Financial Statements
June 30, 2022

La Habra City School District

Schedule of Findings and Questioned Costs

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Governing Board
La Habra City School District
La Habra, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the La Habra City School District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the La Habra City School District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California

January 6, 2023

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, 2022, with comparative information for the year ending June 30, 2021. 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 and right-to-use leased 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, 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 the governmental fund financial statements.

THE DISTRICT AS A WHOLE

Net Position

The District's net position (deficit) was $(24,572,414) for the fiscal year ended June 30, 2022. Of this amount, $(56,011,173) 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	
	2022	2021 as restated
Assets		
Current and other assets	$ 41,541,025	$ 47,618,071
Capital assets	46,533,389	44,202,593
Total assets	88,074,414	91,820,664
Deferred outflows of resources	15,477,825	20,089,239
Liabilities		
Current liabilities	4,721,168	14,540,168
Long-term liabilities	93,111,104	129,104,765
Total liabilities	97,832,272	143,644,933
Deferred inflows of resources	30,292,381	3,476,941
Net Position		
Net investment in capital assets	16,947,403	17,482,741
Restricted	14,491,356	8,318,640
Unrestricted (deficit)	(56,011,173)	(61,013,352)
Total net position (deficit)	$ (24,572,414)	$ (35,211,971)

The $(56,011,173) in unrestricted deficit net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted deficit net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 8.2% ($(56,011,173) compared to ($(61,013,352)).

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 14. 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	
	2022	2021*
Revenues		
Program revenues		
Charges for services and sales	$ 799,179	$ 243,866
Operating grants and contributions	23,597,967	22,373,853
General revenues		
Federal and State aid not restricted	28,674,514	26,458,694
Property taxes	26,395,887	24,033,864
Other general revenues	(115,766)	3,657,295
Total revenues	79,351,781	76,767,572
Expenses		
Instruction-related	43,565,995	51,037,654
Pupil services	8,402,033	7,839,102
Administration	5,713,943	5,963,297
Plant services	6,314,817	6,385,590
All other services	4,715,436	4,895,686
Total expenses	68,712,224	76,121,329
Change in net position	$ 10,639,557	$ 646,243

*The revenues and expenses for fiscal year 2021 were not restated to show the effects of GASB Statement No. 87 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was $68,712,224. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $26,395,887 because the cost was paid by those who benefited from the programs ($799,179) or by other governments and organizations who subsidized certain programs with grants and contributions ($23,597,967). We paid for the remaining "public benefit" portion of our governmental activities with $28,558,748 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, 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	
	2022	2021*	2022	2021*
Instruction-related	$ 43,565,995	$ 51,037,654	$ (28,680,301)	$ (35,521,065)
Pupil services	8,402,033	7,839,102	(2,123,597)	(3,999,400)
Administration	5,713,943	5,963,297	(4,560,662)	(4,693,631)
Plant services	6,314,817	6,385,590	(4,938,551)	(5,602,791)
All other services	4,715,436	4,895,686	(4,011,967)	(3,686,723)
Total	$ 68,712,224	$ 76,121,329	$ (44,315,078)	$ (53,503,610)

*The total and net cost of services for fiscal year 2021 were not restated to show the effects of GASB No. 87 for comparative purposes.

Expenditures have understandably grown since the 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 resources for the social and emotional impacts from the pandemic.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $37,281,882, which is an increase of $3,771,530 from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity June 30, 2021	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2022
General Fund	$ 14,265,138	$ 74,130,283	$ 67,818,080	$ 20,577,341
Building Fund	10,700,093	(33,314)	4,443,086	6,223,693
Student Activity Fund	50,468	3,856	3,441	50,883
Child Development Fund	109,151	520,021	463,053	166,119
Cafeteria Fund	434,721	4,353,669	3,057,147	1,731,243
Capital Facilities Fund	3,629,175	228,476	111,477	3,746,174
Special Reserve Fund for Capital Outlay Projects	1,405,102	299,422	114,805	1,589,719
Bond Interest and Redemption Fund	2,916,504	3,188,575	2,908,369	3,196,710
Total	$ 33,510,352	$ 82,690,988	$ 78,919,458	$ 37,281,882

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 66.)

Revenue and expenditure revisions made to the 2021-22 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, RIGHT-TO-USE LEASED ASSET, AND DEBT ADMINISTRATION

Capital and Right-to-Use Leased Assets

At June 30, 2022, the District had $46,533,389 in a broad range of capital and right-to-use leased assets (net of depreciation and amortization expenses), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation and amortization expenses) of $2,330,796, or 5.3%, from last year (Table 5).

Table 5

	Governmental Activities	
	2022	2021 as restated
Land and construction in progress	$ 1,971,842	$ 1,208,840
Land improvements	6,566,947	5,000,002
Buildings and improvements	36,060,276	35,965,016
Furniture and equipment	1,682,017	1,691,526
Right-to-use leased assets	252,307	337,209
Total	$ 46,533,389	$ 44,202,593

Several capital projects are planned for the 2022-23 year. We anticipate capital additions to be $4 million for the 2022-2023 year.

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

At the end of this year, the District had $44,542,183 in long-term liabilities other than OPEB and pension versus $45,788,343 last year, a decrease of 2.7%. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2022	2021 as restated
Long-Term Liabilities		
General obligation bonds	$ 42,716,427	$ 43,851,207
Unamortized premium on issuance	955,084	1,038,381
Financed purchase agreements	46,661	73,989
Leases	249,843	337,209
Compensated absences	574,168	487,557
Total	$ 44,542,183	$ 45,788,343

OPEB and Pension Liabilities

At year-end, the District had a net OPEB liability of $13,330,998 versus $14,718,190 last year, and a decrease of $1,387,192, or 9.4%.

