Financial Statements
June 30, 2020

La Habra City School District

Independent Auditor's Report

Governing Board
La Habra City School District
La Habra, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Habra City School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information La Habra City School District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, budgetary comparison information on pages 70 through 71, schedule of changes in the District's total OPEB liability and related ratios on page 72, schedule of the District's proportionate share of the net pension liability on page 73, and the schedule of District contributions on page 74, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise La Habra City School District's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated February 5, 2021 on our consideration of La Habra City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of La Habra City School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering La Habra City School District's internal control over financial reporting and compliance.

Rancho Cucamonga, California
February 5, 2021

This section of La Habra City School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020, with comparative information for the year ending June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

The Primary unit of the government is the La Habra City School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(35,904,006) for the fiscal year ended June 30, 2020. Of this amount, $(60,586,807) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	$ 18,848,130	$ 22,841,957
Capital assets	43,377,349	42,241,334
Total assets	62,225,479	65,083,291
Deferred outflows of resources	20,505,060	20,929,623
Liabilities		
Current liabilities	2,915,573	3,666,610
Long-term liabilities	109,779,573	106,746,553
Total liabilities	112,695,146	110,413,163
Deferred inflows of resources	5,939,399	5,694,226
Net Position		
Net investment in capital assets	18,644,763	20,933,114
Restricted	6,038,038	5,288,141
Unrestricted (deficit)	(60,586,807)	(56,315,730)
Total net position (deficit)	$ (35,904,006)	$ (30,094,475)

The $(60,586,807) in unrestricted deficit net position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	$ 408,999	$ 663,414
Operating grants and contributions	13,038,723	12,317,740
General revenues		
Federal and State aid not restricted	29,331,811	28,486,033
Property taxes	22,316,977	21,607,579
Other general revenues	960,625	2,907,531
Total revenues	66,057,135	65,982,297
Expenses		
Instruction-related	49,339,457	48,496,544
Pupil services	8,139,110	8,071,178
Administration	3,977,831	3,676,793
Plant services	5,538,919	5,363,288
Other	4,871,349	4,606,722
Total expenses	71,866,666	70,214,525
Change in net position	$ (5,809,531)	$ (4,232,228)

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $71,866,666. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $22,316,977 because the cost was paid by those who benefited from the programs ($408,999) or by other governments and organizations who subsidized certain programs with grants and contributions ($13,038,723). We paid for the remaining "public benefit" portion of our governmental activities with $30,292,436 in State unrestricted funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction and related services, including special instruction programs and other instructional programs, home-to-school transportation, other pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	$ 49,339,457	$ 48,496,544	$ (40,900,815)	$ (40,913,799)
Pupil services	8,139,110	8,071,178	(4,143,889)	(3,940,115)
Administration	3,977,831	3,676,793	(3,695,281)	(3,425,489)
Plant services	5,538,919	5,363,288	(5,512,372)	(5,355,167)
All other services	4,871,349	4,606,722	(4,166,587)	(3,598,801)
Total	$ 71,866,666	$ 70,214,525	$ (58,418,944)	$ (57,233,371)

The factors for increased expenditures are due to an enhancement to the ongoing services as outlined in the 2019-2020 Local Control Accountability Plan (LCAP). Ongoing and enhanced services include increasing instructional days from 180 to 181, implementing a seven-period day for students at our middle schools, and reducing class size. The District also spent increased amounts on salary, supplies and services in relation to the COVID-19 Pandemic.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $16,297,189, which is a decrease of $3,228,694 from last year (Table 4).

Table 4

	Balances and Activity			
Governmental Fund	June 30, 2019	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2020
General	$ 10,461,851	$ 60,041,979	$ 60,649,061	$ 9,854,769
Cafeteria	788,385	2,676,209	2,988,377	476,217
Building	4,036,221	56,988	2,697,829	1,395,380
Bond Interest and Redemption	1,984,993	8,879,476	8,678,492	2,185,977
Child Development	328,771	387,329	480,204	235,896
Deferred Maintenance	-	10	10	-
Capital Facilities	939,378	40,278	50,823	928,833
Special Reserve Fund for Capital Outlay Projects	986,284	276,397	42,564	1,220,117
Total	$ 19,525,883	$ 72,358,666	$ 75,587,360	$ 16,297,189

The primary reason for these changes is related to growth in the Local Control Funding Formula (LCFF) to meet the State's goal to reduce the gap between the current funding and the targeted funding by 2021.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 65.)

Revenue and expenditure revisions made to the 2019-2020 budget were due to changes made to reflect the actual operations of the District, including certificated salary increases that were Board approved after the adopted budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had $43,377,349 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $1,136,015, or 2.7 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2020	2019
Land and construction in progress	$ 1,920,871	$ 2,362,928
Land improvements	3,588,582	2,961,375
Buildings and improvements	35,954,173	34,741,679
Furniture and equipment	1,913,723	2,175,352
Total	$ 43,377,349	$ 42,241,334

Several capital projects were completed in the fall of 2019. More detailed information about our capital assets are included in Note 5 of the financial statements.

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

At the end of this year, the District had $34,123,470 in long-term liabilities other than OPEB and pension versus $34,272,031 last year, a decrease of 0.4 percent. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2020	2019
Long-Term Liabilities		
General obligation bonds	$ 33,000,412	$ 32,825,705
Premium on issuance	564,003	671,099
Capital leases	153,515	295,977
Compensated absences	405,540	479,250
Total	$ 34,123,470	$ 34,272,031

OPEB and Pension Liabilities

At year-end, the District had a total OPEB liability of 12,817,028 versus 12,010,080 last year, and increase of $806,948, or 6.7 percent.

At year-end, the District had a net pension liability of 62,839,075 versus 60,464,442 last year, and increase of $2,374,633, or 3.9 percent.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2019-2020 ARE NOTED BELOW

On March 13, 2020, the La Habra City School District decided to shut down in-person learning due to the COVID-19 Pandemic. The goal for the District was to keep students and staff safe while navigating in the new normal. The District mobilized all staff to create at home learning curriculum for students that would support individual needs and mitigate learning loss. The following list the District's accomplishments in unprecedented times:

Technology

- 361 families were provided with hotspots
- 500 families were provided broadband service for one year
- Provided one-on-one family and student support from 9am to 3:30pm
- Deployed 4,200 iPads to students upon school closures
- Teacher iPad refresh
- 1,000 keyboards purchased for iPads
- Fifth and Sixth grade refresh iPads

Student Supports

- Interventions for highly at-risk students not attending zoom lessons
- Counselors supporting Social Emotional learning
- Community Liaisons outreaching to families in need of student support, community resources, and basic necessities such as food and shelter
- GATE program expansion of programs via Zoom to include Chess, Korean, STEM, to name a few
- School Readiness continuation of programs via Zoom for students ages 0-4
- Middle school interventions in small cohorts on campus for highest at-risk students needing immediate intervention, counselling, and connection
- Teachers on Special Assignment (TOSA) assisting with lesson design and student interventions

Early and Afterschool Care

- ASES and Kidzone programs assisting our frontline and working parents with childcare five days a week
- All sites currently have early and afterschool care
- Safety guidelines and PPE in place
- Safety training conducted

The community showed its support for the District through the passage of Bond Measure "O" in 2012. Measure "O" funds have supported technology upgrades including mobile computing devices and enhancements to the wireless network. At Washington and Imperial Middle Schools, a 1:1 iPad program was implemented in the sixth and seventh grades. Imperial and Washington Middle Schools had modernization to many of their classrooms, including the Academy Center and updated science classrooms. Modernization to the last wing of classrooms at Walnut Elementary School has begun and is projected to be complete in the fall of 2019. The District also focused on student safety by installing security fencing along its schools' parameters.

