



Financial Statements
June 30, 2021

La Habra City School District

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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, 2021, 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.

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 of La Habra City School District, as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 17 to the financial statements, La Habra City School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

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 11, budgetary comparison information on page 60, schedule of changes in the District's total OPEB liability and related ratios on page 61, schedule of the District's proportionate share of the net pension liability on page 62, and the schedule of District contributions on page 64, 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 non-major governmental 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 non-major governmental 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 non-major governmental 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 January 20, 2022 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.

Eide Bailly LLP

Rancho Cucamonga, California
January 20, 2022



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, 2021, with comparative information for the year ending June 30, 2020. 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), deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified 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, deferred outflows of resources, liabilities, and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

Governmental Activities - All of the District's services are reported in this category. This includes the education of 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 - All 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 WHOLE

Net Position

The District's net position was \$(35,211,971) for the fiscal year ended June 30, 2021. Of this amount, \$(61,013,352) 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	
	2021	2020 as restated
Assets		
Current and other assets	\$ 47,618,071	\$ 18,893,922
Capital assets	43,797,049	43,377,349
Total assets	91,415,120	62,271,271
Deferred outflows of resources	20,089,239	20,505,060
Liabilities		
Current liabilities	14,540,168	2,915,573
Long-term liabilities	128,699,221	109,779,573
Total liabilities	143,239,389	112,695,146
Deferred inflows of resources	3,476,941	5,939,399
Net Position		
Net investment in capital assets	17,482,741	18,644,763
Restricted	8,318,640	6,083,830
Unrestricted (deficit)	(61,013,352)	(60,586,807)
Total net position (deficit)	\$ (35,211,971)	\$ (35,858,214)

The \$(61,013,352) in unrestricted deficit net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 0.7 percent (\$(61,013,352) compared to \$(60,586,807)).

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 13. 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	
	2021	2020*
Revenues		
Program revenues		
Charges for services and sales	\$ 243,866	\$ 408,999
Operating grants and contributions	22,373,853	13,038,723
General revenues		
Federal and State aid not restricted	26,458,694	29,331,811
Property taxes	24,033,864	22,316,977
Other general revenues	3,657,295	960,625
Total revenues	<u>76,767,572</u>	<u>66,057,135</u>
Expenses		
Instruction-related	51,037,654	49,339,457
Pupil services	7,839,102	8,139,110
Administration	5,963,297	3,977,831
Plant services	6,385,590	5,538,919
All other services	4,895,686	4,871,349
Total expenses	<u>76,121,329</u>	<u>71,866,666</u>
Change in net position	<u>\$ 646,243</u>	<u>\$ (5,809,531)</u>

*The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB Statement No. 84 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities* on page 13, the cost of all of our governmental activities this year was \$76,121,329. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$24,033,864 because the cost was paid by those who benefited from the programs (\$243,866) or by other governments and organizations who subsidized certain programs with grants and contributions (\$22,373,853). We paid for the remaining "public benefit" portion of our governmental activities with \$30,696,412 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	
	2021	2020*	2021	2020*
Instruction-related	\$ 51,037,654	\$ 49,339,457	\$ (35,521,065)	\$ (40,913,799)
Pupil services	7,839,102	8,139,110	(3,999,400)	(4,143,889)
Administration	5,963,297	3,977,831	(4,693,631)	(3,695,281)
Plant services	6,385,590	5,538,919	(5,602,791)	(5,512,372)
All other services	4,895,686	4,871,349	(3,686,723)	(4,166,587)
Total	\$ 76,121,329	\$ 71,866,666	\$ (53,503,610)	\$ (58,431,928)

*The total and net cost of services for fiscal year 2020 were not restated to show the effects of GASB Statement No. 84 for comparative purposes.

Expenditures have understandably grown during the ongoing COVID-19 pandemic. To help mitigate learning loss, the District has increased spending on extra support staff, needed technology, and additional instructional time. Funds have also been spent on providing protective equipment and continuing our sanitizing protocols to ensure a safe and healthy learning environment for our students and staff. Additionally, the District continues to support the availability of nutritional meals for our students before school and at our after-school programs.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$33,510,352, which is an increase of \$16,342,981 from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			June 30, 2021
	June 30, 2020 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	
General Fund	\$ 9,854,769	\$ 67,824,044	\$ 63,413,675	\$ 14,265,138
Building Fund	1,395,380	11,898,004	2,593,291	10,700,093
Student Activity Fund	45,792	11,643	6,967	50,468
Child Development Fund	235,896	250,511	377,256	109,151
Cafeteria Fund	476,217	2,646,261	2,687,757	434,721
Capital Facilities Fund	928,833	2,823,685	123,343	3,629,175
Special Reserve Fund for Capital Outlay Projects	1,220,117	307,737	122,752	1,405,102
Bond Interest and Redemption Fund	2,185,977	3,266,694	2,536,167	2,916,504
Total	\$ 16,342,981	\$ 89,028,579	\$ 71,861,208	\$ 33,510,352

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 60.)

Revenue and expenditure revisions made to the 2020-21 budget were due to changes made to reflect the actual operations of the District, including additional State and Federal revenues and salary increases that were Board approved after the adopted budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had \$43,797,049 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 \$419,700, or 1.0 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 1,208,840	\$ 1,920,871
Land improvements	5,000,002	3,588,582
Buildings and improvements	35,965,016	35,954,173
Furniture and equipment	1,623,191	1,913,723
 Total	 <u>\$ 43,797,049</u>	 <u>\$ 43,377,349</u>

The District completed several capital projects in the 2020-2021 school year. More detailed information about the capital assets are included in Note 5 of the financial statements.

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

At the end of this year, the District had \$45,382,799 in long-term liabilities other than OPEB and pension versus \$34,123,470 last year, an increase of 33.00 percent. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2021	2020
Long-Term Liabilities		
General obligation bonds	\$ 43,851,207	\$ 33,000,412
Unamortized premium on issuance	1,038,381	564,003
Capital leases	5,654	153,515
Compensated absences	487,557	405,540
 Total	 <u>\$ 45,382,799</u>	 <u>\$ 34,123,470</u>

At year-end, the District had a total OPEB liability of \$14,718,190 versus \$12,817,028 last year, and an increase of \$1,901,162, or 14.8 percent.

At year-end, the District had a net pension liability of \$68,598,232 versus \$62,839,075 last year, and an increase of \$5,759,157, or 9.2 percent.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2020-2021 ARE NOTED BELOW

On March 13, 2021, the La Habra City School District shut down in-person learning due to the COVID-19 Pandemic. The District successfully continued to provide instruction to all students through technology and student supports for the rest of the school year.