At year-end, the District had an aggregate net pension liability of $35,237,923 versus $68,598,232 last year, and a decrease of $33,360,309, or 48.6%.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2021-2022 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 2021-22 school year, The La Habra City School District was open for full in person learning. The District welcomed students back with a traditional school year and also provided an online option for those families who preferred to have their students learn at home. The District provided additional support staff and instructional time to mitigate learning loss and increased resources for social emotional support.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2022-2023 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 81.52%.
2. GAP funding of 100%.
3. Funded ADA of 4,398.

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.

	Governmental Activities
Assets	
Deposits and investments	$ 30,083,833
Receivables	11,243,182
Stores inventories	214,010
Capital assets not depreciated	1,971,842
Capital assets, net of accumulated depreciation	44,309,240
Right-to-use leased assets, net of accumulated amortization	252,307
Total assets	88,074,414
Deferred Outflows of Resources	
Deferred charge on refunding	416,880
Deferred outflows of resources related to Other Postemployment Benefits (OPEB)	1,535,752
Deferred outflows of resources related to pensions	13,525,193
Total deferred outflows of resources	15,477,825
Liabilities	
Accounts payable	3,934,462
Interest payable	462,025
Unearned revenue	324,681
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	2,500,089
Long-term liabilities other than OPEB and pensions due in more than one year	42,042,094
Net OPEB liability	13,330,998
Aggregate net pension liability	35,237,923
Total liabilities	97,832,272
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	2,807,941
Deferred inflows of resources related to pensions	27,484,440
Total deferred inflows of resources	30,292,381
Net Position	
Net investment in capital assets	16,947,403
Restricted for	
Debt service	2,734,685
Capital projects	5,335,893
Educational programs	4,582,641
Other activities	1,838,137
Unrestricted (deficit)	(56,011,173)
Total net position (deficit)	$ (24,572,414)

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 35,738,590	$ 15,218	$ 12,431,838	$ (23,291,534)
Instruction-related activities				
Supervision of instruction	2,861,201	22,378	1,577,855	(1,260,968)
Instructional library, media, and technology	815,040	-	344,458	(470,582)
School site administration	4,151,164	4,804	489,143	(3,657,217)
Pupil services				
Home-to-school transportation	996,031	-	106,383	(889,648)
Food services	2,934,384	574	4,047,316	1,113,506
All other pupil services	4,471,618	13,441	2,110,722	(2,347,455)
Administration				
Data processing	1,716,960	-	226,160	(1,490,800)
All other administration	3,996,983	5,245	921,876	(3,069,862)
Plant services	6,314,817	419,295	956,971	(4,938,551)
Ancillary services	3,441	-	3,857	416
Enterprise services	447,147	42,472	20,050	(384,625)
Interest on long-term liabilities	1,775,604	-	-	(1,775,604)
Other outgo	746,138	275,752	361,338	(109,048)
Depreciation (unallocated) [1]	1,743,106	-	-	(1,743,106)
Total governmental activities	$ 68,712,224	$ 799,179	$ 23,597,967	(44,315,078)
General Revenues and Subventions				
Property taxes, levied for general purposes				22,901,727
Property taxes, levied for debt service				3,178,764
Taxes levied for other specific purposes				315,396
Federal and State aid not restricted to specific purposes				28,674,514
Interest and investment earnings				(181,588)
Miscellaneous				65,822
Subtotal, general revenues and subventions				54,954,635
Change in Net Position				10,639,557
Net Position - Beginning, as restated				(35,211,971)
Net Position - Ending				$ (24,572,414)

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	$ 13,638,672	$ 6,736,852	$ 9,708,309	$ 30,083,833
Receivables	10,194,618	4,043	1,044,521	11,243,182
Due from other funds	119,120	-	3,513	122,633
Stores inventories	152,998	-	61,012	214,010
Total assets	$ 24,105,408	$ 6,740,895	$ 10,817,355	$ 41,663,658
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 3,199,873	$ 502,349	$ 232,240	$ 3,934,462
Due to other funds	3,513	14,853	104,267	122,633
Unearned revenue	324,681	-	-	324,681
Total liabilities	3,528,067	517,202	336,507	4,381,776
Fund Balances				
Nonspendable	177,998	-	110,108	288,106
Restricted	4,582,641	6,223,693	10,370,740	21,177,074
Assigned	9,931,573	-	-	9,931,573
Unassigned	5,885,129	-	-	5,885,129
Total fund balances	20,577,341	6,223,693	10,480,848	37,281,882
Total liabilities and fund balances	$ 24,105,408	$ 6,740,895	$ 10,817,355	$ 41,663,658

Total Fund Balance - Governmental Funds		$ 37,281,882
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	$ 82,295,686	
Accumulated depreciation is	(36,014,604)	
Net capital assets		46,281,082
Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of right-to-use leased assets is	337,209	
Accumulated amortization is	(84,902)	
Net right-to-use leased assets		252,307
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.		(462,025)
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	416,880	
Net other postemployment benefits (OPEB) liability	1,535,752	
Aggregate net pension liability	13,525,193	
Total deferred outflows of resources		15,477,825
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		
Net OPEB liability	(2,807,941)	
Aggregate net pension liability	(27,484,440)	
Total deferred inflows of resources		(30,292,381)

Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (35,237,923)
The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(13,330,998)
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	$ (34,974,971)	
Unamortized premium on issuance of general obligation bonds	(955,084)	
Financed purchase agreements	(46,661)	
Leases	(249,843)	
Compensated absences (vacations)	(574,168)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(7,741,456)	
Total long-term liabilities		(44,542,183)
Total net position - governmental activities		$ (24,572,414)

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	$ 50,420,418	$ -	$ -	$ 50,420,418
Federal sources	10,206,613	-	3,702,177	13,908,790
Other State sources	9,807,359	-	231,303	10,038,662
Other local sources	3,606,400	(33,314)	4,210,539	7,783,625
Total revenues	74,040,790	(33,314)	8,144,019	82,151,495
Expenditures				
Current				
Instruction	40,003,185	-	-	40,003,185
Instruction-related activities				
Supervision of instruction	3,229,153	-	-	3,229,153
Instructional library, media, and technology	854,168	-	-	854,168
School site administration	4,493,805	-	-	4,493,805
Pupil services				
Home-to-school transportation	1,219,531	-	-	1,219,531
Food services	12,983	-	3,034,946	3,047,929
All other pupil services	4,768,053	-	-	4,768,053
Administration				
Data processing	1,805,210	-	-	1,805,210
All other administration	4,197,535	-	-	4,197,535
Plant services	6,009,723	-	20,053	6,029,776
Ancillary services	-	-	3,441	3,441
Other outgo	746,138	-	-	746,138
Enterprise services	-	-	463,053	463,053
Facility acquisition and construction	20,845	4,434,561	28,673	4,484,079
Debt service				
Principal	7,556	-	1,942,138	1,949,694
Interest and other	195	8,525	1,076,495	1,085,215
Total expenditures	67,368,080	4,443,086	6,568,799	78,379,965
Excess (Deficiency) of Revenues Over Expenditures	6,672,710	(4,476,400)	1,575,220	3,771,530
Other Financing Sources (Uses)				
Transfers in	89,493	-	450,000	539,493
Transfers out	(450,000)	-	(89,493)	(539,493)
Net Financing Sources (Uses)	(360,507)	-	360,507	-
Net Change in Fund Balances	6,312,203	(4,476,400)	1,935,727	3,771,530
Fund Balance - Beginning	14,265,138	10,700,093	8,545,121	33,510,352
Fund Balance - Ending	$ 20,577,341	$ 6,223,693	$ 10,480,848	$ 37,281,882

Total Net Change in Fund Balances - Governmental Funds		$ 3,771,530
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expenses in the Statement of Activities.		
This is the amount by which capital outlay exceed depreciation and amortization expenses in the period.		
Capital outlay	$ 4,158,804	
Depreciation and amortization expenses	(1,828,008)	
Net expense adjustment		2,330,796
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 $86,611.		(86,611)
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 net pension liability during the year.		4,602,464
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.		(1,237,927)
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		1,835,000
Finance purchase agreements		27,328
Leases		87,366

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	$	83,297
Amortization of deferred charge on refunding		(43,890)
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 $29,576, and second, $700,220 of accumulated interest was accreted on the District's capital appreciation general obligation bonds.		(729,796)
Change in net position of governmental activities	$	10,639,557

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.

One fund currently defined as special revenue funds in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund function effectively as extensions of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects a decrease in fund balance of $1.

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*. 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 and proprietary 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 it collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal yearend: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Investments

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

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

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 for cashflow needs. This liability was offset with cash deposits in the County Treasurer, which were 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, leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts 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.

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.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The net OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Leases

The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

Fund Balances - Governmental Funds

As of June 30, 2022, 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 $14,491,356 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 column 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

Implementation of GASB Statement No. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The standard requires 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. The effect of the implementation of this standard on beginning net position is disclosed in Note 17 and the additional disclosures required by this standard are included in Notes 1, 5, and 10.

Implementation of GASB Statement No. 92

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

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73*, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

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

The provisions of this Statement have been implemented as of June 30, 2022.

Implementation of GASB Statement No. 93

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

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

The provisions of this Statement have been implemented as of June 30, 2022.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Governmental funds	$ 30,083,833

Deposits and investments as of June 30, 2022, consist of the following:

Cash on hand and in banks	$ 50,883
Cash in revolving	74,096
Investments	29,958,854
Total deposits and investments	$ 30,083,833

Policies and Practices

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

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

General Authorizations

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

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

Investments Authorized Under Debt Agreement

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

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Orange County Treasury Investment Pool and the California Domestic Water Company are not required to be rated, nor have been rated as of June 30, 2022.