In the spring of 2017 the District, incorporating input from stakeholders, developed the 2017-2020 Local Control Accountability Plan (LCAP) that addresses the required eight State priorities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2020-2021 year, the governing board and management followed the approved budget guidelines and used the following criteria:

The key assumptions in our revenue forecast are:

1. Unduplicated count of 78.60 percent.
2. GAP funding of 100 percent.
3. Funded ADA of 4,450.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Business Official, Ms. Christeen Betz, at 500 N. Walnut Street, La Habra, CA 90631, or email at cbetz@lahabraschools.org.

	Governmental Activities
Assets	
Deposits and investments	$ 13,474,149
Receivables	5,238,308
Stores inventories	132,384
Other current assets	3,289
Capital assets not depreciated	1,920,871
Capital assets, net of accumulated depreciation	41,456,478
Total assets	62,225,479
Deferred Outflows of Resources	
Deferred charge on refunding	514,609
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	740,938
Deferred outflows of resources related to pensions	19,249,513
Total deferred outflows of resources	20,505,060
Liabilities	
Accounts payable	2,445,621
Interest payable	364,632
Unearned revenue	105,320
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	1,690,000
Long-term liabilities other than OPEB and pensions due in more than one year	32,433,470
Total OPEB liability	12,817,028
Aggregate net pension liability	62,839,075
Total liabilities	112,695,146
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	545,669
Deferred inflows of resources related to pensions	5,393,730
Total deferred inflows of resources	5,939,399
Net Position	
Net investment in capital assets	18,644,763
Restricted for	
Debt service	1,821,345
Capital projects	2,148,950
Educational programs	1,386,534
Other activities	681,209
Unrestricted (deficit)	(60,586,807)
Total net position (deficit)	$ (35,904,006)

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 40,062,682	$ 11,520	$ 6,882,441	$ (33,168,721)
Instruction-related activities				
Supervision of instruction	4,307,849	11,890	1,071,078	(3,224,881)
Instructional library, media, and technology	565,036	7	247,856	(317,173)
School site administration	4,403,890	31	213,819	(4,190,040)
Pupil services				
Home-to-school transportation	1,167,140	-	34,678	(1,132,462)
Food services	2,939,948	181,512	2,154,205	(604,231)
All other pupil services	4,032,022	6,637	1,618,189	(2,407,196)
Administration				
Data processing	1,485,704	-	-	(1,485,704)
All other administration	2,492,127	9,516	273,034	(2,209,577)
Plant services	5,538,919	3,179	23,368	(5,512,372)
Enterprise services	513,638	31,568	41,024	(441,046)
Interest on long-term liabilities	1,792,936	-	-	(1,792,936)
Other outgo	844,262	153,139	479,031	(212,092)
Depreciation (unallocated) [1]	1,720,513	-	-	(1,720,513)
Total governmental activities	$ 71,866,666	$ 408,999	$ 13,038,723	(58,418,944)
General Revenues and Subventions				
Property taxes, levied for general purposes				19,706,979
Property taxes, levied for debt service				2,348,269
Taxes levied for other specific purposes				261,729
Federal and State aid not restricted to specific purposes				29,331,811
Interest and investment earnings				136,507
Miscellaneous				824,118
Subtotal, general revenues				52,609,413
Change in Net Position				(5,809,531)
Net Position - Beginning				(30,094,475)
Net Position - Ending				$ (35,904,006)

[1] This amount excludes any depreciation that is included in the direct expense of the various programs.

	General Fund	Cafeteria Fund	Building Fund
Assets			
Deposits and investments	$ 6,748,430	$ 630,407	$ 1,685,796
Receivables	5,120,044	108,589	1,722
Due from other funds	119,640	59,607	-
Stores inventories	101,796	30,588	-
Other current assets	3,289	-	-
Total assets	$ 12,093,199	$ 829,191	$ 1,687,518
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 1,910,548	$ 201,828	$ 291,330
Due to other funds	257,099	116,609	808
Unearned revenue	70,783	34,537	-
Total liabilities	2,238,430	352,974	292,138
Fund Balances			
Nonspendable	126,796	30,904	-
Restricted	1,386,534	445,313	1,395,380
Assigned	5,869,892	-	-
Unassigned	2,471,547	-	-
Total fund balances	9,854,769	476,217	1,395,380
Total liabilities and fund balances	$ 12,093,199	$ 829,191	$ 1,687,518

	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Deposits and investments	$ 2,181,726	$ 2,227,790	$ 13,474,149
Receivables	4,251	3,702	5,238,308
Due from other funds	-	197,492	376,739
Stores inventories	-	-	132,384
Other current assets	-	-	3,289
Total assets	$ 2,185,977	$ 2,428,984	$ 19,224,869
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ -	$ 41,915	$ 2,445,621
Due to other funds	-	2,223	376,739
Unearned revenue	-	-	105,320
Total liabilities	-	44,138	2,927,680
Fund Balances			
Nonspendable	-	-	157,700
Restricted	2,185,977	2,384,846	7,798,050
Assigned	-	-	5,869,892
Unassigned	-	-	2,471,547
Total fund balances	2,185,977	2,384,846	16,297,189
Total liabilities and fund balances	$ 2,185,977	$ 2,428,984	$ 19,224,869

Total Fund Balance - Governmental Funds		$ 16,297,189
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 75,835,093	
Accumulated depreciation is	(32,457,744)	
Net capital assets		43,377,349
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(364,632)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to:		
Deferred charge on refunding	514,609	
Total other postemployment benefits (OPEB) liability	740,938	
Net pension liability	19,249,513	
Total deferred outflows of resources to pensions		20,505,060
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to:		
Total OPEB liability	(545,669)	
Net pension liability	(5,393,730)	
Total deferred inflows of resources to pensions		(5,939,399)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(62,839,075)
The District's Total OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(12,817,028)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	$ (25,925,057)	
Premium on issuance of general obligation bonds	(564,003)	
Capital leases payable	(153,515)	
Compensated absences (vacations)	(405,540)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(7,075,355)	
Total long-term liabilities		(34,123,470)
Total net position - governmental activities		$ (35,904,006)

	General Fund	Cafeteria Fund	Building Fund
Revenues			
Local Control Funding Formula	$ 47,304,583	$ -	$ -
Federal sources	2,565,403	2,244,080	-
Other State sources	6,418,459	153,897	-
Other local sources	3,753,534	257,163	56,988
Total revenues	60,041,979	2,655,140	56,988
Expenditures			
Current			
Instruction	37,590,736	-	-
Instruction-related activities			
Supervision of instruction	3,908,162	-	-
Instructional library, media, and technology	522,558	-	-
School site administration	4,027,293	-	-
Pupil services			
Home-to-school transportation	1,090,218	-	-
Food services	51,224	2,855,667	-
All other pupil services	3,766,177	-	-
Administration			
Data processing	1,407,712	-	-
All other administration	2,079,832	105,934	-
Plant services	5,186,229	26,776	6,343
Other outgo	844,262	-	-
Enterprise services	-	-	-
Facility acquisition and construction	-	-	2,691,486
Debt service			
Principal	142,462	-	-
Interest and other	11,127	-	-
Total expenditures	60,627,992	2,988,377	2,697,829
Excess (Deficiency) of Revenues Over Expenditures	(586,013)	(333,237)	(2,640,841)
Other Financing Sources (Uses)			
Transfers in	-	21,069	-
Other sources - proceeds from issuance of general obligation bonds	-	-	-
Transfers out	(21,069)	-	-
Other uses - payment to refunded bonds escrow agent	-	-	-
Net Financing Sources (Uses)	(21,069)	21,069	-
Net Change in Fund Balances	(607,082)	(312,168)	(2,640,841)
Fund Balance - Beginning	10,461,851	788,385	4,036,221
Fund Balance - Ending	$ 9,854,769	$ 476,217	$ 1,395,380