For the 2020-2021 school year, The La Habra City School District was one of the few Districts who opened schools for in-person learning. The District welcomed students back with a hybrid model and successfully completed an entire year of in-person learning. The District provided additional support staff and instructional time to mitigate learning loss, provided safe and healthy learning environments by implementing vigorous sanitizing protocols and providing personal protective equipment. The District also supported the availability of healthy meals for students as well as before and after school programs that were open all day to assist parents with the hybrid model.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2021-2022 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 69.96 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 Assistant Superintendent, Business Services, Ms. Christeen Betz, at 500 N. Walnut Street, La Habra, CA 90631, or email at cbetz@lahabraschools.org.

La Habra City School District
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Deposits and investments	\$ 33,612,828
Receivables	13,864,379
Stores inventories	140,864
Capital assets not depreciated	1,208,840
Capital assets, net of accumulated depreciation	42,588,209
Total assets	91,415,120
Deferred Outflows of Resources	
Deferred charge on refunding	460,770
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	1,852,553
Deferred outflows of resources related to pensions	17,775,916
Total deferred outflows of resources	20,089,239
Liabilities	
Accounts payable	4,019,824
Interest payable	432,449
Unearned revenue	87,895
Current loans	10,000,000
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	1,840,654
Long-term liabilities other than OPEB and pensions due in more than one year	43,542,145
Total OPEB liability	14,718,190
Aggregate net pension liability	68,598,232
Total liabilities	143,239,389
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	499,623
Deferred inflows of resources related to pensions	2,977,318
Total deferred inflows of resources	3,476,941
Net Position	
Net investment in capital assets	17,482,741
Restricted for	
Debt service	2,484,055
Capital projects	3,629,175
Educational programs	1,701,175
Other activities	504,235
Unrestricted (deficit)	(61,013,352)
Total net position (deficit)	\$ (35,211,971)

La Habra City School District
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction	\$ 41,253,250	\$ 2,420	\$ 12,567,628	\$ (28,683,202)
Instruction-related activities				
Supervision of instruction	3,977,657	10,992	1,301,957	(2,664,708)
Instructional library, media, and technology	1,482,692	2,988	1,199,094	(280,610)
School site administration	4,324,055	58	431,452	(3,892,545)
Pupil services				
Home-to-school transportation	968,618	61	36,158	(932,399)
Food services	2,826,484	48,755	1,994,426	(783,303)
All other pupil services	4,044,000	6	1,760,296	(2,283,698)
Administration				
Data processing	1,778,289	-	658,662	(1,119,627)
All other administration	4,185,008	2,003	609,001	(3,574,004)
Plant services	6,385,590	1,789	781,010	(5,602,791)
Ancillary services	6,967	-	11,642	4,675
Enterprise services	383,789	20,562	26,738	(336,489)
Interest on long-term liabilities	1,914,979	-	-	(1,914,979)
Other outgo	776,197	154,232	995,789	373,824
Depreciation (unallocated) ¹	1,813,754	-	-	(1,813,754)
Total governmental activities	\$ 76,121,329	\$ 243,866	\$ 22,373,853	(53,503,610)
General Revenues and Subventions				
Property taxes, levied for general purposes				21,066,999
Property taxes, levied for debt service				2,667,922
Taxes levied for other specific purposes				298,943
Federal and State aid not restricted to specific purposes				26,458,694
Interest and investment earnings				216,178
Miscellaneous				3,441,117
Subtotal, general revenues				54,149,853
Change in Net Position				646,243
Net Position - Beginning, as restated				(35,858,214)
Net Position - Ending				\$ (35,211,971)

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

La Habra City School District
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 14,083,688	\$ 11,084,939	\$ 8,444,201	\$ 33,612,828
Receivables	13,406,470	5,462	452,447	13,864,379
Due from other funds	248,611	129,135	3,822	381,568
Stores inventories	99,855	-	41,009	140,864
Total assets	<u>\$ 27,838,624</u>	<u>\$ 11,219,536</u>	<u>\$ 8,941,479</u>	<u>\$ 47,999,639</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 3,352,634	\$ 333,043	\$ 334,147	\$ 4,019,824
Due to other funds	132,957	186,400	62,211	381,568
Other current liabilities	10,000,000	-	-	10,000,000
Unearned revenue	87,895	-	-	87,895
Total liabilities	<u>13,573,486</u>	<u>519,443</u>	<u>396,358</u>	<u>14,489,287</u>
Fund Balances				
Nonspendable	124,855	-	90,105	214,960
Restricted	1,701,175	10,700,093	7,049,914	19,451,182
Assigned	4,755,427	-	1,405,102	6,160,529
Unassigned	7,683,681	-	-	7,683,681
Total fund balances	<u>14,265,138</u>	<u>10,700,093</u>	<u>8,545,121</u>	<u>33,510,352</u>
Total liabilities and fund balances	<u>\$ 27,838,624</u>	<u>\$ 11,219,536</u>	<u>\$ 8,941,479</u>	<u>\$ 47,999,639</u>

La Habra City School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2021

Total Fund Balance - Governmental Funds \$ 33,510,352

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	\$ 78,068,547
Accumulated depreciation is	<u>(34,271,498)</u>

Net capital assets	43,797,049
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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. (432,449)

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	460,770
Total other postemployment benefits (OPEB) liability	1,852,553
Aggregate net pension liability	<u>17,775,916</u>

Total deferred outflows of resources	20,089,239
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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	(499,623)
Aggregate net pension liability	<u>(2,977,318)</u>

Total deferred inflows of resources	(3,476,941)
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Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. (68,598,232)

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. (14,718,190)

La Habra City School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2021

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	\$ (36,431,136)
Unamortized premium on issuance of general obligation bonds	(1,038,381)
Capital leases	(5,654)
Compensated absences (vacations)	(487,557)

In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is

(7,420,071)