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	$ 29,600,729	375
California Domestic Water Company	358,125	N/A
Total	$ 29,958,854	

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, 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, 2022:

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	29,600,729	
Total investments	$ 29,958,854	

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

Note 4 - Receivables

Receivables at June 30, 2022, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	$ 8,431,712	$ -	$ 931,798	$ 9,363,510
State Government				
LCFF apportionment	279,837	-	-	279,837
Categorical aid	990,427	-	60,189	1,050,616
Lottery	264,098	-	-	264,098
Local Government				
Interest	5,340	4,043	6,102	15,485
Other local sources	223,204	-	46,432	269,636
Total	$ 10,194,618	$ 4,043	$ 1,044,521	$ 11,243,182

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021 as restated	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	$ 1,208,840	$ -	$ -	$ 1,208,840
Construction in progress	-	763,002	-	763,002
Total capital assets not being depreciated	1,208,840	763,002	-	1,971,842
Capital assets being depreciated				
Land improvements	10,714,373	1,921,707	-	12,636,080
Buildings and improvements	58,324,354	1,215,923	-	59,540,277
Furniture and equipment	7,889,315	258,172	-	8,147,487
Total capital assets being depreciated	76,928,042	3,395,802	-	80,323,844
Total capital assets	78,136,882	4,158,804	-	82,295,686
Accumulated depreciation				
Land improvements	(5,714,371)	(354,762)	-	(6,069,133)
Buildings and improvements	(22,359,338)	(1,120,663)	-	(23,480,001)
Furniture and equipment	(6,197,789)	(267,681)	-	(6,465,470)
Total accumulated depreciation	(34,271,498)	(1,743,106)	-	(36,014,604)
Net depreciable capital assets	42,656,544	1,652,696	-	44,309,240
Right-to-use leased assets being amortized				
Buildings and improvements	331,932	-	-	331,932
Furniture and equipment	5,277	-	-	5,277
Total right-to-use leased assets being amortized	337,209	-	-	337,209
Accumulated amortization				
Buildings and improvements	-	(82,983)	-	(82,983)
Furniture and equipment	-	(1,919)	-	(1,919)
Total accumulated amortization	-	(84,902)	-	(84,902)
Net right-to-use leased assets	337,209	(84,902)	-	252,307
Governmental activities capital assets and right-to-use leased assets, net	$ 44,202,593	$ 2,330,796	$ -	$ 46,533,389

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

Governmental Activities	
Plant services	$ 84,902
Unallocated	1,743,106
Total depreciation and amortization expense	$ 1,828,008

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2022, between major and non-major governmental funds, are as follows:

	Due From			
Due To	General Fund	Building Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 14,853	$ 104,267	$ 119,120
Non-Major Governmental Funds	3,513	-	-	3,513
Total	$ 3,513	$ 14,853	$ 104,267	$ 122,633

The balance of $3,513 is due from the General Fund to the Cafeteria Non-Major Governmental Fund for reimbursement of expenditures relating to EBT administrative costs.

The balance of $14,853 is due from the Building Fund to the General Fund for reimbursement of payroll expenditures.

The balance of $20,544 is due from the Child Development Non-Major Governmental Fund to the General Fund for payroll, benefits, and other operating expenditures.

The balance of $83,723 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for payroll, benefits, and other operating expenditures.

Operating Transfers

Interfund transfers for the year ended June 30, 2022, consisted of the following:

	Transfer From		
Transfer To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 89,493	$ 89,493
Non-Major Governmental Funds	450,000	-	450,000
Total	$ 450,000	$ 89,493	$ 539,493

The General Fund transferred $450,000 to the Cafeteria Non-Major Governmental Fund for operating contribution.

The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred $89,493 to the General Fund for reimbursement of expenditures.

Note 7 - Accounts Payable

Accounts payable at June 30, 2022, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Salaries and benefits	$ 1,778,148	$ 18,416	$ 172,808	$ 1,969,372
Supplies and services	842,641	387,108	59,432	1,289,181
Capital outlay	-	96,825	-	96,825
Due to OCDE	522,331	-	-	522,331
Other vendor payables	56,753	-	-	56,753
Total	$ 3,199,873	$ 502,349	$ 232,240	$ 3,934,462

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2022, consisted of the following:

	General Fund
Federal financial assistance	$ 146,955
State categorical aid	177,726
Total	$ 324,681

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 required installments to be paid with interest by October 31, 2021. Interest on the loan accrued at a rate of 0.739%. At June 30, 2022, the District has fully repaid the loan.

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, 2021 as restated	Additions	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 43,851,207	$ 700,220	$ (1,835,000)	$ 42,716,427	$ 2,395,000
Unamortized premium on issuance	1,038,381	-	(83,297)	955,084	-
Financed purchase agreements	73,989		(27,328)	46,661	22,640
Leases	337,209	-	(87,366)	249,843	82,449
Compensated absences	487,557	86,611	-	574,168	-
Total	$ 45,788,343	$ 786,831	$ (2,032,991)	$ 44,542,183	$ 2,500,089

Payments on the General Obligation Bonds will be made by the Bond Interest and Redemption Fund. Payments for the financed purchase agreements are made from the General Fund and the Special Reserve Fund for Capital Outlay Projects. Leases are paid by the General Fund and the Capital Facilities 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, 2021	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2022
8/1/2000	8/1/2025	3.90-5.35%	$ 11,046,713	$ 4,317,636	$ -	$ 340,531	$ -	$ 4,658,167
8/2/2001	8/1/2026	3.00-5.25%	2,267,884	1,084,853	-	77,807	(220,000)	942,660
8/1/2002	8/1/2027	3.35-5.98%	2,684,699	4,848,718	-	281,882	(320,000)	4,810,600
12/13/2012	8/1/2038	2.00-5.11%	6,495,425	2,345,000	-	-	(20,000)	2,325,000
12/17/2014	8/1/2021	3.00-5.00%	5,135,000	805,000	-	-	(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	3,235,000	-	-	(470,000)	2,765,000
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
				$ 43,851,207	$ -	$ 700,220	$ (1,835,000)	$ 42,716,427

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%. 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, 2022, the principal balance outstanding of the 2000 General Obligation Bonds, Series A was $4,658,167.