	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Local Control Funding Formula	$ -	$ -	$ 47,304,583
Federal sources	-	-	4,809,483
Other State sources	14,791	-	6,587,147
Other local sources	2,359,685	704,014	7,131,384
Total revenues	2,374,476	704,014	65,832,597
Expenditures			
Current			
Instruction	-	-	37,590,736
Instruction-related activities			
Supervision of instruction	-	-	3,908,162
Instructional library, media, and technology	-	-	522,558
School site administration	-	-	4,027,293
Pupil services			
Home-to-school transportation	-	-	1,090,218
Food services	-	-	2,906,891
All other pupil services	-	8	3,766,185
Administration			
Data processing	-	-	1,407,712
All other administration	-	-	2,185,766
Plant services	-	18,984	5,238,332
Other outgo	-	-	844,262
Enterprise services	-	480,196	480,196
Facility acquisition and construction	-	74,413	2,765,899
Debt service			
Principal	1,555,000	-	1,697,462
Interest and other	978,692	-	989,819
Total expenditures	2,533,692	573,601	69,421,491
Excess (Deficiency) of Revenues Over Expenditures	(159,216)	130,413	(3,588,894)
Other Financing Sources (Uses)			
Transfers in	-	-	21,069
Other sources - proceeds from issuance of general obligation bonds	6,505,000	-	6,505,000
Transfers out	-	-	(21,069)
Other uses - payment to refunded bonds escrow agent	(6,144,800)	-	(6,144,800)
Net Financing Sources (Uses)	360,200	-	360,200
Net Change in Fund Balances	200,984	130,413	(3,228,694)
Fund Balance - Beginning	1,984,993	2,254,433	19,525,883
Fund Balance - Ending	$ 2,185,977	$ 2,384,846	$ 16,297,189

Total Net Change in Fund Balances - Governmental Funds		$ (3,228,694)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation expense in the period.		
Capital outlays	$ 2,856,528	
Depreciation expense	(1,720,513)	
Net expense adjustment		1,136,015
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation earned was less than the amount used by $73,710.		73,710
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(3,568,209)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		(756,498)
Proceeds received from sale of bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. This year the District issued the following debt:		
General obligation bonds		(6,505,000)

Governmental funds report the effect of premiums and deferred charges on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This is the net effect of these related items:		
Deferred charge on refunding	$	514,968
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		7,184,832
Capital leases		142,462
Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of premium on issuance		107,096
Amortization of deferred charge on refunding		(41,578)
Interest on long-term liabilities in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds increased by $14,096, and second, $854,539 of accumulated interest was accreted on the District's capital appreciation general obligation bonds.		(868,635)
Change in net position of governmental activities	$	(5,809,531)

	Agency Funds			
	Unorganized	Imperial Middle School	Washington Middle School	Total Agency Funds
Assets				
Deposits and investments	$ 13,112	$ 19,310	$ 13,370	$ 45,792
Liabilities				
Due to student groups	$ 13,112	$ 19,310	$ 13,370	$ 45,792

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The La Habra City School District (the District) was organized in 1896 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades TK-8 as mandated by the State and/or Federal agencies. The District operates seven elementary schools and two middle schools.

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

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and nonmajor governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (Education Code Sections 15125-15262).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

Capital Project Funds The Capital Project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide *Statement of Activities* presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental function and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available it collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal yearend: 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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenue arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county investment pools are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds when consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 10 to 20 years; equipment, 5 to 10 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from other funds/due to other funds." These amounts are eliminated in the governmental activities columns of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The compensated absence liability will be paid by the following funds: General Fund, Child Development Fund, Cafeteria Fund, and Building Fund.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as liabilities of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to contributions subsequent to measurement date, change in proportion and differences between contributions and the District's proportionate share of contributions, differences between expected and actual experience, and changes of assumptions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items and for OPEB related items. The deferred amounts related to pension and OPEB relate to change in proportion and differences between contributions and the District's proportionate share of contributions, differences between expected and actual experiences, differences between expected and actual earnings on investments, and changes of assumptions.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources related to OPEB, deferred inflows of resources, and OPEB expense have been determined on the same basis as they are reported by the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Fund Balances - Governmental Funds

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $6,038,038 of restricted net position.

Interfund Activity

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

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Orange bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement have been implemented as of June 30, 2020.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

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

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

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

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental funds	$ 13,474,149
Fiduciary funds	45,792
Total deposits and investments	$ 13,519,941

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	$ 45,792
Cash in revolving	25,316
Investments	13,421,151
Total deposits and investments	$ 13,492,259

Policies and Practices

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

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

General Authorizations

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

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

Investments Authorized Under Debt Agreement

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Federal Financing Bank	N/A	None	None
Export-Import Bank	N/A	None	None
Rural Economic Community Development Administration	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
Registered State Bonds, Notes, Warrants	N/A	None	None
Federal Housing Administration Debentures	N/A	None	None
Farmers Home Administration Certificates	N/A	None	None
Federal Home Loan Mortgage Corporation Obligations	N/A	None	None
Farm Credit Banks Bonds and Notes	N/A	None	None
Federal Home Loan Banks Obligations	N/A	None	None
Federal National Mortgage Association Obligations	N/A	None	None
Student Loan Marketing Association Obligations	N/A	None	None
Financing Corporation Obligations	N/A	None	None
Resolution Funding Corporation Obligations	N/A	None	None
Federal Housing Administration Certificates	N/A	None	None
General Services Administration Certificates	N/A	None	None
Government National Mortgage Association Mortgage-Backed Securities and Certificates	N/A	None	None
Small Business Administration Certificates	N/A	None	None
U.S. Department of Housing and Urban Development Bonds	N/A	None	None
U.S. Maritime Administration Financings	N/A	None	None
Washington Metropolitan Area Transit Authority Bonds	N/A	None	None
Unsecured Certificates of Deposit, Time Deposits, and Bankers' Acceptances	30 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Repurchase Agreements	N/A	None	None
Investment Agreement	N/A	None	None
Pre-Funded Municipal Obligations	N/A	None	None
State Sponsered Investment Pools (LAIF)	N/A	None	None
Guaranteed Pool Certificates	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates. The District manages its exposure to interest rate risk by primarily investing in the Orange County Treasury Investment Pool and by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Orange County Treasury Investment Pool and the California Domestic Water Company are not required to be rated, nor have been rated as of June 30, 2020.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation and the actual rating as of year-end for each investment is provided by the following schedule that shows the distribution of the District's investment by type and maturity.

Investment Type	Reported Amount	Maturity Date/ Average Maturity in Days
Orange County Treasury Investment Pool	$ 13,063,026	266
California Domestic Water Company	358,125	N/A
Total	$ 13,421,151	

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 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, 2020, the District bank balance of $133,591 was not exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Fair Value Measurements

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

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

- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

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. The Orange County Treasury Investment Pool has a daily redemption frequency period and a one-day redemption notice period.