Total long-term liabilities	<u>\$ (45,382,799)</u>
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Total net position - governmental activities	<u><u>\$ (35,211,971)</u></u>
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La Habra City School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	\$ 46,094,596	\$ -	\$ -	\$ 46,094,596
Federal sources	8,490,340	-	2,032,978	10,523,318
Other State sources	9,213,087	-	2,882,747	12,095,834
Other local sources	3,944,324	43,004	3,401,653	7,388,981
Total revenues	<u>67,742,347</u>	<u>43,004</u>	<u>8,317,378</u>	<u>76,102,729</u>
Expenditures				
Current				
Instruction	37,060,696	-	-	37,060,696
Instruction-related activities				
Supervision of instruction	3,514,680	-	-	3,514,680
Instructional library, media, and technology	1,445,666	-	-	1,445,666
School site administration	3,908,325	-	-	3,908,325
Pupil services				
Home-to-school transportation	933,336	-	-	933,336
Food services	26,770	-	2,675,376	2,702,146
All other pupil services	3,728,647	-	-	3,728,647
Administration				
Data processing	1,695,660	-	-	1,695,660
All other administration	3,907,372	-	20,103	3,927,475
Plant services	5,860,954	-	39,197	5,900,151
Ancillary services	-	-	6,967	6,967
Other outgo	776,197	-	-	776,197
Enterprise services	-	-	357,153	357,153
Facility acquisition and construction	225	2,224,441	137,582	2,362,248
Debt service				
Principal	147,861	-	1,690,000	1,837,861
Interest and other	5,728	368,850	846,167	1,220,745
Total expenditures	<u>63,012,117</u>	<u>2,593,291</u>	<u>5,772,545</u>	<u>71,377,953</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,730,230</u>	<u>(2,550,287)</u>	<u>2,544,833</u>	<u>4,724,776</u>
Other Financing Sources (Uses)				
Transfers in	81,697	-	401,558	483,255
Other sources - proceeds from issuance of general obligation bonds	-	11,855,000	-	11,855,000
Other sources - premium from issuance of general obligation bonds	-	-	587,595	587,595
Transfers out	(401,558)	-	(81,697)	(483,255)
Net Financing Sources (Uses)	<u>(319,861)</u>	<u>11,855,000</u>	<u>907,456</u>	<u>12,442,595</u>
Net Change in Fund Balances	4,410,369	9,304,713	3,452,289	17,167,371
Fund Balance - Beginning, as restated	9,854,769	1,395,380	5,092,832	16,342,981
Fund Balance - Ending	<u>\$ 14,265,138</u>	<u>\$ 10,700,093</u>	<u>\$ 8,545,121</u>	<u>\$ 33,510,352</u>

La Habra City School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 17,167,371

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	\$ 2,233,454
Depreciation expense	<u>(1,813,754)</u>

Net expense adjustment	419,700
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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 more than the amount used by \$82,017. (82,017)

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 aggregate pension liability during the year. (4,816,342)

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. (743,501)

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: (11,855,000)

General obligation bonds	(11,855,000)
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La Habra City School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

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

Premium on issuance	\$ (587,595)
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Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds	1,690,000
Capital leases	147,861

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	113,217
Amortization of deferred charge on refunding	(53,839)

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 \$67,817, and second, \$685,795 of accumulated interest was accreted on the District's capital appreciation general obligation bonds.

<u>(753,612)</u>

Change in net position of governmental activities	<u>\$ 646,243</u>
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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 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.

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.

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.

Non-Major Governmental Funds

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **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.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

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

Debt Service Funds The Debt Service funds are used to account for accumulation of resources for and the payment of principal and interest on general long-term liabilities:

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

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.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the District and for each governmental function. 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.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal 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 "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net position.

Current Loans

Current loans consist of amounts outstanding at yearend for a Bridge Transfer Agreement with the County of Orange. The notes were issued as short-term liabilities to provide cashflow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes.

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, differences between expected and actual earnings on investments, 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, 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. The OPEB liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Fund Balances - Governmental Funds

As of June 30, 2021, 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 \$8,318,640 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

As of July 1, 2020, the District adopted GASB Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activities from fiduciary to governmental. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 17.

New Accounting Pronouncements

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.

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.

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 Sponsored 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, 2021.

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	\$ 33,130,139	375
California Domestic Water Company	358,125	N/A
Total	\$ 33,488,264	

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, 2021, the District did not have any balance exposed to custodial credit risk.

Note 3 - Fair Value Measurements

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

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

The District's fair value measurements are as follows at June 30, 2021:

Investment Type	Reported Amount	Fair Value Measurements Using Level 3 Inputs
California Domestic Water Company	\$ 358,125	\$ 358,125
Investments not measured for fair value or subject to fair value hierarchy:		
Orange County Treasury Investment Pool	\$ 33,130,139	
Total investments	\$ 33,488,264	

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

Note 4 - Receivables

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>
Federal Government				
Categorical aid	\$ 3,045,536	\$ -	\$ 384,378	\$ 3,429,914
State Government				
LCFF apportionment	8,169,034	-	-	8,169,034
Categorical aid	1,499,080	-	52,294	1,551,374
Lottery	307,698	-	-	307,698
Local Government				
Interest	5,971	5,462	4,510	15,943
Other local sources	379,151	-	11,265	390,416
	<u>379,151</u>	<u>-</u>	<u>11,265</u>	<u>390,416</u>
Total	<u>\$ 13,406,470</u>	<u>\$ 5,462</u>	<u>\$ 452,447</u>	<u>\$ 13,864,379</u>

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,208,840	\$ -	\$ -	\$ 1,208,840
Construction in progress	712,031	-	(712,031)	-
Total capital assets not being depreciated	<u>1,920,871</u>	<u>-</u>	<u>(712,031)</u>	<u>1,208,840</u>
Capital assets being depreciated				
Land improvements	9,030,197	1,684,176	-	10,714,373
Buildings and improvements	57,200,489	1,123,865	-	58,324,354
Furniture and equipment	7,683,536	137,444	-	7,820,980
Total capital assets being depreciated	<u>73,914,222</u>	<u>2,945,485</u>	<u>-</u>	<u>76,859,707</u>
Total capital assets	<u>75,835,093</u>	<u>2,945,485</u>	<u>(712,031)</u>	<u>78,068,547</u>
Accumulated depreciation				
Land improvements	(5,441,615)	(272,756)	-	(5,714,371)
Buildings and improvements	(21,246,316)	(1,113,022)	-	(22,359,338)
Furniture and equipment	(5,769,813)	(427,976)	-	(6,197,789)
Total accumulated depreciation	<u>(32,457,744)</u>	<u>(1,813,754)</u>	<u>-</u>	<u>(34,271,498)</u>
Governmental activities capital assets, net	<u>\$ 43,377,349</u>	<u>\$ 1,131,731</u>	<u>\$ (712,031)</u>	<u>\$ 43,797,049</u>

Depreciation expense was unallocated.

Governmental Activities Unallocated	<u>\$ 1,813,754</u>
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Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2021, between major and non-major governmental funds, are as follows:

Due To	Due From			Total
	General Fund	Building Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 186,400	\$ 62,211	\$ 248,611
Building Fund	129,135	-	-	129,135
Non-Major Governmental Funds	3,822	-	-	3,822
Total	<u>\$ 132,957</u>	<u>\$ 186,400</u>	<u>\$ 62,211</u>	<u>\$ 381,568</u>

A balance of \$3,822 is due from the General Fund to the Cafeteria Non-Major Governmental Fund for reimbursement of expenditures.