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%. 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, 2022, the principal balance outstanding of the 2000 General Obligation Bonds, Series 2001A was $942,660.

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%. 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, 2022, the principal balance outstanding of the 2000 General Obligation Bonds, Series 2002A was $4,810,600.

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%. 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, 2022, the principal balance outstanding of the 2012 General Obligation Bonds, 2012 Series A was $2,325,000.

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%. 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, 2022, the bonds were fully defeased.

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%. 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, 2022, the principal balance outstanding of the 2012 General Obligation Bonds, 2015 Series B was $3,650,000.

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%. 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, 2022, the principal balance outstanding of the 2012 General Obligation Bonds, 2017 Series C was $2,765,000.

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 2.00 to 5.00%. 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, 2022, the principal balance outstanding of the 2012 General Obligation Bonds, 2017 Series D was $5,205,000.

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%. 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, 2022, the principal balance outstanding of the General Obligation Refunding Bonds, 2019 Series A was $6,505,000.

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%. 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, 2022, the principal balance outstanding of the 2012 General Obligation Bonds, Series E was $11,855,000.

The bonds mature through 2046 as follows:

Fiscal Year	Principal Inlcuding Accreted Interest to Date	Accreted Interest	Interest to Maturity	Total
2023	$ 2,328,524	$ 66,476	$ 1,099,210	$ 3,494,210
2024	2,029,587	200,413	1,085,060	3,315,060
2025	2,039,852	340,148	1,075,017	3,455,017
2026	2,055,371	484,629	1,062,742	3,602,742
2027	2,147,747	537,253	1,047,310	3,732,310
2028-2032	6,080,346	654,654	4,906,735	11,641,735
2033-2037	7,275,000	-	3,969,281	11,244,281
2038-2042	10,095,000	-	2,294,775	12,389,775
2043-2046	8,665,000	-	466,375	9,131,375
Total	$ 42,716,427	$ 2,283,573	$ 17,006,505	$ 62,006,505

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to $574,168.

Financed Purchase Agreements

The District has entered into agreements to finance the purchase of equipment. The annual interest rates charged on the agreements range from 5.45% - 5.94%. At June 30, 2022, the principal balance outstanding was $46,661. The finance purchase agreements mature through 2024 as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 22,640	$ 2,161	$ 24,801
2024	24,021	779	24,800
Total	$ 46,661	$ 2,940	$ 49,601

Leases

The District has entered into agreements to lease various facilities and equipment. As of June 30, 2022, the District recognized right-to-use assets of $252,307 and a lease liability of $249,843 related to these agreements. The District is required to make principal and interest payments through October 2024. The lease agreements have an interest rate of 2.00%.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 82,449	$ 4,983	$ 87,432
2024	83,606	3,333	86,939
2025	83,788	1,676	85,464
Total	$ 249,843	$ 9,992	$ 259,835

Note 11 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2022, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	$ 13,033,789	$ 1,535,752	$ 2,807,941	$ 1,939,502
Medicare Premium Payment (MPP) Program	297,209	-	-	297,209
Total	$ 13,330,998	$ 1,535,752	$ 2,807,941	$ 2,236,711

The details of each plan are as follows:

District Plan

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, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	30
Active employees	337
Total	367

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, 2021, the District paid $632,893 in benefits. The amount paid by the District for OPEB as benefits come due subsequent to measurement date was $365,891.

Total OPEB Liability of the District

The District's total OPEB liability of $13,033,789 was measured as of June 30, 2021. The total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as June 30, 2021.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% for 2021
Salary increases	2.75%, average, including inflation
Discount rate	2.16% for 2021
Healthcare cost trend rates	4.00%

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous and Schools Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period July 1, 2020 to June 30, 2021.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2020	$ 14,718,190
Service cost	1,131,123
Interest	329,281
Differences between expected and actual experience in the measurement of the total OPEB liability	(2,562,715)
Changes of assumptions	50,803
Benefit payments	(632,893)
Net change in total OPEB liability	(1,684,401)
Balance, June 30, 2021 (Measurement Date)	$ 13,033,789

There were no changes to the benefit terms.

Changes of assumptions reflect a change in the discount rate from 2.20% in 2021 to 2.16% in 2022 and a change in the inflation rate from 2.63% in 2021 to 2.50% in 2022.

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 (1.16%)	$ 13,908,654
Current discount rate (2.16%)	13,033,789
1% increase (3.16%)	12,179,990

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%)	$ 11,586,551
Current healthcare cost trend rate (4.0%)	13,033,789
1% increase (5.0%)	14,722,939

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

For the year ended June 30, 2022, the District recognized OPEB expense of $1,939,502. At June 30, 2022, 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	$ 365,891	$ -
Differences between expected and actual experience in the measurement of the total OPEB liability	-	2,646,411
Changes of assumptions	1,169,861	161,530
Total	$ 1,535,752	$ 2,807,941

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the subsequent fiscal year. The remaining deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ (153,795)
2024	(153,795)
2025	(153,795)
2026	(153,795)
2027	(153,795)
Thereafter	(869,105)
Total	$ (1,638,080)

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2022, the District reported a liability of $297,209 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.0745%, and 0.0749%, resulting in a net decrease in the proportionate share of 0.0004%.

For the year ended June 30, 2022, the District recognized OPEB expense of $297,209.