The District's fair value measurements are as follows at June 30, 2020:

		Fair Value Measurements Using	
Investment Type	Reported Amount	Level 3 Inputs	Uncategorized
Orange County Treasury Investment Pool	$ 13,063,026	$ -	$ 13,063,026
California Domestic Water Company	358,125	358,125	-
Total	$ 13,421,151	$ 358,125	$ 13,063,026

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

Note 4 - Receivables

Receivables at June 30, 2020, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government						
Categorical aid	$ 1,198,652	$ 102,772	$ -	$ -	$ -	$ 1,301,424
State Government						
LCFF apportionment	3,476,786	-	-	-	-	3,476,786
Categorical aid	33,460	5,390	-	-	-	38,850
Lottery	232,368	-	-	-	-	232,368
Local Government						
Interest	4,765	427	1,722	4,251	1,889	13,054
Other local sources	174,013		-	-	1,813	175,826
Total	$ 5,120,044	$ 108,589	$ 1,722	$ 4,251	$ 3,702	$ 5,238,308

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	$ 1,208,840	$ -	$ -	$ 1,208,840
Construction in progress	1,154,088	660,175	(1,102,232)	712,031
Total capital assets not being depreciated	2,362,928	660,175	(1,102,232)	1,920,871
Capital assets being depreciated				
Land improvements	8,172,755	857,442	-	9,030,197
Buildings and improvements	54,915,403	2,285,086	-	57,200,489
Furniture and equipment	7,527,479	156,057	-	7,683,536
Total capital assets being depreciated	70,615,637	3,298,585	-	73,914,222
Total capital assets	72,978,565	3,958,760	(1,102,232)	75,835,093
Accumulated depreciation				
Land improvements	(5,211,380)	(230,235)	-	(5,441,615)
Buildings and improvements	(20,173,724)	(1,072,592)	-	(21,246,316)
Furniture and equipment	(5,352,127)	(417,686)	-	(5,769,813)
Total accumulated depreciation	(30,737,231)	(1,720,513)	-	(32,457,744)
Governmental activities capital assets, net	$ 42,241,334	$ 2,238,247	$ (1,102,232)	$ 43,377,349

Depreciation expense was unallocated.

Governmental Activities	
Unallocated	$ 1,720,513

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2020, between major and non-major governmental funds, are as follows:

	Due From				
Due To	General Fund	Cafeteria Fund	Building Funds	Non-Major Governmental Funds	Total
General Fund	$ -	$ 116,609	$ 808	$ 2,223	$ 119,640
Cafeteria Fund	59,607	-	-	-	59,607
Non-Major Governmental Funds	197,492	-	-	-	197,492
Total	$ 257,099	$ 116,609	$ 808	$ 2,223	$ 376,739

A balance of $105,934 is due from the Cafeteria Fund to the General Fund for indirect costs.

A balance of $10,675 is due from the Cafeteria Fund to the General Fund for payroll, benefits, and other operating expenditures.

A balance was $808 is due from the Building Fund to the General Fund for payroll and benefits expenditures.

A balance of $2,213 is due from the Child Development Non-Major Governmental Fund to the General Fund for payroll, benefits and other operating expenditures.

A balance was $10 is due from the Deferred Maintenance Fund to General Fund for reimbursement of expenditures.

A balance of $21,069 due from the General Fund to the Cafeteria Fund for bad debt related to unpaid student meals.

A balance of $38,538 is due from the General Fund to the Cafeteria Fund for reimbursement of expenditures.

A balance of $197,492 is due from the General Fund to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund for community redevelopment proceeds.

Operating Transfers

Interfund transfers for the year ended June 30, 2020, consisted of the following:

The General Fund transferred $21,069 to the Cafeteria Fund for food services bad debt related to unpaid student meals.

Note 7 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total
Salaries and benefits	$ 1,209,887	$ 176,628	$ 13,310	$ 40,900	$ 1,440,725
Supplies	113,757	22,284	6,005	-	142,046
Services	157,737	2,857	69,551	1,006	231,151
Capital outlay	-	-	202,402	-	202,402
Due to OCDE	380,855	-	-	-	380,855
Other vendor payables	48,312	59	62	9	48,442
Total	$ 1,910,548	$ 201,828	$ 291,330	$ 41,915	$ 2,445,621

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	General Fund	Cafeteria Fund	Total
Federal financial assistance	$ 50,434	$ 6,855	$ 57,289
State categorical aid	18,691	-	18,691
Other local	1,658	27,682	29,340
Total	$ 70,783	$ 34,537	$ 105,320

Note 9 - Long-Term Liabilities other than OPEB and Pensions

Summary

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 32,825,705	$ 7,359,539	$ (7,184,832)	$ 33,000,412	$ 1,690,000
Premium on issuance	671,099	-	(107,096)	564,003	-
Capital leases	295,977	-	(142,462)	153,515	-
Compensated absences	479,250	-	(73,710)	405,540	-
Total	$ 34,272,031	$ 7,359,539	$ (7,508,100)	$ 34,123,470	$ 1,690,000

Payments on the General Obligation Bonds will be made by the Bond Interest and Redemption Fund with local revenues. Payment for the capital leases are made from the General Fund. Compensated absences will be paid by the General Fund, Child Development Fund, Cafeteria Fund, and Building Fund.

Bonded Debt

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
8/1/2000	8/1/2025	3.90-5.35%	$ 11,046,713	$ 3,709,437	$ -	$ 292,562	$ -	$ 4,001,999
8/2/2001	8/1/2026	3.00-5.25%	2,267,884	1,334,093	-	97,652	(220,000)	1,211,745
8/1/2002	8/1/2027	3.35-5.98%	2,684,699	4,816,643	-	280,025	(245,000)	4,851,668
12/13/2012	8/1/2038	2.00-5.11%	6,495,425	7,805,532	-	184,299	(5,629,831)	2,360,000
12/17/2014	8/1/2021	3.00-5.00%	5,135,000	2,800,000	-	-	(950,000)	1,850,000
3/10/2015	8/1/2039	2.00-4.50%	3,700,000	3,650,000	-	-	-	3,650,000
3/16/2017	8/1/2036	2.00-5.00%	3,740,000	3,505,000	-	-	(140,000)	3,365,000
10/25/2018	8/1/2043	2.00-5.00%	5,205,000	5,205,000	-	-	-	5,205,000
10/15/2019	8/1/2037	2.45-3.22%	6,505,000	-	6,505,000	-	-	6,505,000
				$ 32,825,705	$ 6,505,000	$ 854,538	$ (7,184,831)	$ 33,000,412

2000 General Obligation Bonds, Series A

In August 2000, the District issued the $11,046,713 Election of 2000 General Obligation Bonds, Series A. The Series A bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting to $4,498,287, and an aggregate principal debt service balance of $15,545,000. The bonds have a final maturity of August 1, 2025, with interest rate of 3.90 to 5.35 percent. Proceeds from the sale of the bonds were used to finance new construction, reconstruction, or modernization at each of the District's schools. At June 30, 2020, the principal balance outstanding of the 2000 General Obligation Bonds, Series A was $4,001,999.