A balance of \$129,135 due from the General Fund to the Building Fund for reimbursement of expenditures.

A balance of \$25,304 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for payroll, benefits, and other operating expenditures.

A balance was \$186,400 is due from the Building Fund to the General Fund for reimbursement of expenditures.

A balance of \$28,907 is due from the Child Development Non-Major Governmental Fund to the General Fund for payroll, benefits and other operating expenditures.

A balance was \$8,000 is due from the Capital Facilities Non-Major Governmental Fund to the General Fund for correction of developer fees.

Operating Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following:

Transfer To	Transfer From		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 81,697	\$ 81,697
Non-Major Governmental Funds	401,558	-	401,558
Total	\$ 401,558	\$ 81,697	\$ 483,255

The General Fund transferred \$401,558 to the Cafeteria Non-Major Governmental Fund to cover negative cash.

The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred \$81,697 to the General Fund for reimbursement of expenditures.

Note 7 - Accounts Payable

Accounts payable at June 30, 2021, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Salaries and benefits	\$ 2,066,840	\$ 19,185	\$ 241,258	\$ 2,327,283
State LCFF apportionment	51,255	-	-	51,255
Supplies	224,238	-	84,752	308,990
Services	501,025	77,360	-	578,385
Capital outlay	103,163	236,264	7,189	346,616
Due to OCDE	406,113	-	-	406,113
Other vendor payables	-	234	948	1,182
Total	\$ 3,352,634	\$ 333,043	\$ 334,147	\$ 4,019,824

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2021, consisted of the following:

	General Fund
Federal financial assistance	\$ 87,895

Note 9 - Current Loans

On March 15, 2021, in accordance with the California Constitution Article XVI, Section 6, and *Education Code* Section 42620, the District entered into a Bridge Transfer Agreement with the County of Orange, whereby the District borrowed during the fiscal year from the County Treasurer for funding the District's short-term cashflow. Repayment terms require installments to be paid with interest by October 31, 2021. Interest on the loan will accrue at a rate of 0.739 percent. At June 30, 2021, the District had an outstanding balance in the amount of \$10,000,000.

Note 10 - 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, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 33,000,412	\$ 12,540,795	\$ (1,690,000)	\$ 43,851,207	\$ 1,835,000
Unamortized premium on issuance	564,003	587,595	(113,217)	1,038,381	-
Capital leases	153,515	-	(147,861)	5,654	5,654
Compensated absences	405,540	82,017	-	487,557	-
Total	\$ 34,123,470	\$ 13,210,407	\$ (1,951,078)	\$ 45,382,799	\$ 1,840,654

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.

General Obligation Bonds

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2021
8/1/2000	8/1/2025	3.90-5.35%	\$ 11,046,713	\$ 4,001,999	\$ -	\$ 315,637	\$ -	\$ 4,317,636
8/2/2001	8/1/2026	3.00-5.25%	2,267,884	1,211,745	-	88,108	(215,000)	1,084,853
8/1/2002	8/1/2027	3.35-5.98%	2,684,699	4,851,668	-	282,050	(285,000)	4,848,718
12/13/2012	8/1/2038	2.00-5.11%	6,495,425	2,360,000	-	-	(15,000)	2,345,000
12/17/2014	8/1/2021	3.00-5.00%	5,135,000	1,850,000	-	-	(1,045,000)	805,000
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	3,365,000	-	-	(130,000)	3,235,000
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
3/18/2021	8/1/2045	2.12-4.00%	11,855,000	-	11,855,000	-	-	11,855,000
				<u>\$ 33,000,412</u>	<u>\$11,855,000</u>	<u>\$ 685,795</u>	<u>\$ (1,690,000)</u>	<u>\$43,851,207</u>

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, 2021, the principal balance outstanding of the 2000 General Obligation Bonds, Series A was \$4,317,636.

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, 2021, the principal balance outstanding of the 2000 General Obligation Bonds, Series 2001A was \$1,084,853.

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, 2021, the principal balance outstanding of the 2000 General Obligation Bonds, Series 2002A was \$4,848,718.

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, 2021, the principal balance outstanding of the 2012 General Obligation Bonds, 2012 Series A was \$2,345,000.

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. At June 30, 2021, the principal balance outstanding of the 2016 General Obligation Refunding Bonds was \$805,000, and unamortized premium on issuance and deferred charge on refunding were \$34,847 and \$7,107, 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, 2021, the principal balance outstanding of the 2012 General Obligation Bonds, 2015 Series B was \$3,650,000, and unamortized premium on issuance \$94,878.

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, 2021, the principal balance outstanding of the 2012 General Obligation Bonds, 2017 Series C was \$3,235,000, and unamortized premium on issuance \$182,330.

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, 2021, the principal balance outstanding of the 2012 General Obligation Bonds, 2017 Series D was \$5,205,000, and unamortized premium on issuance \$145,212.

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. At June 30, 2021, the principal balance outstanding of the General Obligation Refunding Bonds, 2019 Series A was \$6,505,000, and deferred charge on refunding were \$453,663.

Election of 2012 General Obligation Bonds, Series E

In March 2021, the District issued the \$11,855,000 Election of 2012 General Obligation Bonds, Series E. The Series E bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2045, with interest rate of 2.12 to 4.00 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, 2021, the principal balance outstanding of the 2012 General Obligation Bonds, Series E was \$11,855,000, and unamortized premium on issuance \$581,474.

The bonds mature through 2046 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Interest to Maturity	Total
2022	\$ 1,817,998	\$ 17,002	\$ 1,073,369	\$ 2,908,369
2023	2,202,717	192,283	1,099,210	3,494,210
2024	1,907,611	322,389	1,085,060	3,315,060
2025	1,920,179	459,821	1,075,017	3,455,017
2026	1,938,107	601,893	1,062,742	3,602,742
2027-2031	6,919,595	1,390,405	5,027,471	13,337,471
2032-2036	6,670,000	-	4,214,095	10,884,095
2037-2041	9,605,000	-	2,664,909	12,269,909
2042-2046	10,870,000	-	778,000	11,648,000
Total	<u>\$ 43,851,207</u>	<u>\$ 2,983,793</u>	<u>\$ 18,079,873</u>	<u>\$ 64,914,873</u>

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, 2020	\$ 13,495	\$ 145,878	\$ 159,373
Payments	(7,712)	(145,878)	(153,590)
Balance, July 1, 2021	\$ 5,783	\$ -	\$ 5,783

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2022	\$ 5,783
Total	5,783
Less amount representing interest	(129)
Present value of minimum lease payments	\$ 5,654

At June 30, 2021, 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	(17,270)	(422,203)	(439,473)
Balance, July 1, 2021	\$ 16,566	\$ -	\$ 16,566

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$487,557.

