the statement of net position. Debt issued, net of issuance premiums, during the period was: (513,692)

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of financial activities, OPEB expenses are recognized on an accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (530,305)

In governmental funds, if debt is issued at a premium or a discount, the premium or discount is recognized as an other financing source in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium, less discounts, for the period is: 159,947

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. (1,974,628)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the debt. The difference between current year amounts and the current year amortization is: (164,499)

In governmental funds, interest subsidies received from Qualified School Construction Bonds (QSCB) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The federal interest subsidies included in receivables in the government-wide statements were, less amounts accrued in the prior year were: (13,114)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, differences between accrual-basis pension costs and actual employer contributions were: (186,701)

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 35,890

In the statement of activities, compensated absences 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). (41,805)

In the statement of activities, certain operating expenses such as compensated absences and early retirement incentives, for example, 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). 113,224

The internal service fund is used by management to charge the cost of self-insurance activities. The net revenue (expense) of the internal service fund is reported with governmental activities. (96,725)

**Change in net position of governmental activities** \$ (2,970,582)

**CYPRESS SCHOOL DISTRICT**  
*Statement of Net Position – Proprietary Fund*  
*June 30, 2024*

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	<b>Governmental Activities Internal Service Fund</b>
<b>ASSETS</b>	
Deposits and investments	\$ 124,441
Accounts receivable	4,598
	<hr/>
Total Assets	129,039
	<hr/>
<b>LIABILITIES</b>	
Accounts payable	28,499
	<hr/>
<b>NET POSITION</b>	
Restricted	\$ 100,540
	<hr/> <hr/>

**CYPRESS SCHOOL DISTRICT**

*Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund  
For the Fiscal Year Ended June 30, 2024*

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	<b>Governmental Activities Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Self-insurance premiums	\$ 5,024,751
<b>OPERATING EXPENSES</b>	
Payments for services	<u>5,152,140</u>
Operating Income (Loss)	<u>(127,389)</u>
<b>NON-OPERATING REVENUES</b>	
Investment income	<u>30,664</u>
Change in Net Position	(96,725)
Net Position, July 1, 2023	<u>197,265</u>
Net Position, June 30, 2024	<u><u>\$ 100,540</u></u>

**CYPRESS SCHOOL DISTRICT**  
*Statement of Cash Flows – Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2024*

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from assessments made to other funds	\$ 5,023,235
Cash payments for payroll, insurance and operating costs	<u>(5,146,642)</u>
Net cash provided (used) by operating activities	(123,407)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on investments	<u>30,901</u>
Net increase (decrease) in cash	(92,506)
Cash, July 1, 2023	<u>216,947</u>
Cash, June 30, 2024	<u><u>\$ 124,441</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (127,389)
Changes in operating assets and liabilities:	
Accounts receivable	(1,516)
Accounts payable	<u>5,498</u>
Net cash provided (used) by operating activities	<u><u>\$ (123,407)</u></u>

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cypress School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

#### A. Reporting Entity

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, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the Board of Trustees of the component units is essentially the same as the Board of Trustees of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Cypress School District Public Financing Corporation (the Corporation) financial activity is presented in the financial statements as the Capital Projects for Blended Component Units Fund and the Debt Service for Blended Component Units Fund. Certificates of participation and other debt issued by the Corporation are included as long-term liabilities in the District-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

#### B. Basis of Presentation, Basis of Accounting

##### 1. Basis of Presentation

###### District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

# CYPRESS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### B. Basis of Presentation, Basis of Accounting (continued)

#### 1. Basis of Presentation (continued)

##### District-Wide Financial Statements (continued)

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

##### Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category - *governmental* and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

##### Major Governmental Funds

The District maintains the following major governmental funds:

**General Fund:** This is the chief operating fund for the District. 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. The District also maintains a Deferred Maintenance Fund. The Deferred Maintenance Fund does not currently meet the definition of special revenue funds as it is not primarily composed of restricted or committed revenue sources. Because this fund does not meet the definition of special revenue funds under GASB 54, the activity in this fund is being reported within the General Fund.

**Child Development Fund:** This fund is used to account separately for federal, state, and local revenues to operate child development programs.

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 21, 25, 30, 35, or 49.

##### Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

**Special Revenue Funds:** Special revenue funds are established 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.

# CYPRESS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### B. Basis of Presentation, Basis of Accounting (continued)

#### 1. Basis of Presentation (continued)

##### Non-Major Governmental Funds (continued)

###### Special Revenue Funds (continued):

**Cafeteria Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* Sections 38090 and 38093).

**Capital Projects Funds:** Capital projects funds are established 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:** This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* sections 17620-17626 and *Government Code* Section 65995 et seq.).

**County School Facilities Fund:** This fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

**Debt Service Funds:** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

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

##### Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

**Dental and Vision Self-Insurance Fund:** This fund may be used to account for resources committed to pay the costs of the District's vision and dental benefits and claims for its employees.

#### 2. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. Basis of Presentation, Basis of Accounting (continued)

##### 2. Measurement Focus, Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District's proprietary funds and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

##### 3. 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. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. 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.

#### C. Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. 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. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

#### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

##### 1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

##### 2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items.

##### 3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

##### 4. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

##### 5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

##### 6. Compensated Absences

The liability for compensated absences reported in the District-wide statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

##### 7. Leases

###### Lessee:

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

If material, lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

# CYPRESS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

#### 7. Leases (continued)

##### Lessor:

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

#### 8. Subscription-Based Information Technology Arrangements

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

The subscription term includes the period during which the District has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend or to terminate.

If material, the District recognizes a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The District recognizes the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges the District which may be implicit, or the District's incremental borrowing rate if the interest rate is not readily determinable. The District recognizes amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

##### 9. 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 CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize 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.

##### 10. 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 District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition 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. Investments are reported at fair value.

##### 11. Fund Balances

The fund balance for Governmental Funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**Nonspendable:** Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

**Restricted:** Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations.

**Committed:** The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

**Assigned:** Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

**Unassigned:** Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

##### 12. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

#### F. Minimum Fund Balance Policy

During the 2010-11 fiscal year, pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of total General Fund expenditures and other financing uses.

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.

#### G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

#### I. Change in Accounting Principle

For the fiscal year ended June 30, 2024, the District implemented GASB Statement No. 100, *Accounting Changes and Error Corrections-an Amendment of GASB Statement No. 62*. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net positions, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

### NOTE 2 – DEPOSITS AND INVESTMENTS

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

Governmental funds	\$ 37,110,390
Proprietary funds	124,441
Total deposits and investments	<u>\$ 37,234,831</u>

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

Cash on hand and in banks	\$ 326,300
Cash in revolving fund	15,000
Investments	36,893,531
Total deposits and investments	<u>\$ 37,234,831</u>

#### Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest-bearing Orange County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the Orange 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 Orange County Treasurer, which is recorded on the amortized basis.

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

#### Custodial Credit Risk – Deposits

Custodial credit risk 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. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2024, none of the District’s bank balance was exposed to custodial credit risk because it was insured by the FDIC.

#### Investments - Interest Rate Risk

The District’s investment policy does not place limits on investment maturities. The Board of Trustees authorizes the District’s chief fiscal officer to invest and reinvest surplus funds on behalf of the District. Maturities of investments held at June 30, 2024, consist of the following:

	<u>Reported Amount</u>	<u>Less Than One Year</u>	<u>Through Five Years</u>	<u>Fair Value Measurement</u>	<u>Rating</u>
Investments:					
Orange County Pool	<u>\$ 36,893,531</u>	<u>\$ 36,893,531</u>	<u>\$ -</u>	uncategorized	N/A

#### Investments - Credit Risk

The District’s investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by *State Government Code* Section 53600. At June 30, 2024, all investments represented deposits of cash in the county investment pool.

#### Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer.

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

### NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

#### 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 date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized – Investments in the Orange County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

### NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2024, consisted of the following:

	Governmental Funds				Total	Proprietary
	General Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds		Self-Insurance Fund
Federal Government:						
Federal revenue	\$ 1,166,197	\$ -	\$ -	\$ 106,017	\$ 1,272,214	\$ -
State Government:						
LCFF	498,183	-	-	-	498,183	-
Lottery	217,036	-	-	-	217,036	-
Special education	576,365	-	-	-	576,365	-
Categorical aid programs	124,102	-	-	223,167	347,269	-
Local:						
Interest	59,048	3,401	47,086	36,152	145,687	799
Other local revenue	64,424	-	22,039	68,472	154,935	3,799
Total	<u>\$ 2,705,355</u>	<u>\$ 3,401</u>	<u>\$ 69,125</u>	<u>\$ 433,808</u>	<u>\$ 3,211,689</u>	<u>\$ 4,598</u>

**CYPRESS SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2024*

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**NOTE 4 – INTERFUND ACTIVITIES**

**A. Balances Due To/From Other Funds**

Balances due to/from other funds at June 30, 2024, consisted of the following:

General Fund due to Special Reserve Fund for Capital Outlay Projects to record the cash due from the interfund transfer	\$ 1,192,601
General Fund due to Cafeteria Fund to clear holding account	16,433
Child Development Fund due to General Fund to clear holding account balances and record indirect cost allocations	526,872
Cafeteria Fund due to General Fund to reimburse salary and benefit expenses and clear holding account	221,303
Total	<u>\$ 1,957,209</u>

**B. Interfund Transfers In/Out**

Interfund transfers in/out of other funds during the 2023-24 year consisted of the following:

General Fund transfer to Special Reserve Fund for Capital Outlay Projects Fund to cover major projects using community redevelopment funds	<u>\$ 1,192,601</u>
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**NOTE 5 – FUND BALANCES**

At June 30, 2024, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
<b>Nonspendable:</b>					
Revolving cash	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Stores inventories	-	-	-	28,055	28,055
Prepaid expenditures	85,352	-	-	-	85,352
Total Nonspendable	<u>100,352</u>	<u>-</u>	<u>-</u>	<u>28,055</u>	<u>128,407</u>
<b>Restricted:</b>					
Categorical programs	9,630,721	93,765	-	-	9,724,486
Food services	-	-	-	2,503,124	2,503,124
Capital projects	-	-	-	2,556,273	2,556,273
Debt service	-	-	-	2,853,010	2,853,010
Total Restricted	<u>9,630,721</u>	<u>93,765</u>	<u>-</u>	<u>7,912,407</u>	<u>17,636,893</u>
<b>Assigned:</b>					
Accrued liabilities reserve	242,000	-	-	-	242,000
Health and welfare reserve	261,300	-	-	-	261,300
PARS early retirement	120,000	-	-	-	120,000
Deferred maintenance	1,089,031	-	-	-	1,089,031
Other assignments	-	-	13,826,615	-	13,826,615
Total Assigned	<u>1,712,331</u>	<u>-</u>	<u>13,826,615</u>	<u>-</u>	<u>15,538,946</u>
<b>Unassigned:</b>					
Reserve for economic uncertainties	1,714,283	-	-	-	1,714,283
Remaining unassigned balances	1,042,906	-	-	-	1,042,906
Total Unassigned	<u>2,757,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,757,189</u>
Total	<u>\$ 14,200,593</u>	<u>\$ 93,765</u>	<u>\$ 13,826,615</u>	<u>\$ 7,940,462</u>	<u>\$ 36,061,435</u>

**CYPRESS SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2024*

**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

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

	Balance, July 1, 2023	Additions	Retirements	Balance, June 30, 2024
Capital assets not being depreciated:				
Land	\$ 22,095,078	\$ -	\$ -	\$ 22,095,078
Construction in progress	219,189	34,196	219,189	34,196
Total capital assets not being depreciated	<u>22,314,267</u>	<u>34,196</u>	<u>219,189</u>	<u>22,129,274</u>
Capital assets being depreciated:				
Improvement of sites	7,676,052	624,706	-	8,300,758
Buildings	89,238,433	1,578,441	-	90,816,874
Equipment	2,723,118	66,603	-	2,789,721
Total capital assets being depreciated	<u>99,637,603</u>	<u>2,269,750</u>	<u>-</u>	<u>101,907,353</u>
Accumulated depreciation for:				
Improvement of sites	(5,008,578)	(429,039)	-	(5,437,617)
Buildings	(37,781,239)	(3,460,367)	-	(41,241,606)
Equipment	(1,732,577)	(177,343)	-	(1,909,920)
Total accumulated depreciation	<u>(44,522,394)</u>	<u>(4,066,749)</u>	<u>-</u>	<u>(48,589,143)</u>
Total capital assets being depreciated, net	<u>55,115,209</u>	<u>(1,796,999)</u>	<u>-</u>	<u>53,318,210</u>
Sunscription Assets:				
IT Subscriptions	262,661	738,767	221,031	780,397
Accumulated amortization for:				
IT Subscriptions	(131,711)	(357,238)	(221,031)	(267,918)
Total subscription assets, net	<u>130,950</u>	<u>381,529</u>	<u>-</u>	<u>512,479</u>
Governmental activity capital assets, net	<u>\$ 77,560,426</u>	<u>\$ (1,381,274)</u>	<u>\$ 219,189</u>	<u>\$ 75,959,963</u>

**NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS**

Changes in long-term debt for the year ended June 30, 2024, were as follows:

	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024	Amounts Due Within One Year
General obligation bonds:					
Principal payments	\$ 31,615,519	\$ -	\$ 1,761,479	\$ 29,854,040	\$ 2,305,000
Accreted interest	25,751,742	2,303,149	328,521	27,726,370	-
Unamortized premium	1,680,621	-	159,947	1,520,674	159,947
Sub-total bonds	<u>59,047,882</u>	<u>2,303,149</u>	<u>2,249,947</u>	<u>59,101,084</u>	<u>2,464,947</u>
Compensated absences	362,183	41,805	-	403,988	-
Early retirement incentive	339,671	-	113,224	226,447	113,224
Financed purchases	112,136	-	33,575	78,561	35,238
Subscription based IT arrangements	44,574	513,692	201,015	357,251	180,944
Direct Borrowings:					
Refunding certificates of participation	<u>3,335,000</u>	<u>-</u>	<u>609,000</u>	<u>2,726,000</u>	<u>630,000</u>
Total	<u>\$ 63,241,446</u>	<u>\$ 2,858,646</u>	<u>\$ 3,206,761</u>	<u>\$ 62,893,331</u>	<u>\$ 3,424,353</u>

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of participation payments are made by the Special Reserve Fund for capital outlay. Compensated absences will be paid for by the fund for which the employee worked. Payments for the early retirement incentive, subscription based IT arrangements, and financed purchases will be made by the General Fund.

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

### NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

#### A. General Obligation Bonds

On November 4, 2008, District voters approved Measure M, authorizing the District to issue and sell general obligation bonds of up to \$53.6 million. Proceeds from the sale of bonds were used for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities.