2000 General Obligation Bonds, Series 2001A

In August 2001, the District issued the $2,267,884 Election of 2000 General Obligation Bonds, Series 2001A. The Series 2001A bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting to $1,437,116, and an aggregate principal debt service balance of $3,705,000. The bonds have a final maturity of August 1, 2026, with interest rate of 3.00 to 5.25 percent. Proceeds from the sale of the bonds were used to finance new construction, reconstruction, or modernization at each of the District's schools. At June 30, 2020, the principal balance outstanding of the 2000 General Obligation Bonds, Series 2001A was $1,211,745.

2000 General Obligation Bonds, Series 2002A

In August 2002, the District issued the $2,684,699 Election of 2000 General Obligation Bonds, Series 2002A. The Series 2002A bonds were issued as capital appreciation bonds, with the value of the capital appreciation bonds accreting to $5,745,301, and an aggregate principal debt service balance of $8,430,000. The bonds have a final maturity of August 1, 2027, with interest rate of 3.35 to 5.98 percent. Proceeds from the sale of the bonds were used to finance new construction, reconstruction, or modernization at each of the District's schools. At June 30, 2020, the principal balance outstanding of the 2000 General Obligation Bonds, Series 2002A was $4,851,668.

2012 General Obligation Bonds, 2012 Series A

In December 2012, the District issued the $6,495,425 Election of 2012 General Obligation Bonds, 2012 Series A. The 2012 Series A bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting to $6,374,575, and an aggregate principal debt service balance of $12,870,000. The bonds have a final maturity of August 1, 2038, with interest rate of 2.00 to 5.11 percent. Proceeds from the sale of the bonds were used to finance the construction, acquisition, furnishing and equipping of District facilities, to fund capitalized interest through August 1, 2014, and to pay certain costs of issuing the bonds. At June 30, 2020, the principal balance outstanding of the 2012 General Obligation Bonds, 2012 Series A was $2,360,000.

2015 General Obligation Refunding Bonds

In December 2014, the District issued the $5,135,000 2015 General Obligation Refunding Bonds. The 2015 General Obligation Refunding Bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2021, with interest rate of 3.00 to 5.00 percent. Proceeds from the sale of the bonds were used to provide refunding of $5,450,000 in current interest bonds associated with the District's 2005 General Obligation Refunding Bonds that were issued in the amount of $8,715,000. The refunding resulted in a cumulative cash flow savings of $370,141 over the life of the new debt and an economic gain of $350,499 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 1.77 percent. At June 30, 2020, the principal balance outstanding of the 2016 General Obligation Refunding Bonds was $1,850,000, and unamortized premium on issuance and deferred charge on refunding were $117,256 and $24,163, respectively.

2012 General Obligation Bonds, 2015 Series B

In March 2015, the District issued the $3,700,000 Election of 2012 General Obligation Bonds, 2015 Series B. The 2015 Series B bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2039, with interest rate of 2.00 to 4.50 percent. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, furnishing and equipping of District facilities, to pay capitalized interest, and to pay certain costs of issuing the bonds. At June 30, 2020, the principal balance outstanding of the 2012 General Obligation Bonds, 2015 Series B was $3,650,000, and unamortized premium on issuance $100,248.

2012 General Obligation Bonds, 2017 Series C

In March 2017, the District issued the $3,740,000 Election of 2012 General Obligation Bonds, 2017 Series C. The 2017 Series C bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2036, with interest rate of 2.00 to 5.00 percent. Proceeds from the sale of the bonds will be used to finance acquisition, construction, furnishing and equipping certain District facilities, and to pay certain costs of issuing the bonds. At June 30, 2020, the principal balance outstanding of the 2012 General Obligation Bonds, 2017 Series C was $3,365,000, and unamortized premium on issuance $194,761.

2012 General Obligation Bonds, 2017 Series D

In October 2018, the District issued the $5,205,000 Election of 2012 General Obligation Bonds, 2017 Series D. The 2017 Series D bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2043, with interest rate of 3.00 to 5.00 percent. Proceeds from the sale of the bonds will be used to finance acquisition, construction, furnishing and equipping certain District facilities, and to pay certain costs of issuing the bonds. At June 30, 2020, the principal balance outstanding of the 2012 General Obligation Bonds, 2017 Series D was $5,205,000, and unamortized premium on issuance $151,738.

General Obligation Refunding Bonds, 2019 Series A

In October 2019, the District issued the $6,505,000 General Obligation Refunding Bonds, 2019 Series A. The General Obligation Refunding Bonds, 2019 Series A were issued as current interest bonds. The bonds have a final maturity of August 1, 2037, with interest rate of 2.45 to 3.22 percent. Proceeds from the sale of the bonds were used to provide refunding of $5,629,832 in capital appreciation bonds associated with the District's 2012 General Obligation Bonds, 2012 Series A that were issued in the amount of $6,495,425. The refunding resulted in a cumulative cash flow savings of $787,723 over the life of the new debt and an economic gain of $638,116 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.94 percent. At June 30, 2020, the principal balance outstanding of the General Obligation Refunding Bonds, 2019 Series A was $6,505,000, and deferred charge on refunding were $490,446.

The bonds mature through 2044 as follows:

Fiscal Year	Principal Inlcuding Accreted Interest to Date	Accreted Interest	Interest to Maturity	Total
2021	$ 1,674,256	$ 15,744	$ 846,167	$ 2,536,167
2022	1,785,628	49,372	787,292	2,622,292
2023	1,675,778	309,222	755,917	2,740,917
2024	1,644,163	435,837	752,967	2,832,967
2025	1,568,874	571,126	750,723	2,890,723
2026-2030	6,491,713	2,288,287	3,679,077	12,459,077
2031-2035	6,105,000	-	3,040,708	9,145,708
2036-2040	8,300,000	-	1,650,434	9,950,434
2041-2044	3,755,000	-	320,400	4,075,400
Total	$ 33,000,412	$ 3,669,588	$ 12,583,685	$ 49,253,685

Capital Leases

The District has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Ford Transit	Apple Finance	Total
Balance, July 1, 2019	$ 21,206	$ 291,755	$ 312,961
Payments	(7,711)	(145,877)	(153,588)
Balance, July 1, 2020	$ 13,495	$ 145,878	$ 159,373

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2021	$ 153,589
2022	5,784
Total	159,373
Less amount representing interest	(5,858)
Present value of minimum lease payments	$ 153,515

At June 30, 2020, the financed equipment is reported in capital assets as follows:

	Ford Transit	Apple Finance	Total
Furniture and equipment	$ 33,836	$ 422,203	$ 456,039
Less accumulated depreciation	(13,041)	(281,469)	(294,510)
Balance, July 1, 2020	$ 20,795	$ 140,734	$ 161,529

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to $405,540.

Note 10 - Total Other Postemployment Benefit (OPEB) Liability

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in the trust that meets the criteria in the paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	34
Active employees	330
Total	364

Benefits Provided

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

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the La Habra Education Association (LHEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, CTA, CSEA, and the unrepresented groups. For the measurement period June 30, 2019, the District paid $363,361 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $12,817,028 was measured as of June 30, 2019. The total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as June 30, 2019.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods in the measurement, unless otherwise specified:

Inflation	2.75	percent
Salary increases	2.75	percent, average, including inflation
Discount rate	3.50	percent
Healthcare cost trend rates	4.00	percent

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

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period July 1, 2018 to June 30, 2019.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2018	$ 12,010,080
Service cost	868,381
Interest	465,978
Differences between expected and actual experience in the measurement of the total OPEB liability	(373,173)
Changes of assumptions	209,123
Benefit payments	(363,361)
Net change in total OPEB liability	806,948
Balance, June 30, 2019	$ 12,817,028

Changes to the benefits terms: There were no changes to the benefit terms.