Note 11 - 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
	364
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, 2020, the District paid \$546,969 in benefits. The amount paid by the District for OPEB as benefits come due subsequent to measurement date was \$632,893.

Total OPEB Liability of the District

The District's total OPEB liability of \$14,718,190 was measured as of June 30, 2020. 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 as of June 30, 2020 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.63 percent for 2020
Salary increases	2.75 percent, average, including inflation
Discount rate	2.20 percent for 2020
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

	<u>Total OPEB Liability</u>
Balance, June 30, 2019	\$ 12,817,028
Service cost	871,690
Interest	454,279
Changes of assumptions	1,122,162
Benefit payments	<u>(546,969)</u>
Net change in total OPEB liability	<u>1,901,162</u>
Balance, June 30, 2020	<u><u>\$ 14,718,190</u></u>

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

Changes of assumptions reflect a change in the discount rate from 3.50 percent for measurement period June 30, 2019 to 2.20 percent for measurement period June 30, 2020.

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 (1.20%)	\$ 15,313,928
Current discount rate (2.20%)	14,718,190
1% increase (3.20%)	13,819,471

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%)	\$ 14,168,113
Current healthcare cost trend rate (4.0%)	14,718,190
1% increase (5.0%)	15,051,658

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$1,923,363. At June 30, 2021, 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	\$ 632,893	\$ -
Differences between expected and actual experience in the measurement of the total OPEB liability	-	319,089
Changes of assumptions	1,219,660	180,534
Total	\$ 1,852,553	\$ 499,623

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
2022	\$ 50,425
2023	50,425
2024	50,425
2025	50,425
2026	50,425
Thereafter	467,912
Total	\$ 720,037

Note 12 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 25,000	\$ -	\$ 49,096	\$ 74,096
Stores inventories	99,855	-	41,009	140,864
Total nonspendable	<u>124,855</u>	<u>-</u>	<u>90,105</u>	<u>214,960</u>
Restricted				
Legally restricted programs	1,701,175	-	504,235	2,205,410
Capital projects	-	10,700,093	3,629,175	14,329,268
Debt services	-	-	2,916,504	2,916,504
Total restricted	<u>1,701,175</u>	<u>10,700,093</u>	<u>7,049,914</u>	<u>19,451,182</u>
Assigned				
Reserve for deficit spending	4,755,427	-	-	4,755,427
Capital projects	-	-	1,405,102	1,405,102
Total assigned	<u>4,755,427</u>	<u>-</u>	<u>1,405,102</u>	<u>6,160,529</u>
Unassigned				
Reserve for economic uncertainties	1,899,959	-	-	1,899,959
Remaining unassigned	5,783,722	-	-	5,783,722
Total unassigned	<u>7,683,681</u>	<u>-</u>	<u>-</u>	<u>7,683,681</u>
Total	<u>\$ 14,265,138</u>	<u>\$ 10,700,093</u>	<u>\$ 8,545,121</u>	<u>\$ 33,510,352</u>

Note 13 - 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, 2021, 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 2021, 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 14 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2021. The District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 47,908,023	\$ 13,712,431	\$ 2,819,706	\$ 6,471,691
CalPERS	20,690,209	4,063,485	157,612	4,578,108
Total	<u>\$ 68,598,232</u>	<u>\$ 17,775,916</u>	<u>\$ 2,977,318</u>	<u>\$ 11,049,799</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, 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, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	16.15%	16.15%
Required employer contribution rate	10.328%	10.328%
Required state contribution rate		

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, 2021, are presented above and the District's total contributions were \$4,379,959.

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

At June 30, 2021, 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	\$ 47,908,023
State's proportionate share of the net pension liability	<u>24,696,591</u>
Total	<u>\$ 72,604,614</u>

The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, respectively, was 0.0494 percent and 0.0483 percent, resulting in a net increase in the proportionate share of 0.0011 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$6,471,691. In addition, the District recognized pension expense and revenue of \$3,459,750 for support provided by the State. At June 30, 2021, 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	\$ 4,379,959	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,438,207	1,468,617
Differences between projected and actual earnings on pension plan investments	1,138,019	-
Differences between expected and actual experience in the measurement of the total pension liability	84,536	1,351,089
Changes of assumptions	4,671,710	-
Total	\$ 13,712,431	\$ 2,819,706

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
2022	\$ (694,413)
2023	387,744
2024	773,593
2025	671,095
Total	\$ 1,138,019

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
2022	\$ 1,262,950
2023	1,859,765
2024	1,616,099
2025	497,941
2026	32,131
Thereafter	105,861
Total	\$ 5,374,747

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, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each 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, 2020 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 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%)	\$ 72,382,349
Current discount rate (7.10%)	47,908,023
1% increase (8.10%)	27,701,020

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, 2019 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, 2021, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
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	20.70%	20.70%

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 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, 2021, are presented above and the total District contributions were \$1,853,498.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$20,690,209. The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, respectively, was 0.0674 percent and 0.0659 percent, resulting in a net increase in the proportionate share of 0.0015 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$4,578,108. At June 30, 2021, 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	\$ 1,853,498	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	677,239	157,612
Differences between projected and actual earnings on pension plan investments	430,705	-
Differences between expected and actual experience in the measurement of the total pension liability	1,026,171	-
Changes of assumptions	75,872	-
Total	\$ 4,063,485	\$ 157,612

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
2022	\$ (161,179)
2023	143,766
2024	249,888
2025	198,230
Total	\$ 430,705

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
2022	\$ 1,071,688
2023	478,554
2024	69,068
2025	2,360
Total	\$ 1,621,670

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, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 29,745,949
Current discount rate (7.15%)	20,690,209
1% increase (8.15%)	13,174,400

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, 2021, was \$80,971.

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 \$2,794,907 (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.

Note 15 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

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, 2021.

Note 16 - 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, 2021, the District made payments of \$373,527, \$1,046,754, \$443,113, \$4,879,736, and \$31,469 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 17 - Restatement of Prior Year Net Position and Fund Balance

As of July 1, 2020, the La Habra City School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. The following table describes the effects of the implementation on beginning fund balance/net position.