#### 2015 General Obligation Refunding Bonds

On December 10, 2015, the District issued \$12,555,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0% and 5.0% with annual maturities from August 1, 2016, through August 1, 2029. The net proceeds of \$13,856,929 (after premiums of \$1,472,611 and issuance costs of \$170,682) were used to advance refund a portion of the District's outstanding Election of 2008, Series A General Obligation Bonds.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2024, of \$773,880 remain to be amortized. As of June 30, 2024, there was no principal balance outstanding on the defeased debt.

A summary of outstanding bonds is shown below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024
2008A	5/5/2009	5/1/2034	2.0%-5.0%	\$ 16,999,052	\$ 1,649,052	\$ -	\$ -	\$ 1,649,052
2008B-1	4/21/2011	8/1/2050	5.0%-5.25%	20,139,078	18,526,467	-	286,479	18,239,988
2008B-2	4/21/2011	8/1/2025	5.33%-6.65%	4,535,000	1,640,000	-	510,000	1,130,000
2015 Ref.	12/10/2015	8/1/2029	2.0%-5.0%	12,555,000	9,800,000	-	965,000	8,835,000
			Total	<u>\$ 54,228,130</u>	<u>\$ 31,615,519</u>	<u>\$ -</u>	<u>\$ 1,761,479</u>	<u>\$ 29,854,040</u>
			Accreted Interest:					
			2008A	\$ 3,053,679	\$ 371,035			\$ 3,424,714
			2008B-1	22,698,063	1,932,114		328,521	24,301,656
			Total	<u>\$ 25,751,742</u>	<u>\$ 2,303,149</u>	<u>\$ 328,521</u>	<u>\$ 328,521</u>	<u>\$ 27,726,370</u>

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

#### A. General Obligation Bonds (continued)

The amounts required to amortize outstanding bonds at June 30, 2024, are as follows:

Fiscal Year	Principal	Interest	Total
2024-25	\$ 2,305,000	\$ 597,105	\$ 2,902,105
2025-26	2,580,000	463,876	3,043,876
2026-27	2,870,000	321,850	3,191,850
2027-28	3,184,431	209,169	3,393,600
2028-29	2,255,010	1,386,440	3,641,450
2029-34	4,018,263	18,423,512	22,441,775
2034-39	2,171,152	28,032,998	30,204,150
2039-44	2,568,000	37,116,532	39,684,532
2044-49	3,560,417	48,146,467	51,706,884
2049-51	4,341,767	20,206,856	24,548,623
Total	<u>\$ 29,854,040</u>	<u>\$ 154,904,805</u>	<u>\$ 184,758,845</u>

#### B. Early Retirement Incentive

The District has established a supplemental early retirement incentive program (SERP) whereby certain qualified employees may retire early and receive a portion of their salary paid out as an annuity. The total future payments owing at June 30, 2024, for these obligations are shown below.

Fiscal Year	Principal
2024-25	\$ 113,224
2025-26	113,223
Total	<u>\$ 226,447</u>

#### C. Direct Borrowings

On April 23, 2020, the District issued \$4,990,000 of 2020 lease refinancing certificates of participation at a fixed interest rate of 1.63% with annual maturities from May 1, 2020, through May 1, 2028. The net proceeds, together with an additional \$1,352,052 of debt service funds, were used to advance refund all of the District's 2013 certificates of participation.

The certificates are secured through a site lease consisting of the approximately 10.17 acres of real property on which the Juliet Morris Elementary School is located in the City of Cypress, California, including the improvements and fixtures thereon. Should the District default under the lease agreement, the trustee may terminate the lease agreement and recover certain damages from the District or may retain the lease agreement and hold the District liable for all lease payments thereunder on an annual basis.

This arrangement does not constitute a GASB 87 type lease.

## CYPRESS SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

##### C. Direct Borrowings (continued)

The net proceeds were deposited with an escrow agent to provide for future debt service payments on the refunded COPs. As a result, the refunded certificates are considered to be defeased, and the related liability for the certificates has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2024 of \$95,177 remain to be amortized. As of June 30, 2024, there was no principal balance outstanding on the defeased debt.

The annual requirements to amortize certificates of participation outstanding at June 30, 2024, are as follows:

Fiscal Year	Principal	Interest	Total
2024-25	\$ 630,000	\$ 40,131	\$ 670,131
2025-26	666,000	29,614	695,614
2026-27	705,000	18,505	723,505
2027-28	725,000	7,389	732,389
Total	\$ 2,726,000	\$ 95,639	\$ 2,821,639

##### D. Financed Purchases

The District has entered into an agreement to purchase buses valued at more than \$640,000. The agreement is, in substance a purchase and is reported as a financed purchase. The District's future payments under this obligation are:

Fiscal Year	Principal	Interest	Total
2024-25	\$ 35,238	\$ 3,030	\$ 38,268
2025-26	36,983	1,285	38,268
2026-27	6,340	38	6,378
Total	\$ 78,561	\$ 4,353	\$ 82,914

##### E. Subscription Based IT Arrangements

The District is involved in several arrangements for subscription based software. The initial terms for these subscriptions range from 24 to 36 months. There are no variable payments not included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the lease term. The District used either the stated interest rate or the State's incremental borrowing rate at inception to discount the subscription payments to the net present value. Other key assumptions and policies can be found in Note 1.E. The related asset disclosures are presented in Note 6.

Annual future payments are as follows:

Fiscal Year	Principal	Interest
2024-25	\$ 180,944	\$ 5,358
2025-26	176,307	-
Total	\$ 357,251	\$ 5,358

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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:

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 11,772,792	\$ 1,315,206	\$ 1,453,668	\$ 1,164,074
MPP Program	160,623	-	-	(1,736)
Total	\$ 11,933,415	\$ 1,315,206	\$ 1,453,668	\$ 1,162,338

The details of each plan are as follows:

#### District Plan

##### **Plan Description**

Cypress School District has a single-employer defined benefit OPEB Plan that provides post-employment benefits other than pensions (OPEB) to employees who meet certain criteria. The District provides post-employment healthcare benefits to eligible retirees and their covered eligible dependents and pays a portion of the cost. All active employees who retire directly from the District and meet the eligibility criteria may participate. The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

##### **Benefits Provided**

The postretirement health plans and the District's obligation vary by employee group as described below.

	Certificated Management	Certificated	Classified	Classified Management
Benefit types provided	Medical, dental, and vision	Medical, dental, and vision	Medical, dental, and vision	Medical, dental, and vision
Duration of Benefits	To Medicare age	To Medicare age	To Medicare age	To Medicare age
Required Service	10 years	10 years	10 years	10 years
Minimum Age	55	55	55	55
Dependent Coverage	No	No	No	No
District Contribution %	100%	100%	100%	100%
District Cap	Same as active	Same as active	Same as active	Same as active

##### **Employees Covered by Benefit Terms**

At June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	29
Active employees	307
Total	336

##### **Total OPEB Liability**

The District's total OPEB liability of \$11,772,792 was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2024.

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

#### District Plan (continued)

##### *Actuarial Assumptions and Other Inputs*

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2024
Salary increases	2.50 percent
Inflation	2.75 percent
Healthcare cost trend rates	4.00 percent

##### *Discount Rate*

The discount rate of 3.93% reflects a municipal bond rate. The Bond Buyer 20 index at June 30, 2024 rounded was used.

##### *Mortality Rates*

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for the pension valuations.

#### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2023</b>	<u>\$ 11,669,966</u>
<b>Changes for the year:</b>	
Service cost	746,361
Interest	428,040
Differences between expected and actual experience	(266,435)
Changes of assumptions	(173,107)
Benefit payments	(632,033)
Net changes	<u>102,826</u>
<b>Balance at June 30, 2024</b>	<u><u>\$ 11,772,792</u></u>

##### *Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

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

Discount Rate	OPEB Liability
1% decrease	\$ 12,512,026
Current discount rate	\$ 11,772,792
1% increase	\$ 11,066,788

**CYPRESS SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2024*

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**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**District Plan (continued)**

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

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	\$ 10,650,431
Current trend rate	\$ 11,772,792
1% increase	\$ 13,076,595

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2024, the District recognized OPEB expense of \$1,164,074. In addition, at June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,208,388	\$ 244,232
Changes of assumptions	106,818	1,209,436
Total	<u>\$ 1,315,206</u>	<u>\$ 1,453,668</u>

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	\$ 136,097	\$ 146,424
2026	136,097	146,424
2027	136,097	146,424
2028	136,097	146,424
2029	136,097	146,424
Thereafter	<u>634,721</u>	<u>721,548</u>
Totals	<u>\$ 1,315,206</u>	<u>\$ 1,453,668</u>

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

#### **Medicare Premium Payment (MPP) Program**

##### ***Plan Description***

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit 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. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

##### ***Benefits Provided***

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the 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. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2023, 4,457 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with Education Code section 22950, 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.

##### ***Total OPEB Liability***

At June 30, 2024, the District reported a liability of \$160,623 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2023, 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. 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 and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<b><u>Percentage Share of MPP Program</u></b>		<b><u>Change Increase/ (Decrease)</u></b>
	<b><u>Fiscal Year Ending June 30, 2024</u></b>	<b><u>Fiscal Year Ending June 30, 2023</u></b>	
Measurement Date	<u>June 30, 2023</u>	<u>June 30, 2022</u>	
Proportion of the Net OPEB Liability	0.052934%	0.049288%	0.003647%

For the year ended June 30, 2024, the District reported OPEB expense of \$(1,736).

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

#### Medicare Premium Payment (MPP) Program (continued)

##### *Actuarial Assumptions and Other Inputs*

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2023
Valuation Date	June 30, 2022
Experience Study	June 30, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.65%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

Assumptions were made about future participation (enrollment) into the MPP Program as 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' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but 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 of 138,780.

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

##### **Discount Rate**

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 (SMIF), which is a pooled investment program administered by the California State Treasurer.

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.

**CYPRESS SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2024*

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**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**Medicare Premium Payment (MPP) Program (continued)**

***Sensitivity of the 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, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

<u>Discount Rate</u>	<u>MPP OPEB Liability</u>
1% decrease	\$ 174,564
Current discount rate	\$ 160,623
1% increase	\$ 148,501

***Sensitivity of the 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, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

<u>Medicare Cost Trend Rates</u>	<u>MPP OPEB Liability</u>
1% decrease	\$ 147,789
Current trend rate	\$ 160,623
1% increase	\$ 175,112

**NOTE 9 – PENSION PLANS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated 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 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	\$ 27,256,194	\$ 10,208,036	\$ 4,221,387	\$ 3,169,688
CalPERS	16,366,673	8,861,615	2,357,335	3,138,897
Total	<u>\$ 43,622,867</u>	<u>\$ 19,069,651</u>	<u>\$ 6,578,722</u>	<u>\$ 6,308,585</u>

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 9 – PENSION PLANS (continued)

The details of each plan are as follows:

#### A. 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: <https://www.calstrs.com/general-information/gasb-6768>.

##### 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 a multiple-employer, cost-sharing defined benefit plan composed of four programs: Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program, Cash Balance Benefit (CBB) Program and Replacement Benefits (RB) Program. A Supplemental Benefit Maintenance Account (SBMA) exists within the STRP and provides purchasing power protection for DB Program benefits. The STRP holds assets for the exclusive purpose of providing benefits to members of these programs and their beneficiaries. 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 and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP.

The STRP provisions and benefits in effect at June 30, 2024, are summarized as follows:

	<b>STRP Defined Benefit Program</b>	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	19.10%	19.10%
Required State Contribution Rate	10.828%	10.828%

**CYPRESS SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2024*

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**NOTE 9 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

**Contributions**

The parameters for member, employer and state contribution rates are set by the California Legislature and the Governor and detailed in the Teachers’ Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014 and established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046.

The contribution rates for each program for the year ended June 30, 2024, are presented above, and the District's total contributions were \$4,139,423.

**Pension Liabilities, Pension Expense, and 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:

District's proportionate share of net pension liability	\$	27,256,194
State's proportionate share of the net pension liability associated with the District		<u>13,059,209</u>
Total	\$	<u><u>40,315,403</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 proportions of the net pension liability for the two most recent measurement periods were:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2024</u>	<u>Fiscal Year Ending June 30, 2023</u>	
Measurement Date	<u>June 30, 2023</u>	<u>June 30, 2022</u>	
Proportion of the Net Pension Liability	0.035788%	0.032841%	0.002947%

**CYPRESS SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2024*

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**NOTE 9 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

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

For the year ended June 30, 2024, the District recognized pension expense of \$3,169,688. In addition, the District recognized pension expense and revenue of \$(189,646) 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</u>	<u>Deferred Inflows</u>
Pension contributions subsequent to measurement date	\$ 4,139,423	\$ -
Net change in proportionate share of net pension liability	3,652,234	2,763,042
Difference between projected and actual earnings on pension plan investments	116,668	-
Changes of assumptions	157,823	-
Differences between expected and actual experience	2,141,888	1,458,345
Total	<u>\$ 10,208,036</u>	<u>\$ 4,221,387</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
2025	\$ 599,205	\$ 972,335
2026	599,205	1,424,970
2027	2,737,966	456,020
2028	630,628	456,020
2029	657,174	456,021
Thereafter	844,435	456,021
Total	<u>\$ 6,068,613</u>	<u>\$ 4,221,387</u>

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 9 – PENSION PLANS (continued)

#### A. California State Teachers' Retirement System (CalSTRS) (continued)

##### Actuarial Methods and Assumptions

The total pension liability for the 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. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability as of June 30, 2023, include:

Valuation Date	June 30, 2022
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll 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 our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.

The long-term investment rate of return assumption 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 investment staff and investment consultants as inputs 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 as of June 30, 2023, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	38.0%	5.25%
Real Estate	15.0%	4.05%
Private Equity	14.0%	6.75%
Fixed Income	14.0%	2.45%
Risk Mitigating Strategies	10.0%	2.25%
Inflation Sensitive	7.0%	3.65%
Cash/Liquidity	2.0%	0.05%

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 9 – PENSION PLANS (continued)

#### A. California State Teachers' Retirement System (CalSTRS) (continued)

##### Discount Rate

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases. 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 expenses occur midyear. Based on those 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 the 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%)	\$ 45,720,091
Current discount rate (7.10%)	\$ 27,256,194
1% increase (8.10%)	\$ 11,919,776

##### 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 pursuant to Sections 22954, 22955, and 22955.1 of the *Education Code* and *Public Resources Code* Section 6217.5. Under accounting principles generally accepted in the United States of America, these contributions are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$2,088,841.

#### B. California Public Employees Retirement System (CalPERS)

##### Plan Description

Qualified employees are eligible to participate in the Schools Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer 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 Accounting Report. 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/employers/actuarial-resources/gasb>.