Actuarial Methods and Assumptions

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2020	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018	June 30, 2014 through June 30,2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.16%	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2020, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population (152,062).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021, is 2.16%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (1.16%)	$ 327,606
Current discount rate (2.16%)	297,209
1% increase (3.16%)	271,238

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	$ 270,277
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	297,209
1% increase (5.50% Part A and 6.40% Part B)	328,086

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	152,998	-	61,012	214,010
Total nonspendable	177,998	-	110,108	288,106
Restricted				
Legally restricted programs	4,582,641	-	217,002	4,799,643
Food service	-	-	1,621,135	1,621,135
Capital projects	-	6,223,693	5,335,893	11,559,586
Debt services	-	-	3,196,710	3,196,710
Total restricted	4,582,641	6,223,693	10,370,740	21,177,074
Assigned				
Other	9,931,573	-	-	9,931,573
Unassigned				
Reserve for economic uncertainties	2,021,042	-	-	2,021,042
Remaining unassigned	3,864,087	-	-	3,864,087
Total unassigned	5,885,129	-	-	5,885,129
Total	$ 20,577,341	$ 6,223,693	$ 10,480,848	$ 37,281,882

Note 13 - Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2022, 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 2022, 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, 2022, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 22,558,953	$ 10,601,997	$ 21,392,130	$ 1,203,850
CalPERS	12,678,970	2,923,196	6,092,310	1,361,028
Total	$ 35,237,923	$ 13,525,193	$ 27,484,440	$ 2,564,878

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, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were $4,870,062.

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

At June 30, 2022, 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	$ 22,558,953
State’s proportionate share of the net pension liability	11,350,790
Total	$ 33,909,743

The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, respectively, was 0.0496% and 0.0494%, resulting in a net increase in the proportionate share of 0.0002%.

For the year ended June 30, 2022, the District recognized pension expense of $1,203,850. In addition, the District recognized pension expense and revenue of $388,353 for support provided by the State. At June 30, 2022, 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	$ 4,870,062	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,479,060	1,146,674
Differences between projected and actual earnings on pension plan investments	-	17,844,713
Differences between expected and actual experience in the measurement of the total pension liability	56,511	2,400,743
Changes of assumptions	3,196,364	-
Total	$ 10,601,997	$ 21,392,130

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

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

Year Ended June 30,	Deferred Inflows of Resources
2023	$ (4,531,487)
2024	(4,144,831)
2025	(4,247,690)
2026	(4,920,705)
Total	$ (17,844,713)

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
2023	$1,541,392
2024	1,297,465
2025	175,111
2026	(290,548)
2027	(216,492)
Thereafter	(322,410)
Total	$ 2,184,518

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, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2021, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 45,921,954
Current discount rate (7.10%)	22,558,953
1% increase (8.10%)	3,168,108

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, 2020 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, 2022, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	22.910%	22.910%

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, 2022, are presented above and the total District contributions were $2,297,280.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $12,678,970. The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, respectively, was 0.0624% and 0.0674%, resulting in a net decrease in the proportionate share of 0.0050%.

For the year ended June 30, 2022, the District recognized pension expense of $1,361,028. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,297,280	$ -
Change in proportion and differences between contributions made and District’s proportionate share of contributions	247,416	1,196,609
Differences between projected and actual earnings on pension plan investments	-	4,865,811
Differences between expected and actual experience in the measurement of the total pension liability	378,500	29,890
Total	$ 2,923,196	$ 6,092,310

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

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

Year Ended June 30,	Deferred Inflows of Resources
2023	$ (1,220,341)
2024	(1,122,214)
2025	(1,169,980)
2026	(1,353,276)
Total	$ (4,865,811)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ 94,414
2024	(299,470)
2025	(359,406)
2026	(36,121)
Total	$ (600,583)

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, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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% of scale MP-2016.

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 21,378,524
Current discount rate (7.15%)	12,678,970
1% increase (8.15%)	5,456,474

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% of an employee's gross earnings. An employee is required to contribute 3.75% of his or her gross earnings to the pension plan. The District's contributions to PARS for fiscal year ending June 30, 2022, was $108,637.

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 $3,188,067 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Note 15 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

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, 2022.

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, and Self-Insured Schools of California 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, 2022, the District made payments of $376,720, $1,130,600, and $5,706,767, to the Northern Orange County Liability and Property Self-Insurance Authority, Northern Orange County Self-Funded Workers' Compensation Insurance Agency, and Self-Insured Schools of California, respectively, for its property liability, workers' compensation, and health and welfare insurance premiums.

Note 17 - Adoption of New Accounting Standard-Restatement of Prior Year Net Position and Fund Balance

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The Statement requires 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. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

Government-Wide Financial Statements	
Net Position - Beginning	$ (35,211,971)
Right-to-use intangible asset, net of amortization	337,209
Lease liability	(337,209)
Net Position - Beginning as Restated	$ (35,211,971)