	Non-Major Governmental Funds	Total Governmental Funds
Beginning Fund Balance previously reported at June 30, 2020	\$ 5,047,040	\$ 16,297,189
Reclassification of student activity funds from agency funds to a special revenue fund	45,792	45,792
Fund Balance - Beginning as Restated at July 1, 2020	\$ 5,092,832	\$ 16,342,981
Government-Wide Financial Statements		
Beginning Government-Wide Net Position previously reported at June 30, 2020		\$ (35,904,006)
Reclassified student body funds from fiduciary fund to special revenue fund		45,792
Net Position - Beginning as Restated at July 1, 2020		\$ (35,858,214)



Required Supplementary Information
June 30, 2021

La Habra City School District

La Habra City School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 43,563,797	\$ 47,080,829	\$ 46,094,596	\$ (986,233)
Federal sources	2,805,653	12,200,582	8,490,340	(3,710,242)
Other State sources	5,231,172	10,598,058	9,213,087	(1,384,971)
Other local sources	2,583,032	3,055,072	3,944,324	889,252
Total revenues	<u>54,183,654</u>	<u>72,934,541</u>	<u>67,742,347</u>	<u>(5,192,194)</u>
Expenditures				
Current				
Certificated salaries	26,452,059	28,069,941	28,387,192	(317,251)
Classified salaries	9,537,927	9,760,371	10,154,746	(394,375)
Employee benefits	15,127,503	15,745,293	14,977,593	767,700
Books and supplies	1,749,866	4,271,031	3,211,064	1,059,967
Services and operating expenditures	4,151,478	5,046,692	5,327,169	(280,477)
Other outgo	674,138	726,514	756,094	(29,580)
Capital outlay	-	-	44,670	(44,670)
Debt service				
Debt service - principal	-	-	147,861	(147,861)
Debt service - interest and other	-	-	5,728	(5,728)
Total expenditures	<u>57,692,971</u>	<u>63,619,842</u>	<u>63,012,117</u>	<u>607,725</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,509,317)</u>	<u>9,314,699</u>	<u>4,730,230</u>	<u>(4,584,469)</u>
Other Financing Uses				
Transfers in	-	-	81,697	81,697
Transfers out	-	-	(401,558)	(401,558)
Net Change in Fund Balances	<u>(3,509,317)</u>	<u>9,314,699</u>	<u>4,410,369</u>	<u>(4,904,330)</u>
Fund Balance - Beginning	<u>9,854,769</u>	<u>9,854,769</u>	<u>9,854,769</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 6,345,452</u>	<u>\$ 19,169,468</u>	<u>\$ 14,265,138</u>	<u>\$ (4,904,330)</u>

La Habra City School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 871,690	\$ 868,381	\$ 891,273	\$ 867,419
Interest	454,279	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	1,122,162	209,123	(237,546)	-
Benefit payments	(546,969)	(363,361)	(322,639)	(310,230)
Net change in total OPEB liability	1,901,162	806,948	769,051	927,496
Total OPEB Liability - Beginning	12,817,028	12,010,080	11,241,029	10,313,533
Total OPEB Liability - Ending	\$ 14,718,190	\$ 12,817,028	\$ 12,010,080	\$ 11,241,029
Covered Payroll	N/A ¹	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	N/A ¹
Measurement Date	June 30, 2020	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.

La Habra City School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2021	2020	2019	2018
CalSTRS				
District's proportion of the net pension liability	0.0494%	0.0483%	0.0479%	0.0437%
Proportionate share of the net pension liability	\$ 47,908,023	\$ 43,635,769	\$ 44,011,390	\$ 40,417,059
State's proportionate share of the net pension liability	24,696,591	23,806,225	25,198,579	23,910,390
Total	\$ 72,604,614	\$ 67,441,994	\$ 69,209,969	\$ 64,327,449
Covered payroll	\$ 26,887,333	\$ 26,247,033	\$ 25,618,240	\$ 23,363,370
Proportionate share of the net pension liability as a percentage of its covered payroll	178%	166%	172%	173%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
CalPERS				
District's proportion of the net pension liability	0.0674%	0.0659%	0.0617%	0.0574%
Proportionate share of the net pension liability	\$ 20,690,209	\$ 19,203,306	\$ 16,453,052	\$ 13,700,543
Covered payroll	\$ 9,722,108	\$ 9,128,662	\$ 8,517,906	\$ 7,044,448
District's proportionate share of the net pension liability as a percentage of its covered payroll	213%	210%	193%	194%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

La Habra City School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
District's proportion of the net pension liability	<u>0.0467%</u>	<u>0.0435%</u>	<u>0.0484%</u>
Proportionate share of the net pension liability	<u>\$ 37,732,719</u>	<u>\$ 29,313,018</u>	<u>\$ 28,268,236</u>
State's proportionate share of the net pension liability	<u>21,480,564</u>	<u>15,503,335</u>	<u>17,069,582</u>
Total	<u>\$ 59,213,283</u>	<u>\$ 44,816,353</u>	<u>\$ 45,337,818</u>
Covered payroll	<u>\$ 23,238,500</u>	<u>\$ 21,616,160</u>	<u>19,893,845</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>162%</u>	<u>136%</u>	<u>142%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS			
District's proportion of the net pension liability	<u>0.0577%</u>	<u>0.0575%</u>	<u>0.0580%</u>
Proportionate share of the net pension liability	<u>\$ 11,391,499</u>	<u>\$ 8,468,284</u>	<u>\$ 6,588,218</u>
Covered payroll	<u>\$ 6,931,746</u>	<u>\$ 6,393,628</u>	<u>6,096,717</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>164%</u>	<u>132%</u>	<u>108%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

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

La Habra City School District
Schedule of the District Contributions
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
CalSTRS				
Contractually required contribution	\$ 4,379,959	\$ 4,597,734	\$ 4,273,017	\$ 3,696,712
Less contributions in relation to the contractually required contribution	<u>4,379,959</u>	<u>4,597,734</u>	<u>4,273,017</u>	<u>3,696,712</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 27,120,489</u>	<u>\$ 26,887,333</u>	<u>\$ 26,247,033</u>	<u>\$ 25,618,240</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>
CalPERS				
Contractually required contribution	\$ 1,853,498	\$ 1,917,297	\$ 1,648,819	\$ 1,322,916
Less contributions in relation to the contractually required contribution	<u>1,853,498</u>	<u>1,917,297</u>	<u>1,648,819</u>	<u>1,322,916</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 8,954,097</u>	<u>\$ 9,722,108</u>	<u>\$ 9,128,662</u>	<u>\$ 8,517,906</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>

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

La Habra City School District
Schedule of the District Contributions
Year Ended June 30, 2021

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Contractually required contribution	\$ 2,939,112	\$ 2,493,491	\$ 1,919,515
Less contributions in relation to the contractually required contribution	<u>2,939,112</u>	<u>2,493,491</u>	<u>1,919,515</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 23,363,370</u>	<u>\$ 23,238,500</u>	<u>\$ 21,616,160</u>
Contributions as a percentage of covered payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS			
Contractually required contribution	\$ 978,333	\$ 821,204	\$ 752,594
Less contributions in relation to the contractually required contribution	<u>978,333</u>	<u>821,204</u>	<u>752,594</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 7,044,448</u>	<u>\$ 6,931,746</u>	<u>\$ 6,393,628</u>
Contributions as a percentage of covered payroll	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

Note 1 - Purpose of Schedules

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

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

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

Schedule of Changes in the District's 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 3.50 percent for measurement period June 30, 2019 to 2.20 percent for measurement period June 30, 2020.