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 9 – PENSION PLANS (continued)

#### B. California Public Employees Retirement System (CalPERS) (continued)

##### Benefits Provided

CalPERS provides 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:

	Schools Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Required Employee Contribution Rate	7.00%	8.00%
Required Employer Contribution Rate	26.68%	26.68%

##### Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a 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 \$2,354,691.

**CYPRESS SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2024*

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**NOTE 9 – PENSION PLANS (continued)**

**B. California Public Employees Retirement System (CalPERS) (continued)**

**Pension Liabilities, Pension Expense, and 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 \$16,366,673. 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 proportions of the net pension liability for the two most recent measurement periods were:

	<u>Percentage Share of Risk Pool</u>		<b>Change Increase/ (Decrease)</b>
	<b>Fiscal Year Ending</b>	<b>Fiscal Year Ending</b>	
	<b>June 30, 2024</b>	<b>June 30, 2023</b>	
Measurement Date	<u>June 30, 2023</u>	<u>June 30, 2022</u>	
Proportion of the Net Pension Liability	0.045213%	0.044840%	0.000373%

For the year ended June 30, 2024, the District recognized pension expense of \$3,138,897. 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</u>	<u>Deferred Inflows</u>
Pension contributions subsequent to measurement date	\$ 2,354,691	\$ -
Net change in proportionate share of net pension liability	1,444,866	143,376
Difference between projected and actual earnings on pension plan investments	3,710,786	1,962,591
Changes of assumptions	754,006	-
Differences between expected and actual experience	597,266	251,368
Total	<u>\$ 8,861,615</u>	<u>\$ 2,357,335</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 9 – PENSION PLANS (continued)

#### B. California Public Employees Retirement System (CalPERS) (continued)

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	\$ 2,618,005	\$ 1,220,830
2026	2,440,418	1,121,682
2027	1,371,702	14,823
2028	76,799	-
2029	-	-
Thereafter	-	-
Total	<u>\$ 6,506,924</u>	<u>\$ 2,357,335</u>

##### Actuarial Methods and Assumptions

Total pension liability for the Schools Pool was determined by applying update procedures to a 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
Experience Study	2000-2019
Actuarial Cost Method	Entry age normal
Discount Rate	6.9%
Inflation Rate	2.3%
Salary Increases	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include generational mortality improvement using 80 percent of Scale MP 2020 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

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.

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 9 – PENSION PLANS (continued)

#### B. California Public Employees Retirement System (CalPERS) (continued)

##### Actuarial Methods and Assumptions (continued)

The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return
Global Equity Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

##### Discount Rate

The discount rate used to measure the total pension liability was 6.9%. The discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan's investments was applied to all periods of projected benefit payments to determine the 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 (5.9%)	\$ 23,661,979
Current discount rate (6.9%)	\$ 16,366,673
1% increase (7.9%)	\$ 10,337,269

#### C. 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 the Social Security as its alternative plan.

#### D. Payables to the Pension Plans

At June 30, 2024, the District reported payables of \$385,670 and \$197,230 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2024.

# CYPRESS SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 10 – JOINT VENTURES

The Cypress School District participates in joint ventures under joint powers agreements with the North Orange County Self-Funded Workers' Compensation Agency (NOCSFWCA) and the North Orange County Liability and Property Self-Insurance Authority (NOCLPSIA). The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The NOCLPSIA JPA provides property and liability insurance coverage for its members and NOCSFWCA provides its members workers compensation insurance coverage. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

Audited financial information is available from the respective JPAs.

### NOTE 11 – RISK MANAGEMENT

#### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2024, the District participated in the NOCLPSIA public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### Workers' Compensation

For fiscal year 2024, the District participated in the NOCSFWCA JPA for workers compensation, with excess coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

#### Claims Liability

The District records an estimated liability for dental and vision claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

#### Unpaid Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2022 to June 30, 2024:

	<u>Dental &amp; Vision</u>
Liability Balance, June 30, 2022	\$ 27,362
Claims and changes in estimates	4,745,930
Claims payments	<u>(4,750,291)</u>
Liability Balance, June 30, 2023	<u>\$ 23,001</u>
Claims and changes in estimates	5,157,638
Claims payments	<u>(5,152,140)</u>
Liability Balance, June 30, 2024	<u>\$ 28,499</u>
Assets available to pay claims at June 30, 2024	<u>\$ 129,039</u>

## **CYPRESS SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2024*

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### **NOTE 12 - COMMITMENTS AND CONTINGENCIES**

#### **A. State and Federal Allowances, Awards, and Grants**

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

#### **B. Construction Commitments**

As of June 30, 2024, the District had no commitments with respect to unfinished capital projects.

#### **C. Litigation**

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2024.

### **NOTE 13 – CYPRESS EDUCATION FOUNDATION**

The District leases facilities to the Cypress Education Foundation for use as a child care center. The District does not receive lease or rental revenue from the Foundation, but it does charge the Foundation for a prorated share of utilities and maintenance costs. In addition, the Foundation makes regular grants to the District. The Foundation grants are restricted as to use and may only be used for purposes specified in the Foundation documents.

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*Required Supplementary Information*

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**CYPRESS SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2024*

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
LCFF Sources	\$ 40,214,557	\$ 40,221,016	\$ 40,322,835	\$ 101,819
Federal Sources	2,244,865	2,116,011	1,800,610	(315,401)
Other State Sources	13,382,972	10,721,195	10,518,646	(202,549)
Other Local Sources	4,015,859	2,564,575	2,523,688	(40,887)
<b>Total Revenues</b>	<u>59,858,253</u>	<u>55,622,797</u>	<u>55,165,779</u>	<u>(457,018)</u>
<b>Expenditures</b>				
Current:				
Certificated Salaries	21,345,462	21,375,661	21,317,024	58,637
Classified Salaries	9,710,565	9,289,974	9,101,140	188,834
Employee Benefits	14,088,642	14,590,711	14,590,711	-
Books and Supplies	5,710,888	3,276,113	1,810,182	1,465,931
Services and Other Operating Expenditures	6,713,866	7,266,667	7,266,506	161
Capital Outlay	635,650	878,996	878,759	237
Other outgo	1,227,673	1,109,824	985,822	124,002
<b>Total Expenditures</b>	<u>59,432,746</u>	<u>57,787,946</u>	<u>55,950,144</u>	<u>1,837,802</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>425,507</u>	<u>(2,165,149)</u>	<u>(784,365)</u>	<u>1,380,784</u>
<b>Other Financing Sources and Uses</b>				
Interfund Transfers Out	<u>(1,192,601)</u>	<u>(1,192,601)</u>	<u>(1,192,601)</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	<u>(767,094)</u>	<u>(3,357,750)</u>	<u>(1,976,966)</u>	<u>1,380,784</u>
Fund Balances, July 1, 2023	<u>6,941,806</u>	<u>15,088,528</u>	<u>15,088,528</u>	<u>-</u>
Fund Balances, June 30, 2024	<u>\$ 6,174,712</u>	<u>\$ 11,730,778</u>	<u>13,111,562</u>	<u>\$ 1,380,784</u>
<b>Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:</b>				
Deferred Maintenance Fund			<u>1,089,031</u>	
<b>Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:</b>			<u>\$ 14,200,593</u>	

**CYPRESS SCHOOL DISTRICT**

*Budgetary Comparison Schedule – Child Development Fund  
For the Fiscal Year Ended June 30, 2024*