Required Supplementary Information
June 30, 2022

La Habra City School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$48,680,671	$50,157,481	$ 50,420,418	$ 262,937
Federal sources	6,775,889	11,574,348	10,206,613	(1,367,735)
Other State sources	5,493,253	9,639,655	9,807,359	167,704
Other local sources	3,125,770	3,782,137	3,606,400	(175,737)
Total revenues [1]	64,075,583	75,153,621	74,040,790	(1,112,831)
Expenditures				
Current				
Certificated salaries	27,917,568	29,391,135	28,762,234	628,901
Classified salaries	10,178,579	11,288,393	11,905,350	(616,957)
Employee benefits	16,662,782	17,301,852	17,018,640	283,212
Books and supplies	4,504,275	4,353,196	2,484,823	1,868,373
Services and operating expenditures	4,917,475	5,446,750	6,267,283	(820,533)
Other outgo	476,514	500,494	744,169	(243,675)
Capital outlay	-	261,597	177,830	83,767
Debt service				
Debt service - principal	-	-	7,556	(7,556)
Debt service - interest and other	-	-	195	(195)
Total expenditures [1]	64,657,193	68,543,417	67,368,080	1,175,337
Excess (Deficiency) of Revenues Over Expenditures	(581,610)	6,610,204	6,672,710	62,506
Other Financing Sources (Uses)				
Transfers in	-	29,314	89,493	60,179
Transfers out	(350,000)	(378,470)	(450,000)	(71,530)
Net financing sources (uses)	(350,000)	(349,156)	(360,507)	(11,351)
Net Change in Fund Balances	(931,610)	6,261,048	6,312,203	51,155
Fund Balance - Beginning	14,265,138	14,265,138	14,265,138	-
Fund Balance - Ending	$ 13,333,528	$ 20,526,186	$ 20,577,341	$ 51,155

[1] Due to the consolidation of Fund 14, Deferred Maintenance Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures; however, are not included in the original and final General Fund budgets.

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 1,131,123	$ 871,690	$ 868,381	$ 891,273	$ 867,419
Interest	329,281	454,279	465,978	437,963	370,307
Differences between expected and actual experience in the measurement of the total OPEB liability	(2,562,715)	-	(373,173)	-	-
Changes of assumptions	50,803	1,122,162	209,123	(237,546)	-
Benefit payments	(632,893)	(546,969)	(363,361)	(322,639)	(310,230)
Net change in total OPEB liability	(1,684,401)	1,901,162	806,948	769,051	927,496
Total OPEB Liability - Beginning	14,718,190	12,817,028	12,010,080	11,241,029	10,313,533
Total OPEB Liability - Ending	$ 13,033,789	$ 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]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2021	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.

Year ended June 30,	2022
Proportion of the net OPEB liability	0.0745%
Proportionate share of the net OPEB liability	$ 297,209
Covered payroll	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.80%
Measurement Date	June 30, 2021

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

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

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
District's proportion of the net pension liability	0.0496%	0.0494%	0.0483%	0.0479%	0.0437%	0.0467%	0.0435%	0.0484%
Proportionate share of the net pension liability	$ 22,558,953	$ 47,908,023	$ 43,635,769	$ 44,011,390	$ 40,417,059	$ 37,732,719	$ 29,313,018	$ 28,268,236
State's proportionate share of the net pension liability	11,350,790	24,696,591	23,806,225	25,198,579	23,910,390	21,480,564	15,503,335	17,069,582
Total	$ 33,909,743	$ 72,604,614	$ 67,441,994	$ 69,209,969	$ 64,327,449	$ 59,213,283	$ 44,816,353	$ 45,337,818
Covered payroll	$ 27,120,489	$ 26,887,333	$ 26,247,033	$ 25,618,240	$ 23,363,370	$ 23,238,500	$ 21,616,160	19,893,845
Proportionate share of the net pension liability as a percentage of its covered payroll	83%	178%	166%	172%	173%	162%	136%	142%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS								
District's proportion of the net pension liability	0.0624%	0.0674%	0.0659%	0.0617%	0.0574%	0.0577%	0.0575%	0.0580%
Proportionate share of the net pension liability	$ 12,678,970	$ 20,690,209	$ 19,203,306	$ 16,453,052	$ 13,700,543	$ 11,391,499	$ 8,468,284	$ 6,588,218
Covered payroll	$ 8,954,097	$ 9,722,108	$ 9,128,662	$ 8,517,906	$ 7,044,448	$ 6,931,746	$ 6,393,628	6,096,717
District's proportionate share of the net pension liability as a percentage of its covered payroll	142%	213%	210%	193%	194%	164%	132%	108%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Contractually required contribution	$ 4,870,062	$ 4,379,959	$ 4,597,734	$ 4,273,017	$ 3,696,712	$ 2,939,112	$ 2,493,491	$ 1,919,515
Less contributions in relation to the contractually required contribution	4,870,062	4,379,959	4,597,734	4,273,017	3,696,712	2,939,112	2,493,491	1,919,515
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 28,782,872	$ 27,120,489	$ 26,887,333	$ 26,247,033	$ 25,618,240	$ 23,363,370	$ 23,238,500	$ 21,616,160
Contributions as a percentage of covered payroll	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS								
Contractually required contribution	$ 2,297,280	$ 1,853,498	$ 1,917,297	$ 1,648,819	$ 1,322,916	$ 978,333	$ 821,204	$ 752,594
Less contributions in relation to the contractually required contribution	2,297,280	1,853,498	1,917,297	1,648,819	1,322,916	978,333	821,204	752,594
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 10,027,412	$ 8,954,097	$ 9,722,108	$ 9,128,662	$ 8,517,906	$ 7,044,448	$ 6,931,746	$ 6,393,628
Contributions as a percentage of covered payroll	22.910%	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedules

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United 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 assumption was changed from 2.20% in 2021 to 2.16% in 2022 and the inflation rate assumption was changed from 2.63% in 2021 to 2.50% in 2022.