Changes of assumptions reflect a change in the discount rate from 3.80 percent for measurement period June 30, 2018 to 3.50 percent for measurement period June 30, 2019.

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 one percent lower or higher than the current discount rate:

Discount Rate	Total OPEB Liability
1% decrease (2.5%)	$ 13,506,792
Current discount rate (3.5%)	12,817,028
1% increase (4.5%)	12,123,648

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 percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.0%)	$ 12,373,224
Current healthcare cost trend rate (4.0%)	12,817,028
1% increase (5.0%)	13,015,023

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

For the year ended June 30, 2020, the District recognized OPEB expense of $1,666,828. At June 30, 2020, 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
Amount paid by the District for OPEB as the benefits come due subsequent to measurement date	$ 546,969	$ -
Differences between expected and actual experience in the measurement of the total OPEB liability	-	346,131
Changes of assumptions	193,969	199,538
Total	$ 740,938	$ 545,669

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ (30,892)
2022	(30,892)
2023	(30,892)
2024	(30,892)
2025	(30,892)
Thereafter	(197,240)
Total	$ (351,700)

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	$ 25,000	$ 316	$ -	$ -	$ -	$ 25,316
Stores inventories	101,796	30,588	-	-	-	132,384
Total nonspendable	126,796	30,904	-	-	-	157,700
Restricted						
Legally restricted programs	1,386,534	445,313	-	-	235,896	2,067,743
Capital projects	-	-	1,395,380	-	2,148,950	3,544,330
Debt services	-	-	-	2,185,977	-	2,185,977
Total restricted	1,386,534	445,313	1,395,380	2,185,977	2,384,846	7,798,050
Assigned						
Reserve for deficit spending	5,869,892	-	-	-	-	5,869,892
Unassigned						
Reserve for economic uncertainties	1,817,518	-	-	-	-	1,817,518
Remaining unassigned	654,029	-	-	-	-	654,029
Total unassigned	2,471,547	-	-	-	-	2,471,547
Total	$ 9,854,769	$ 476,217	$ 1,395,380	$ 2,185,977	$ 2,384,846	$ 16,297,189

Note 12 - 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, 2020, the District contracted with Northern Orange County Liability and Property Self-Insurance Authority, a joint powers authority, 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 2020, the District participated in the Northern Orange County Self-Funded Workers' Compensation Insurance Agency (the Agency), a joint powers authority. The intent of the Agency is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Agency. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Agency. Each participant pays its workers' compensation premium based on its individual rate. Participation in the Agency is limited to districts that can meet the Agency's selection criteria.

Employee Medical Benefits

The District has contracted with Metropolitan Employee Benefits Association (MEBA) and Self-Insured Schools of California (SISC III), joint powers authority, to provide employee health and welfare benefits. SISC III also provides dental benefits. MEBA and SISC III are shared risk pools comprised of several local educational agencies. Rates are set through an annual calculation process. The District is not entitled to any share of the reserves maintained by MEBA and SISC III upon their withdrawal from the pool.

The District has contracted with Orange County Fringe Benefits (OCFB), a joint powers authority, to provide employee health and welfare benefits, specifically for dental and life insurance benefit. OCFB is a shared pool comprised of several local educational agencies. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claims payments are made for all participating districts. Claims are paid for all participants regardless of cash flow. The Board of Directors has a right to allocate assets or obligations to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

Note 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2020. The District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 43,635,769	$ 13,916,085	$ 5,203,882	$ 5,235,569
CalPERS	19,203,306	5,333,428	189,848	3,708,399
Total	$ 62,839,075	$ 19,249,513	$ 5,393,730	$ 8,943,968

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
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 employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were $4,597,734.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
District's proportionate share of net pension liability	$ 43,635,769
State’s proportionate share of the net pension liability	23,806,225
Total	$ 67,441,994

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0483 percent and 0.0479 percent, resulting in a net increase in the proportionate share of 0.0004 percent.

For the year ended June 30, 2020, the District recognized pension expense of $5,235,569. In addition, the District recognized pension expense and revenue of $3,545,260 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,597,734	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,689,223	2,293,414
Differences between projected and actual earnings on pension plan investments	-	1,680,863
Differences between expected and actual experience in the measurement of the total pension liability	110,157	1,229,605
Changes of assumptions	5,518,971	-
Total	$ 13,916,085	$ 5,203,882

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ (169,544)
2022	(1,334,408)
2023	(277,043)
2024	100,132
Total	$ (1,680,863)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 1,132,096
2022	1,132,095
2023	1,726,052
2024	1,480,622
2025	395,248
Thereafter	(70,781)
Total	$ 5,795,332

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 64,977,273
Current discount rate (7.10%)	43,635,769
1% increase (8.10%)	25,939,599

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS 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, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were $1,917,297.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $19,203,306. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0659 percent and 0.0617 percent, resulting in a net increase in the proportionate share of 0.0042 percent.

For the year ended June 30, 2020, the District recognized pension expense of $3,708,399. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,917,297	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,107,063	11,734
Differences between projected and actual earnings on pension plan investments	-	178,114
Differences between expected and actual experience in the measurement of the total pension liability	1,394,931	-
Changes of assumptions	914,137	-
Total	$ 5,333,428	$ 189,848

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 175,818
2022	(351,192)
2023	(53,218)
2024	50,478
Total	$ (178,114)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 1,875,722
2022	1,033,980
2023	449,722
2024	44,973
Total	$ 3,404,397

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 27,680,303
Current discount rate (7.15%)	19,203,306
1% increase (8.15%)	12,171,052

Public Agency Retirement System (PARS)

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 PARS as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 3.75 percent of an employee's gross earnings. An employee is required to contribute 3.75 percent of his or her gross earnings to the pension plan. The District's contributions to PARS for fiscal year ending June 30, 2020, was $91,791.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $2,486,636 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contribution totaling $834,101 has been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Note 14 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2020.

Note 15 - Participation in Public Entity Risk Pools, Joint Powers Authorities and Other Related Party Transactions

The District is a member of the Northern Orange County Liability and Property Self-Insurance Authority, Northern Orange County Self-Funded Workers' Compensation Insurance Agency, Metropolitan Employee Benefits Association, Self-Insured Schools of California, and the Orange County Fringe Benefits joint powers authorities. The District pays an annual premium to the applicable entity for its property liability, workers' compensation and health and welfare insurance coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2020, the District made payments of $330,216, $745,309, $901,914, $3,896,444, and $50,649 to the Northern Orange County Liability and Property Self-Insurance Authority, Northern Orange County Self-Funded Workers' Compensation Insurance Agency, Metropolitan Employee Benefits Association, Self-Insured Schools of California, and the Orange County Fringe Benefits, respectively, for its property liability, workers' compensation, and health and welfare insurance premiums.