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget - Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Federal Sources	\$ 6,000	\$ -	\$ -	\$ -
Other State Sources	621,064	1,233,488	1,144,786	(88,702)
Other Local Sources	13,368	13,368	38,263	24,895
Total Revenues	640,432	1,246,856	1,183,049	(63,807)
<b>Expenditures</b>				
Current:				
Certificated Salaries	-	35,912	35,912	-
Classified Salaries	405,978	602,777	602,776	1
Employee Benefits	169,473	269,411	269,410	1
Books and Supplies	21,773	166,159	166,159	-
Services and Other Operating Expenditures	6,585	7,181	4,442	2,739
Other outgo	35,549	66,086	66,087	(1)
Total Expenditures	639,358	1,147,526	1,144,786	2,740
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,074	99,330	38,263	(61,067)
Fund Balances, July 1, 2023	48,428	55,502	55,502	-
Fund Balances, June 30, 2024	\$ 49,502	\$ 154,832	\$ 93,765	\$ (61,067)

**CYPRESS SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability-CalSTRS*  
*For the Fiscal Year Ended June 30, 2024*

Employer's Fiscal Year Measurement Period	Last Ten Fiscal Years				
	2023-24	2022-23	2021-22	2020-21	2019-20
	2022-23	2021-22	2020-21	2019-20	2018-19
District's proportion of the net pension liability	0.0358%	0.0328%	0.0368%	0.0352%	0.0349%
District's proportionate share of the net pension liability	\$ 27,256,194	\$ 22,819,872	\$ 16,765,964	\$ 34,069,821	\$ 31,479,923
State's proportionate share of the net pension liability associated with the District	13,059,209	11,428,103	8,435,983	17,562,997	17,174,400
<b>Totals</b>	<b>\$ 40,315,403</b>	<b>\$ 34,247,975</b>	<b>\$ 25,201,947</b>	<b>\$ 51,632,818</b>	<b>\$ 48,654,323</b>
District's covered payroll	\$ 21,197,852	\$ 19,007,606	\$ 18,780,152	\$ 18,988,064	\$ 18,791,425
District's proportionate share of the net pension liability as a percentage of its covered payroll	128.58%	120.06%	89.27%	179.43%	167.52%
Plan fiduciary net position as a percentage of the total pension liability	81%	81%	87%	72%	73%
Employer's Fiscal Year Measurement Period	2018-19	2017-18	2016-17	2015-16	2014-15
	2017-18	2016-17	2015-16	2014-15	2013-14
District's proportion of the net pension liability	0.0348%	0.0338%	0.0340%	0.0340%	0.0340%
District's proportionate share of the net pension liability	\$ 32,007,987	\$ 31,215,176	\$ 27,499,540	\$ 22,890,160	\$ 19,868,580
State's proportionate share of the net pension liability associated with the District	18,326,069	18,466,635	15,657,302	12,106,339	11,997,627
<b>Totals</b>	<b>\$ 50,334,056</b>	<b>\$ 49,681,811</b>	<b>\$ 43,156,842</b>	<b>\$ 34,996,499</b>	<b>\$ 31,866,207</b>
District's covered payroll	\$ 18,314,830	\$ 18,047,393	\$ 17,059,469	\$ 15,888,615	\$ 15,003,115
District's proportionate share of the net pension liability as a percentage of its covered payroll	174.77%	172.96%	161.20%	144.07%	132.43%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%

**CYPRESS SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability-CalPERS*  
*For the Fiscal Year Ended June 30, 2024*

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Employer's Fiscal Year Measurement Period	Last Ten Fiscal Years				
	2023-24 2022-23	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20	2019-20 2018-19
District's proportion of the net pension liability	0.0452%	0.0448%	0.0451%	0.0357%	0.0370%
District's proportionate share of the net pension liability	\$ 16,366,673	\$ 15,429,035	\$ 9,165,320	\$ 10,938,573	\$ 10,771,363
District's covered payroll	\$ 7,816,906	\$ 7,096,936	\$ 6,958,313	\$ 5,146,585	\$ 5,114,600
District's proportionate share of the net pension liability as a percentage of its covered payroll	209.38%	217.40%	131.72%	212.54%	210.60%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	81%	70%	70%
Employer's Fiscal Year Measurement Period	2018-19 2017-18	2017-18 2016-17	2016-17 2015-16	2015-16 2014-15	2014-15 2013-14
District's proportion of the net pension liability	0.0378%	0.0388%	0.0392%	0.0390%	0.0394%
District's proportionate share of the net pension liability	\$ 10,084,816	\$ 9,265,811	\$ 7,742,024	\$ 5,748,638	\$ 4,472,859
District's covered payroll	\$ 4,992,325	\$ 4,967,188	\$ 4,716,207	\$ 4,325,096	\$ 4,293,262
District's proportionate share of the net pension liability as a percentage of its covered payroll	202.01%	186.54%	164.16%	132.91%	104.18%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

**CYPRESS SCHOOL DISTRICT**  
*Schedule of Pension Contributions-CalSTRS*  
*For the Fiscal Year Ended June 30, 2024*

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Employer's Fiscal Year	Last Ten Fiscal Years				
	<u>2023-24</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>
Contractually required contribution	\$ 4,139,423	\$ 4,048,790	\$ 3,216,087	\$ 3,211,406	\$ 3,246,959
Contributions in relation to the contractually required contribution	<u>4,139,423</u>	<u>4,048,790</u>	<u>3,216,087</u>	<u>3,211,406</u>	<u>3,246,959</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 21,672,374</u>	<u>\$ 21,197,852</u>	<u>\$ 19,007,606</u>	<u>\$ 18,780,152</u>	<u>\$ 18,988,064</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>17.10%</u>	<u>17.10%</u>
Employer's Fiscal Year	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Contractually required contribution	\$ 3,059,244	\$ 2,642,830	\$ 2,270,362	\$ 1,830,481	\$ 1,410,909
Contributions in relation to the contractually required contribution	<u>3,059,244</u>	<u>2,642,830</u>	<u>2,270,362</u>	<u>1,830,481</u>	<u>1,410,909</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 18,791,425</u>	<u>\$ 18,314,830</u>	<u>\$ 18,047,393</u>	<u>\$ 17,059,469</u>	<u>\$ 15,888,615</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>

**CYPRESS SCHOOL DISTRICT**  
*Schedule of Pension Contributions-CalPERS*  
*For the Fiscal Year Ended June 30, 2024*

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	Last Ten Fiscal Years				
<b>Employer's Fiscal Year</b>	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>
Contractually required contribution	\$ 2,354,691	\$ 1,983,149	\$ 1,625,908	\$ 1,372,249	\$ 1,014,958
Contributions in relation to the contractually required contribution	<u>2,354,691</u>	<u>1,983,149</u>	<u>1,625,908</u>	<u>1,372,249</u>	<u>1,014,958</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 8,825,678</u>	<u>\$ 7,816,906</u>	<u>\$ 7,096,936</u>	<u>\$ 6,958,313</u>	<u>\$ 5,146,585</u>
Contributions as a percentage of covered payroll	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>19.721%</u>	<u>19.721%</u>
<b>Employer's Fiscal Year</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
Contractually required contribution	\$ 923,799	\$ 775,358	\$ 689,843	\$ 558,729	\$ 509,017
Contributions in relation to the contractually required contribution	<u>923,799</u>	<u>775,358</u>	<u>689,843</u>	<u>558,729</u>	<u>509,017</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 5,114,600</u>	<u>\$ 4,992,325</u>	<u>\$ 4,967,188</u>	<u>\$ 4,716,207</u>	<u>\$ 4,325,096</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>11.769%</u>