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, 2021

La Habra City School District

La Habra City School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of the Treasury			
Passed Through California Department of Education (CDE)			
COVID-19: Coronavirus Relief Fund: Learning Loss Mitigation	21.019	25516	<u>\$ 4,168,277</u>
Total U.S. Department of the Treasury			<u>4,168,277</u>
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	1,078,721
Title II, Part A, Supporting Effective Instruction	84.367	14341	97,956
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	93,909
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	960,376
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	647,059
COVID-19: CARES Act Supplemental Meal Reimbursement	84.425D	15535	58,099
COVID-19: Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	<u>297,627</u>
Subtotal			<u>1,963,161</u>
Passed through North Orange County SELPA			
Special Education Cluster (IDEA)			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,106,659
Preschool Grants, Part B, Sec 619	84.173	13430	<u>39,756</u>
Total Special Education Cluster (IDEA)			<u>1,146,415</u>
Total U.S. Department of Education			<u>4,380,162</u>
U.S. Department of Agriculture			
Passed Through CDE			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	1,040,729
Especially Needy Breakfast Program	10.553	13526	656,313
Meal Supplements	10.555	13755	56,488
Commodities	10.555	13396	<u>221,349</u>
Total Child Nutrition Cluster			<u>1,974,879</u>
Total U.S. Department of Agriculture			<u>1,974,879</u>
Total Federal Financial Assistance			<u>\$ 10,523,318</u>

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

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Adam Rogers	President	2022
Ms. Cynthia Aguirre	Vice President/Clerk	2022
Ms. Ofelia Hanson	Member	2024
Ms. Emily Pruitt	Member	2022
Ms. Sue Pritchard	Member	2024

ADMINISTRATION

Dr. Joanne Culverhouse	Superintendent
Dr. Mario Carlos	Associate Superintendent and 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

La Habra City School District
 Schedule of Instructional Time
 Year Ended June 30, 2021

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	-	-	180	Complied
Grades 1 - 3					
Grade 1	180	-	-	180	Complied
Grade 2	180	-	-	180	Complied
Grade 3	180	-	-	180	Complied
Grades 4 - 6					
Grade 4	180	-	-	180	Complied
Grade 5	180	-	-	180	Complied
Grade 6	180	-	-	180	Complied
Grades 7 - 8					
Grade 7	180	-	-	180	Complied
Grade 8	180	-	-	180	Complied

La Habra City School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2021

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements:

	<u>General Fund</u>
Fund Balance	
Balance, June 30, 2021, Unaudited Actuals	\$ 14,845,561
Decrease in	
Accounts receivable	<u>(580,423)</u>
Balance, June 30, 2021, Audited Financial Statements	<u><u>\$ 14,265,138</u></u>

La Habra City School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2021

	(Budget) 2022 ¹	2021	2020	2019
General Fund				
Revenues	\$ 64,075,583	\$ 67,742,347	\$ 60,041,979	\$ 61,113,138
Other sources	-	81,697	-	1,000,000
Total Revenues and Other Sources	64,075,583	67,824,044	60,041,979	62,113,138
Expenditures	64,657,193	63,012,117	60,627,992	61,055,620
Other uses and transfers out	350,000	401,558	21,069	28,489
Total Expenditures and Other Uses	65,007,193	63,413,675	60,649,061	61,084,109
Increase/(Decrease) in Fund Balance	(931,610)	4,410,369	(607,082)	1,029,029
Ending Fund Balance	\$ 13,333,528	\$ 14,265,138	\$ 9,854,769	\$ 10,461,851
Available Reserves ²	\$ 7,912,512	\$ 7,683,681	\$ 2,471,547	\$ 5,543,135
Available Reserves as a Percentage of Total Outgo ³	12.17%	12.12%	4.08%	9.41%
Long-Term Liabilities	N/A	\$ 128,699,221	\$ 109,779,573	\$ 106,746,533
K-12 Average Daily Attendance at P-2	4,327	4,450	4,450	4,426

The General Fund balance has increased by \$3,803,287 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$931,160 (6.3 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 surplus in two of the past three years, but anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term obligations have increased by \$21,952,688 over the past two years.

Average daily attendance has increased by 24 over the past two years. However, a decline of 123 ADA is anticipated during fiscal year 2021-2022.

¹ Budget 2022 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.

La Habra City School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
Assets				
Deposits and investments	\$ 50,468	\$ 179,429	\$ 252,541	\$ 3,642,595
Receivables	-	10,924	437,314	1,758
Due from other funds	-	-	3,822	-
Stores inventories	-	-	41,009	-
Total assets	<u>\$ 50,468</u>	<u>\$ 190,353</u>	<u>\$ 734,686</u>	<u>\$ 3,644,353</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 52,295	\$ 274,661	\$ 7,178
Due to other funds	-	28,907	25,304	8,000
Total liabilities	<u>-</u>	<u>81,202</u>	<u>299,965</u>	<u>15,178</u>
Fund Balances				
Nonspendable	-	-	90,105	-
Restricted	50,468	109,151	344,616	3,629,175
Assigned	-	-	-	-
Total fund balances	<u>50,468</u>	<u>109,151</u>	<u>434,721</u>	<u>3,629,175</u>
Total liabilities and fund balances	<u>\$ 50,468</u>	<u>\$ 190,353</u>	<u>\$ 734,686</u>	<u>\$ 3,644,353</u>

La Habra City School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
Assets			
Deposits and investments	\$ 1,404,590	\$ 2,914,578	\$ 8,444,201
Receivables	525	1,926	452,447
Due from other funds	-	-	3,822
Stores inventories	-	-	41,009
	<u>\$ 1,405,115</u>	<u>\$ 2,916,504</u>	<u>\$ 8,941,479</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 13	\$ -	\$ 334,147
Due to other funds	-	-	62,211
	<u>13</u>	<u>-</u>	<u>396,358</u>
Fund Balances			
Nonspendable	-	-	90,105
Restricted	-	2,916,504	7,049,914
Assigned	1,405,102	-	1,405,102
	<u>1,405,102</u>	<u>2,916,504</u>	<u>8,545,121</u>
Total liabilities and fund balances	<u>\$ 1,405,115</u>	<u>\$ 2,916,504</u>	<u>\$ 8,941,479</u>