Note 16 - Subsequent Events

Subsequent to year-end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District’s financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

Required Supplementary Information
June 30, 2020

La Habra City School District

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variances - Positive (Negative) Final to Actual
Revenues				
Local Control Funding Formula	$ 46,727,622	$ 47,359,372	$ 47,304,583	$ (54,789)
Federal sources	2,891,745	3,154,700	2,565,403	(589,297)
Other State sources	4,759,772	6,664,165	6,418,459	(245,706)
Other local sources	2,756,067	2,712,220	3,753,534	1,041,314
Total revenues	57,135,206	59,890,457	60,041,979	151,522
Expenditures				
Current				
Certificated salaries	26,055,577	27,128,874	27,210,763	(81,889)
Classified salaries	9,591,774	10,570,818	10,633,903	(63,085)
Employee benefits	13,833,758	15,568,897	15,245,453	323,444
Books and supplies	2,277,144	2,205,125	1,765,566	439,559
Services and operating expenditures	4,812,248	5,510,059	4,872,087	637,972
Other outgo	920,645	810,097	738,328	71,769
Capital outlay	256,906	8,303	8,303	-
Debt service				
Debt service - principal	25,005	-	142,462	(142,462)
Debt service - interest and other	-	-	11,127	(11,127)
Total expenditures	57,773,057	61,802,173	60,627,992	1,174,181
Excess (Deficiency) of Revenues Over Expenditures	(637,851)	(1,911,716)	(586,013)	1,325,703
Other Financing Uses				
Transfers out	-	-	(21,069)	(21,069)
Net Change in Fund Balances	(637,851)	(1,911,716)	(607,082)	1,304,634
Fund Balance - Beginning	10,461,851	10,461,851	10,461,851	-
Fund Balance - Ending	$ 9,824,000	$ 8,550,135	$ 9,854,769	$ 1,304,634

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Federal sources	$ 2,100,000	$ 2,075,951	$ 2,244,080	$ 168,129
Other State sources	171,000	156,000	153,897	(2,103)
Other local sources	242,000	191,724	257,163	65,439
Total revenues	2,513,000	2,423,675	2,655,140	231,465
Expenditures				
Current				
Classified salaries	922,294	1,115,569	1,124,681	(9,112)
Employee benefits	352,590	379,691	386,622	(6,931)
Books and supplies	961,794	1,124,175	1,247,445	(123,270)
Services and operating expenditures	75,540	62,814	43,644	19,170
Other outgo	100,186	115,710	105,934	9,776
Capital Outlay	39,479	80,050	80,051	(1)
Total expenditures	2,451,883	2,878,009	2,988,377	(110,368)
Excess (Deficiency) of Revenues Over Expenditures	61,117	(454,334)	(333,237)	108,265
Other Financing Sources				
Transfers in	-	-	21,069	21,069
Net Change in Fund Balances	61,117	(454,334)	(312,168)	142,166
Fund Balance - Beginning	788,385	788,385	788,385	-
Fund Balance - Ending	$ 849,502	$ 334,051	$ 476,217	$ 142,166

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 868,381	$ 891,273	$ 867,419
Interest	465,978	437,963	370,307
Differences between expected and actual experience in the measurement of the total OPEB liability	(373,173)	-	-
Changes of assumptions	209,123	(237,546)	-
Benefit payments	(363,361)	(322,639)	(310,230)
Net change in total OPEB liability	806,948	769,051	927,496
Total OPEB Liability - Beginning	12,010,080	11,241,029	10,313,533
Total OPEB Liability - Ending	$ 12,817,028	$ 12,010,080	$ 11,241,029
Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

[1] The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
District's proportion of the net pension liability	0.0483%	0.0479%	0.0437%	0.0467%	0.0435%	0.0484%
District's proportionate share of the net pension liability	$ 43,635,769	$ 44,011,390	$ 40,417,059	$ 37,732,719	$ 29,313,018	$ 28,268,236
State's proportionate share of the net pension liability	23,806,225	25,198,579	23,910,390	21,480,564	15,503,335	17,069,582
Total	$ 67,441,994	$ 69,209,969	$ 64,327,449	$ 59,213,283	$ 44,816,353	$ 45,337,818
District's covered payroll	$ 26,247,033	$ 25,618,240	$ 23,363,370	$ 23,238,500	$ 21,616,160	19,893,845
District's proportionate share of the net pension liability as a percentage of its covered payroll	166%	172%	173%	162%	136%	142%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
District's proportion of the net pension liability	0.0659%	0.0617%	0.0574%	0.0577%	0.0575%	0.0580%
District's proportionate share of the net pension liability	$ 19,203,306	$ 16,453,052	$ 13,700,543	$ 11,391,499	$ 8,468,284	$ 6,588,218
District's covered payroll	$ 9,128,662	$ 8,517,906	$ 7,044,448	$ 6,931,746	$ 6,393,628	6,096,717
District's proportionate share of the net pension liability as a percentage of its covered payroll	210%	193%	194%	164%	132%	108%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$ 4,597,734	$ 4,273,017	$ 3,696,712	$ 2,939,112	$ 2,493,491	$ 1,919,515
Less contributions in relation to the contractually required contribution	4,597,734	4,273,017	3,696,712	2,939,112	2,493,491	1,919,515
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 26,887,333	$ 26,247,033	$ 25,618,240	$ 23,363,370	$ 23,238,500	$ 21,616,160
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 1,917,297	$ 1,648,819	$ 1,322,916	$ 978,333	$ 821,204	$ 752,594
Less contributions in relation to the contractually required contribution	1,917,297	1,648,819	1,322,916	978,333	821,204	752,594
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 9,722,108	$ 9,128,662	$ 8,517,906	$ 7,044,448	$ 6,931,746	$ 6,393,628
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedules

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 State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

These schedules present 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.

At June 30, 2020, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
Funds	Budget	Actual	Excess
Cafeteria Fund	$ 2,878,009	$ 2,988,377	$ 110,368

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.
- ***Change of Assumptions –*** The discount rate changed from 3.80 percent for measurement period June 30, 2018 to 3.50 percent for measurement period June 30, 2019.

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

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

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

Schedule of District Contributions

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

Supplementary Information
June 30, 2020

La Habra City School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 1,079,728
Title II, Part A, Supporting Effective Instruction	84.367	14341	193,317
Title III, English Learner Student Program	84.365	14346	122,507
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	81,177
Passed through North Orange County SELPA			
Special Education Cluster			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,054,716
Preschool Grants, Part B, Sec 619	84.173	13430	33,958
Total Special Education Cluster			1,088,674
Total U.S. Department of Education			2,565,403
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	1,171,691
Especially Needy Breakfast Program	10.553	13526	495,066
Meal Supplements	10.555	13755	104,447
Summer Food Service Program	10.559	13004	219,493
Commodities	10.555	13396	204,690
Total Child Nutrition Cluster			2,195,387
NSLP Equipment Assistance Grants	10.579	14906	48,693
Total U.S. Department of Agriculture			2,244,080
Total Expenditures of Federal Awards			$ 4,809,483

[1] Pass-Through Entity Number not available.