## CYPRESS SCHOOL DISTRICT

### Schedule of Changes in the District's Total OPEB Liability and Related Ratios For the Fiscal Year Ended June 30, 2024

Employer's Fiscal Year Measurement Period	Last Ten Fiscal Years*						
	2023-24 2023-24	2022-23 2022-23	2021-22 2021-22	2020-21 2020-21	2019-20 2019-20	2018-19 2018-19	2017-18 2017-18
<b>Total OPEB liability</b>							
Service cost	\$ 746,361	\$ 738,997	\$ 734,532	\$ 710,532	\$ 706,248	\$ 653,856	\$ 636,356
Interest	428,040	398,831	219,845	211,343	326,980	300,122	303,969
Differences between expected and actual experience	(266,435)	-	1,560,094	-	9,055	-	-
Changes of assumptions or other inputs	(173,107)	(86,191)	(948,243)	26,559	(400,786)	174,021	-
Benefit payments	(632,033)	(557,183)	(402,919)	(374,886)	(384,025)	(389,602)	(374,617)
<b>Net change in total OPEB liability</b>	102,826	494,454	1,163,309	573,548	257,472	738,397	565,708
<b>Total OPEB liability - beginning</b>	11,669,966	11,175,512	10,012,203	9,438,655	9,181,183	8,442,786	7,877,078
<b>Total OPEB liability - ending</b>	<u>\$ 11,772,792</u>	<u>\$ 11,669,966</u>	<u>\$ 11,175,512</u>	<u>\$ 10,012,203</u>	<u>\$ 9,438,655</u>	<u>\$ 9,181,183</u>	<u>\$ 8,442,786</u>
<b>Covered payroll</b>	<u>\$ 29,103,567</u>	<u>\$ 28,324,639</u>	<u>\$ 27,566,559</u>	<u>\$ 26,828,768</u>	<u>\$ 26,110,723</u>	<u>\$ 25,808,900</u>	<u>\$ 24,098,334</u>
<b>Total OPEB liability as a percentage of covered payroll</b>	40.45%	41.20%	40.54%	37.32%	36.15%	35.57%	35.03%

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

**CYPRESS SCHOOL DISTRICT**

*Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
For the Fiscal Year Ended June 30, 2024*

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Employer's Fiscal Year Measurement Period	Last Ten Fiscal Years*						
	2023-24 2022-23	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17
District's proportion of net OPEB liability	0.0529%	0.0493%	0.0554%	0.0533%	0.0539%	0.0548%	0.0537%
District's proportionate share of net OPEB liability	\$ 160,623	\$ 162,359	\$ 220,888	\$ 225,791	\$ 200,615	\$ 209,628	\$ 226,011
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.96%)	(0.94%)	(0.80%)	(0.71%)	(0.81%)	0.40%	0.01%

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

# CYPRESS SCHOOL DISTRICT

*Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2024*

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## 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 adoptions 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 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.

*Change in benefit terms* – There were no changes in benefit terms since the previous valuations for either CalSTRS and CalPERS.

*Change of assumptions* - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

### **Schedule of District Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total 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 benefit terms since the previous valuation.

*Change of assumptions* – Liability changes resulting from changes in economic and demographic assumptions are deferred based on the average working life. The discount rate was changed from 3.65 percent to 3.93 percent since the previous valuation.

## **CYPRESS SCHOOL DISTRICT**

*Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2024*

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### **NOTE 1 – PURPOSE OF SCHEDULES (continued)**

#### **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. 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.

*Change in benefit terms* – There were no changes in benefit terms since the previous valuation.

*Change of assumptions* – The discount rate was changed from 3.54 percent to 3.65 percent since the previous valuation.

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*Supplementary Information*

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**CYPRESS SCHOOL DISTRICT**  
*Schedule of Average Daily Attendance*  
*For the Fiscal Year Ended June 30, 2024*

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	<u>Second Period Report</u>	<u>Annual Report</u>
<b>Regular &amp; Extended Year ADA:</b>		
Grades TK/K-3	1,754.17	1,756.68
Grades 4-6	<u>1,439.13</u>	<u>1,441.22</u>
Total Regular & Extended Year ADA	<u>3,193.30</u>	<u>3,197.90</u>
<b>Special Education, Nonpublic, Nonsectarian Schools:</b>		
Grades TK/K-3	1.91	1.98
Grades 4-6	<u>1.09</u>	<u>1.09</u>
Total Special Education, Nonpublic, Nonsectarian Schools	<u>3.00</u>	<u>3.07</u>
Total ADA	<u><u>3,196.30</u></u>	<u><u>3,200.97</u></u>

**CYPRESS SCHOOL DISTRICT**  
*Schedule of Instructional Time*  
*For the Fiscal Year Ended June 30, 2024*

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<u>Grade Level</u>	<u>Instructional Minutes Requirement</u>	<u>Instructional Minutes Offered</u>	<u>Instructional Days Offered</u>	<u>Status</u>
Kindergarten	36,000	51,980	180	Complied
Grade 1	50,400	52,875	180	Complied
Grade 2	50,400	52,875	180	Complied
Grade 3	50,400	52,875	180	Complied
Grade 4	54,000	55,705	180	Complied
Grade 5	54,000	55,705	180	Complied
Grade 6	54,000	55,705	180	Complied

**CYPRESS SCHOOL DISTRICT**  
*Schedule of Financial Trends and Analysis*  
*For the Fiscal Year Ended June 30, 2024*

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General Fund	(Budget)			
	2025 <sup>3</sup>	2024 <sup>2</sup>	2023	2022
Revenues and other financing sources	\$ 54,515,819	\$ 55,165,779	\$ 59,241,060	\$ 53,226,152
Expenditures	56,831,653	55,950,144	55,241,501	49,433,893
Other uses and transfers out	1,192,601	1,192,601	1,192,601	1,192,601
Total outgo	58,024,254	57,142,745	56,434,102	50,626,494
Change in fund balance (deficit)	(3,508,435)	(1,976,966)	2,806,958	2,599,658
Ending fund balance	\$ 9,603,127	\$ 13,111,562	\$ 15,088,528	\$ 12,281,570
Available reserves <sup>1</sup>	\$ 2,353,394	\$ 2,757,189	\$ 2,876,566	\$ 2,622,694
Available reserves as a percentage of total outgo	4.1%	4.8%	5.1%	5.2%
Total long-term debt	\$ 115,025,260	\$ 118,449,613	\$ 113,322,678	\$ 113,322,678
Average daily attendance at P-2	3,044	3,196	3,219	3,228

The General Fund balance has increased by \$0.8 million over the past two years. The fiscal year 2024-25 adopted budget projects a decrease of \$3.5 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District experienced an operating surplus in two of the past three years, but anticipates an operating deficit during the 2024-25 year. Long-term debt has increased by \$5.1 million over the past two years.

Average daily attendance decreased by 32 ADA compared to 2021-22. Budgeted ADA for 2023-24 is 3,044.

<sup>1</sup> Available reserves consist of all unassigned fund balances in the General Fund.

<sup>2</sup> The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

<sup>3</sup> Revised Final Budget September 2024.