La Habra City School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2021

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
Revenues				
Federal sources	\$ -	\$ -	\$ 2,032,978	\$ -
Other State sources	-	-	150,593	2,716,456
Other local sources	11,643	250,511	61,132	107,229
	<u>11,643</u>	<u>250,511</u>	<u>2,244,703</u>	<u>2,823,685</u>
Total revenues	<u>11,643</u>	<u>250,511</u>	<u>2,244,703</u>	<u>2,823,685</u>
Expenditures				
Current				
Pupil services				
Food services	-	-	2,675,376	-
Administration				
All other administration	-	20,103	-	-
Plant services	-	-	12,381	-
Ancillary services	6,967	-	-	-
Enterprise services	-	357,153	-	-
Facility acquisition and construction	-	-	-	123,343
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
	<u>6,967</u>	<u>377,256</u>	<u>2,687,757</u>	<u>123,343</u>
Total expenditures	<u>6,967</u>	<u>377,256</u>	<u>2,687,757</u>	<u>123,343</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,676</u>	<u>(126,745)</u>	<u>(443,054)</u>	<u>2,700,342</u>
Other Financing Sources (Uses)				
Transfers in	-	-	401,558	-
Other sources - premium from issuance of general obligation bond	-	-	-	-
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>401,558</u>	<u>-</u>
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>401,558</u>	<u>-</u>
Net Change in Fund Balances	4,676	(126,745)	(41,496)	2,700,342
Fund Balance - Beginning, as restated	<u>45,792</u>	<u>235,896</u>	<u>476,217</u>	<u>928,833</u>
Fund Balance - Ending	<u>\$ 50,468</u>	<u>\$ 109,151</u>	<u>\$ 434,721</u>	<u>\$ 3,629,175</u>

La Habra City School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2021

	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
Revenues			
Federal sources	\$ -	\$ -	\$ 2,032,978
Other State sources	-	15,698	2,882,747
Other local sources	307,737	2,663,401	3,401,653
Total revenues	<u>307,737</u>	<u>2,679,099</u>	<u>8,317,378</u>
Expenditures			
Current			
Pupil services			
Food services	-	-	2,675,376
Administration			
All other administration	-	-	20,103
Plant services	26,816	-	39,197
Ancillary services	-	-	6,967
Enterprise services	-	-	357,153
Facility acquisition and construction	14,239	-	137,582
Debt service			
Principal	-	1,690,000	1,690,000
Interest and other	-	846,167	846,167
Total expenditures	<u>41,055</u>	<u>2,536,167</u>	<u>5,772,545</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>266,682</u>	<u>142,932</u>	<u>2,544,833</u>
Other Financing Sources (Uses)			
Transfers in	-	-	401,558
Other sources - premium from issuance of general obligation bond	-	587,595	587,595
Transfers out	(81,697)	-	(81,697)
Net Financing Sources (Uses)	<u>(81,697)</u>	<u>587,595</u>	<u>907,456</u>
Net Change in Fund Balances	184,985	730,527	3,452,289
Fund Balance - Beginning, as restated	<u>1,220,117</u>	<u>2,185,977</u>	<u>5,092,832</u>
Fund Balance - Ending	<u>\$ 1,405,102</u>	<u>\$ 2,916,504</u>	<u>\$ 8,545,121</u>

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, 2021. 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, or changes in net position and fund balance of the District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, 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 Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Section 43504.

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 Balances.



Independent Auditor's Reports
June 30, 2021

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, as of and for the year then ended June 30, 2021, 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 January 20, 2022.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 and 17 to the financial statements, La Habra City School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs*, as item 2021-001, that we consider to be a material weakness.

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*.

La Habra City School District's Response to Findings

La Habra City School District's response to the finding identified in our audit is described in the accompanying *Schedule of Financial Statement Findings*. La Habra City School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Eide Sully LLP

Rancho Cucamonga, California
January 20, 2022



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 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, 2021. 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, 2021.

Report on Internal Control over Compliance

Management of La Habra City School District 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.

Eide Bailly LLP

Rancho Cucamonga, California
January 20, 2022



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 *2020-2021 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, 2021.

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 *2020-2021 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.

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:

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
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
K-3 Grade Span Adjustment	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
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	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	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	No, see below

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 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 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, in all material aspects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Sallee LLP

Rancho Cucamonga, California
January 20, 2022



Schedule of Findings and Questioned Costs
June 30, 2021

La Habra City School District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
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(a)	No

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing Federal CFDA Number
Special Education Cluster (IDEA)	84.027, 84.173
COVID-19: Coronavirus Relief Fund: Learning Loss Mitigation	21.019
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D
COVID-19: CARES Act Supplemental Meal Reimbursement	84.425D
COVID-19: Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C

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

The following finding represents a material weakness related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Controls

2021-001 30000

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure that the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting journal entries reclassifying journal entries, and conversion entries used in the preparation of the District's financial statements. Additionally, the District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

During the course of our engagement, we identified material misstatement of balances presented within the District's General Fund (Fund 01), as reported on the 2020-2021 unaudited financial statements. The description of the misstatement is as follows:

- The District over reported year-end accounts receivable in the amount of \$259,193. Specifically, the amount in question was associated with the State's Local Control Funding Formula (LCFF) revenue.
- The District over reported year-end accounts receivable in the amount of \$321,230. Specifically, the amount in question was associated with the state categorical funding related to Expanded Learning Opportunities (ELO) Grant revenue.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through inquiry with District personnel and through review of available District records related to balances reported in the District's 2020-2021 unaudited financial statements.

Effect

The effect of these errors resulted in a misstatement in the District's 2020-2021 unaudited financial statements. The District's General Fund's (Fund 01) ending fund balance was overstated by \$580,423 as of June 30, 2021.

Cause

The condition identified appears to be caused by changes in the accounting treatment of certain state program funding that was released near the year-end closing process that was not applied.

Repeat Finding

No.

Recommendation

In light of condition identified, the District should carefully monitor changes guidance related to accounting treatments of program and allocations of revenues during its annual year-end closing process. The District should implement a process to review all balances during its year-end closing process to determine the proper cut-off period for revenues.

Corrective Action Plan/Views of Responsible Officials

The District will implement an internal control system prior to final close to document all revenue allocations from State and Federal sources and review documented amounts in the unaudited financials for any possible changes.

None reported.

None reported.

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