ORGANIZATION

The La Habra City School District was established in 1896 and covers eight square miles and is located in Orange County. The District operates under a locally elected five-member Board form of government and provides educational services to grades TK-8 as mandated by the State and/or Federal agencies. The District operates seven elementary schools and two middle schools. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Ms. Sandi Baltes	President	2020
Mr. John Dobson	Vice President/Clerk	2020
Ms. Cynthia Aguirre	Member	2022
Mr. Adam Rogers	Member	2022
Ms. Ofelia Hanson	Member	2020

ADMINISTRATION

Dr. Joanne Culverhouse	Superintendent
Dr. Teresa Egan	Assistant Superintendent of Human Resources
Ms. Christeen Betz	Chief Business Official
Dr. Sheryl Tucker	Assistant Superintendent of Education Services
Dr. Cammie Nguyen	Administrative Director of Special Education and Student Services
Mr. David Soto	Chief Technology Officer

	Final Report	
	Second Period Report 167BD73C	Annual Report 081A9367
Regular ADA		
Transitional kindergarten through third	1,978.35	1,978.35
Fourth through sixth	1,493.68	1,493.68
Seventh and eighth	969.03	969.03
Total Regular ADA	4,441.06	4,441.06
Extended Year Special Education		
Transitional kindergarten through third	3.14	3.14
Fourth through sixth	1.55	1.55
Seventh and eighth	0.74	0.74
Total Extended Year Special Education	5.43	5.43
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.25	0.25
Seventh and eighth	2.67	2.67
Total Special Education, Nonpublic, Nonsectarian Schools	2.92	2.92
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.11	0.11
Seventh and eighth	0.07	0.07
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.18	0.18
Total ADA	4,449.59	4,449.59

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	39,065	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,545	180	N/A	Complied
Grade 2		54,545	180	N/A	Complied
Grade 3		54,545	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,930	180	N/A	Complied
Grade 5		54,930	180	N/A	Complied
Grade 6		54,930	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		59,455	180	N/A	Complied
Grade 8		59,455	180	N/A	Complied

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2020.

	(Budget) 2021 [1]	2020	2019	2018
General Fund				
Revenues	$ 54,183,654	$ 60,041,979	$ 61,113,138	$ 53,991,836
Other sources	-	-	1,000,000	422,203
Total Revenues and Other Sources	54,183,654	60,041,979	62,113,138	54,414,039
Expenditures	57,693,171	60,627,992	61,055,620	56,457,581
Other uses and transfers out	-	21,069	28,489	5,129
Total Expenditures and Other Uses	57,693,171	60,649,061	61,084,109	56,462,710
Increase/(Decrease) in Fund Balance	(3,509,517)	(607,082)	1,029,029	(2,048,671)
Ending Fund Balance	$ 6,345,252	$ 9,854,769	$ 10,461,851	$ 9,432,822
Available Reserves [2]	$ 1,736,308	$ 2,471,547	$ 5,543,135	$ 2,796,986
Available Reserves as a Percentage of Total Outgo [3]	3.01%	4.08%	9.41%	4.95%
Long-Term Liabilities	N/A	$ 109,779,573	$ 106,746,553	$ 95,172,668
K-12 Average Daily Attendance at P-2	4,413	4,450	4,426	4,477

The General Fund balance has increased by $421,947 over the past two years. The fiscal year 2020-2021 budget projects a decrease of $3,509,517 (35.6 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficit in two of the past three years and anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term obligations have increased by $14,606,905 over the past two years.

Average daily attendance has decreased by 27 over the past two years. An additional decline of 37 ADA is anticipated during fiscal year 2020-2021.

[1] Budget 2021 is included for analytical purposes only and has not been subjected to audit.

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

[3] On-behalf payments of $2,171,467 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
Assets					
Deposits and investments	$ 278,762	$ 10	$ 926,833	$ 1,022,185	$ 2,227,790
Receivables	256	-	2,755	691	3,702
Due from other funds	-	-	-	197,492	197,492
Total assets	$ 279,018	$ 10	$ 929,588	$ 1,220,368	$ 2,428,984
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 40,909	$ -	$ 755	$ 251	$ 41,915
Due to other funds	2,213	10	-	-	2,223
Total liabilities	43,122	10	755	251	44,138
Fund Balances					
Restricted	235,896	-	928,833	1,220,117	2,384,846
Total liabilities and fund balances	$ 279,018	$ 10	$ 929,588	$ 1,220,368	$ 2,428,984

	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
Revenues					
Other local sources	$ 387,329	$ 10	$ 40,278	$ 276,397	$ 704,014
Expenditures					
Current					
Pupil services					
All other pupil services	8	-	-	-	8
Plant services	-	10	-	18,974	18,984
Enterprise services	480,196	-	-	-	480,196
Facility acquisition and construction	-	-	50,823	23,590	74,413
Total expenditures	480,204	10	50,823	42,564	573,601
Net Change in Fund Balances	(92,875)	-	(10,545)	233,833	130,413
Fund Balance - Beginning	328,771	-	939,378	986,284	2,254,433
Fund Balance - Ending	$ 235,896	$ -	$ 928,833	$ 1,220,117	$ 2,384,846

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards

Basis of Presentation
The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the La Habra City School District (the District) under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the La Habra City School District, it is not intended to and does not present the financial position of the District.

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

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

Food Donation
Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District did not report any commodities in inventory.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 53 days due to the pandemic. As a result, the District received credit for these 53 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Closure Certification were included in the Actual Minutes column, but were not actually offered due to the COVID-19 school closure.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

Independent Auditor's Reports
June 30, 2020

La Habra City School District

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Governing Board
La Habra City School District
La Habra, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Habra City School District, (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise La Habra City School District's basic financial statements and have issued our report thereon dated February 5, 2021.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered La Habra City School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of La Habra City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of La Habra City School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether La Habra City School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of La Habra City School District in a sperate letter dated February 5, 2021.

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

Rancho Cucamonga, California
February 5, 2021

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Governing Board
La Habra City School District
La Habra, California

Report on Compliance for Each Major Federal Program
We have audited La Habra City school District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of La Habra City school District's major federal programs for the year ended June 30, 2020. La Habra City school District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of La Habra City school District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about La Habra City school District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of La Habra City school District's compliance.

Opinion on Each Major Federal Program
In our opinion, La Habra City school District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance
Management of La Habra City school District's is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered La Habra City School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the La Habra City School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Rancho Cucamonga, California
February 5, 2021

Independent Auditor's Report on State Compliance

Governing Board
La Habra City School District
La Habra, California

Report on State Compliance

We have audited La Habra City School District's (the District) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

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Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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

The District does not offer a Continuation Education Program; therefore, we did not perform procedures related to the Continuation Education Program.

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

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have Middle or Early College High School Program; therefore, we did not perform any procedures related to the Middle or Early College High School Program.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

The District did not have any expenditures related to the California Clean Energy Jobs Act and the District did not submit any final completion reports during the fiscal year; therefore, we did not perform any procedures related to the California Clean Energy Jobs Act.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

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

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

Unmodified Opinion
In our opinion, La Habra City School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Rancho Cucamonga, California
February 5, 2021

Schedule of Findings and Questioned Costs
June 30, 2020

La Habra City School District

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Child Nutrition Cluster	10.553, 10.555, 10.559

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

STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified

None reported.

None reported.

None reported.

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

Management
La Habra City School District
La Habra, California

In planning and performing our audit of the financial statements of La Habra City School District (the District) for the year ended June 30, 2020, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated February 5, 2021, on the government-wide financial statements of the District.

ASB Observations

Imperial Middle School

Observations

1. Cash collections are not accounted for properly. Cash collections are not supported by sub-receipts or logs that tie the total to the cash count sheet. Five of five deposits tested did not have sufficient support or a paper trail; therefore, the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.
2. Based on the review of the disbursement procedures, it was noted that one of seven disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
3. Based on the review of the disbursement procedures, it was noted that five of seven disbursements were made without explicit receiving documentation for goods being ordered.
4. Based on the review of the disbursement procedures it was noted that two of seven expenditures were not adequately supported by an invoice.

Recommendations

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
3. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
4. The site should maintain proper documentation of expenditures including invoices and receipts. ASB should ensure that all disbursement requests are supported by adequate invoices prior to the checks being issued. This will identify and prevent potential misappropriation of ASB funds.

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

Rancho Cucamonga, California
February 5, 2021