**CYPRESS SCHOOL DISTRICT***Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2024*

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	General Fund	Child Development Fund	Cafeteria Fund
June 30, 2024, annual financial and budget report (SACS) fund balance	\$ 12,784,412	\$ 61,068	\$ 2,599,688
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
Accounts receivable under(over) stated	327,150	-	(68,509)
Unearned revenue overstated	-	32,697	-
Net adjustments and reclassifications	327,150	32,697	(68,509)
June 30, 2024, audited financial statement fund balance	\$ 13,111,562	\$ 93,765	\$ 2,531,179

**CYPRESS SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2024*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	\$ 60,594	
School Breakfast Program - Basic	10.553	13525	76,904	
National School Lunch Program	10.555	13523	780,026	
Supply Chain Assistance (SCA) Funds	10.555	15655	203,642	
USDA Donated Foods	10.555	13391	<u>148,995</u>	
Total Child Nutrition Cluster				\$ 1,270,161
COVID-19 Pandemic EBT Local Administrative Grant	10.649	15644		<u>3,063</u>
Total U.S. Department of Agriculture				<u>1,273,224</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants	84.010	14329		480,712
Title II, Part A, Supporting Effective Instruction	84.367	14341		122,252
Title III, Limited English Proficient (LEP) Student Program	84.365	14346		112,961
Individuals with Disabilities Education Act (IDEA):				
Passed through Greater Anaheim SELPA:				
Special Education Cluster:				
Basic Local Assistance Entitlement, Part B	84.027	13379	986,655	
Preschool Grants, Part B, Section 619	84.173	13430	53,872	
Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	<u>41,096</u>	
Total Special Education Cluster				<u>1,081,623</u>
Total U.S. Department of Education				<u>1,797,548</u>
Total Expenditures of Federal Awards				<u>\$ 3,070,772</u>

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

**CYPRESS SCHOOL DISTRICT**  
*Note to the Supplementary Information*  
*June 30, 2024*

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**NOTE 1 – PURPOSE OF SCHEDULES**

**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**

This schedule presents information on the number of instructional days offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*.

**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.

**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 Expenditures of Federal Awards**

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

	Assistance Listing Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 2,992,284
Differences between Federal Revenues and Expenditures:		
Qualified School Construction Bonds - Interest Subsidy	Not applicable	(28,877)
Supply Chain Assistance (SCA) Funds	10.555	107,365
Total Schedule of Expenditures of Federal Awards		<u>\$ 3,070,772</u>

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*Other Information*

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# CYPRESS SCHOOL DISTRICT

## Local Educational Agency Organization Structure

June 30, 2024

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The Cypress School District was established as a school district in 1895. The District encompasses the city of Cypress as well as portions of Buena Park and La Palma in the northwestern portion of Orange County. There were no changes to the District’s boundaries during the year. The District operated six elementary schools (kindergarten through grade 6) during the year.

### **GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Dr. Lydia Sondhi	Member	November, 2026
Ms. Carrie Hayashida	Member	November, 2024
Ms. Meghna Parikh	Member	November, 2026
Mr. Tony Tanaka	Member	November, 2026
Ms. Candice Kern	Clerk	November, 2024

### **DISTRICT ADMINISTRATORS**

Anne Silavs,  
*Superintendent*

Tim McLellan, Ed.D.,  
*Assistant Superintendent of Business Services*

Tracy Mouren-Laurens,  
*Executive Director, Human Resources / Induction*

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*Other Independent Auditors' Reports*

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**INDEPENDENT AUDITORS' 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**

Board of Trustees  
Cypress School District  
Cypress, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cypress School 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 29, 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 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Handwritten signature in cursive script that reads "Nigro + Nigro, PC".

Murrieta, California  
October 29, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
Cypress School District  
Cypress, California

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Cypress School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Cypress School District's major federal programs for the year ended June 30, 2024. The Cypress School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Cypress School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 Cypress School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Cypress School 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 Cypress School District's federal programs.

### ***Auditors' 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 Cypress School 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 generally accepted auditing standards, 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 Cypress School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, 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 Cypress School 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 Cypress School 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 Cypress School 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.

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Murrieta, California  
October 29, 2024

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## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees  
Cypress School District  
Cypress, California

### Report on Compliance

#### ***Opinion***

We have audited the Cypress School District's (District) compliance with the requirements specified in the *2023-24 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, Cypress School District complied in all material aspects, with 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 *2023-24 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 Cypress School District's state programs.

***Auditors' 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 2023-24 *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 2023-24 *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 2023-24 *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:

<b>Description</b>	<b>Procedures Performed</b>
<b>Local Education Agencies Other Than Charter Schools:</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes

Description	Procedures Performed
<b>School Districts, County Offices of Education, and Charter Schools:</b>	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
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	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
<b>Charter Schools:</b>	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom-Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Independent Study was below materiality levels.

Areas marked as “Not Applicable” were not operated by the District.

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 in 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, 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 *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Nigro + Nigro, PC".

Murrieta, California  
October 29, 2024

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*Schedule of Findings and Questioned Costs*

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**CYPRESS SCHOOL DISTRICT**  
*Summary of Auditors' Results*  
*For the Fiscal Year Ended June 30, 2024*

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***Financial Statements***

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

***Federal Awards***

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a)?	<u>No</u>

Identification of major programs:

<u>Assistance Listing</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.0127A, 84.173	Individuals with Disabilities Education Act (IDEA)

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

***State Awards***

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
Noncompliance over state compliance noted?	<u>No</u>

**CYPRESS SCHOOL DISTRICT**  
*Financial Statement Findings*  
*For the Fiscal Year Ended June 30, 2024*

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This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

*There were no financial statement findings in 2023-24.*

**CYPRESS SCHOOL DISTRICT**  
*Federal Award Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2024*

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This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

*There were no federal award findings or questioned costs in 2023-24.*

**CYPRESS SCHOOL DISTRICT**  
*State Award Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2024*

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This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

*There were no state award findings or questioned costs in 2023-24.*

**CYPRESS SCHOOL DISTRICT**

*Summary Schedule of Prior Audit Findings*

*For the Fiscal Year Ended June 30, 2024*

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding 2023-001: Attendance Accounting (Partial repeat finding of 2022-001)</i>	<p>California Education Code section 46000 states: Attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education, subject to the provisions of this chapter.</p> <p>During our review of ADA totals reported by the District to CDE, we noted the following misstatements:</p> <ul style="list-style-type: none"><li>• On the Annual, the District underreported Grades 4-6, Line A-1, by 31.23.</li></ul>	10000	We recommend that the District develop policies and procedures, and implement controls, to ensure that pupil attendance is recorded and reported consistently and accurately. Good internal controls require the District to review its pupil attendance reporting processes and ensure that attendance policies and procedures are maintained and followed at all school sites.	Implemented.

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To the Board of Trustees  
Cypress School District  
Cypress, California

In planning and performing our audit of the basic financial statements of Cypress School District for the year ending 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 basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity 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 29, 2024 on the financial statements of Cypress School District.

**Observation:** The collective bargaining agreement with CSEA specifies that by the end of the fiscal year, unused vacation benefits shall be paid by July of the succeeding year. While the maximum amount differs based on employees' years of service, the maximum amount any CSEA employee can earn in a year is 22 days. Management employees do not have a stated maximum, but "best practices" dictate that the same limits should apply to management employees. A significant number of classified employees, both CSEA members and non-members, are carrying accrued vacation balances in excess of 22 days. The liability for those accrued vacation balances continues to grow each year as each employee's hourly rate of pay is increased for step and column changes, as well as negotiated salary increases.

**Recommendation:** In order to prevent the liability from continuing to grow to excessive amounts, the District should investigate either requiring employees to take more vacation, paying off some of the excessive balances, or enforcing the cap limitation so that once employees reach the accrued vacation cap, they may not accrue additional vacation.

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

Murrieta, California  
October 29, 2024