Schedule of the District’s Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District’s proportionate share of the net OPEB Liability – MPP Program and the plans’ fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.21% to 2.16% since the previous valuation.

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

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

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

Schedule of the District's Contributions

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

Supplementary Information
June 30, 2022

La Habra City School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Finanical Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 1,256,757
Title II, Part A, Supporting Effective Instruction	84.367	14341	199,746
Title III, English Learner Student Program	84.365	14346	31,026
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	87,419
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	85
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	2,704,341
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	3,355,164
COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D	15618	475,777
COVID-19: Expanded Learning Opportunities (ELO) Grant: GEER II	84.425C	15619	109,195
COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve: Emergency Needs	84.425U	15620	310,151
COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve: Learning Loss	84.425U	15621	534,647
Subtotal			7,489,360
Passed through North Orange County SELPA			
Special Education Cluster (IDEA)			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,090,129
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	7,610
Subtotal			1,097,739
Preschool Grants, Part B, Sec 619	84.173	13430	41,503
Total Special Education Cluster (IDEA)			1,139,242
Total U.S. Department of Education			10,203,550

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Finanical Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through CDE			
Child Nutrition Cluster			
National School Lunch Program, Section 4	10.555	13523	$ 224,519
National School Lunch Program, Section 11	10.555	13524	2,148,346
Meal Supplements	10.555	13755	68,350
COVID-19: SNP COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.555	15637	225,864
Commodities	10.555	13524	202,629
Subtotal			2,869,708
Especially Needy Breakfast Program	10.553	13526	832,469
Total Child Nutrition Cluster			3,702,177
COVID-19: Pandemic EBT Local Administrative Grant	10.649	15644	3,063
Total U.S. Department of Agriculture			3,705,240
Total Federal Financial Assistance			$ 13,908,790

ORGANIZATION

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

GOVERNING BOARD

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

ADMINISTRATION

Dr. Mario Carlos	Superintendent
Dr. Sheryl Tecker	Associate Superintendent of Human Resources
Ms. Christeen Betz	Chief Business Official
Dr. Marcie Pool	Assistant Superintendent of Education Services
Dr. Cammie Nguyen	Assistant Superintendent of Special Education and Student Services
Mr. David Soto	Chief Technology/Public Information Officer

	Final Report		As Adjusted per Audit	
	Second Period Report 6E958601	Annual Report 3ED663E8	Second Period Report	Annual Report
Regular ADA				
Transitional kindergarten through third	1,836.61	1,849.99	1,808.91	1,824.73
Fourth through sixth	1,324.82	1,323.62	1,312.22	1,312.09
Seventh and eighth	903.84	903.55	898.65	898.26
Total Regular ADA	4,065.27	4,077.16	4,019.78	4,035.08
Extended Year Special Education				
Transitional kindergarten through third	1.96	1.96	1.96	1.96
Fourth through sixth	2.24	2.24	2.24	2.24
Seventh and eighth	2.02	2.02	2.02	2.02
Total Extended Year Special Education	6.22	6.22	6.22	6.22
Special Education, Nonpublic, Nonsectarian Schools				
Transitional kindergarten through third	0.23	0.38	0.23	0.38
Fourth through sixth	0.80	1.01	0.80	1.01
Seventh and eighth	0.35	0.50	0.35	0.50
Total Special Education, Nonpublic, Nonsectarian Schools	1.38	1.89	1.38	1.89
Extended Year Special Education, Nonpublic, Nonsectarian Schools				
Fourth through sixth	0.04	0.04	0.04	0.04
Total ADA	4,072.91	4,085.31	4,027.42	4,043.23

					Traditional Calendar			Multitrack Calendar			
Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Status
Kindergarten	36,000	39,065	-	39,065	181	-	181	N/A	N/A	N/A	Complied
Grades 1 - 3	50,400										
Grade 1		54,545	-	54,545	181	-	181	N/A	N/A	N/A	Complied
Grade 2		54,545	-	54,545	181	-	181	N/A	N/A	N/A	Complied
Grade 3		54,545	-	54,545	181	-	181	N/A	N/A	N/A	Complied
Grades 4 - 8	54,000										
Grade 4		54,930	-	54,930	181	-	181	N/A	N/A	N/A	Complied
Grade 5		54,930	-	54,930	181	-	181	N/A	N/A	N/A	Complied
Grade 6		54,930	-	54,930	181	-	181	N/A	N/A	N/A	Complied
Grade 7		59,455	-	59,455	181	-	181	N/A	N/A	N/A	Complied
Grade 8		59,455	-	59,455	181	-	181	N/A	N/A	N/A	Complied

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2022.

	(Budget) 2023 [1]	2022	2021 [1]	2020 [1]
General Fund [3]				
Revenues	$ 71,657,916	$ 74,040,791	$ 67,742,347	$ 60,041,979
Other sources	-	89,493	81,697	-
Total revenues and other sources	71,657,916	74,130,284	67,824,044	60,041,979
Expenditures	69,685,620	67,368,080	63,012,117	60,627,992
Other uses and transfers out	-	450,000	401,558	21,069
Total expenditures and other uses	69,685,620	67,818,080	63,413,675	60,649,061
Increase/(Decrease) in Fund Balance	1,972,296	6,312,204	4,410,369	(607,082)
Ending Fund Balance	$ 22,549,638	$ 20,577,342	$ 14,265,138	$ 9,854,769
Available Reserves [2]	$ 5,890,254	$ 5,885,129	$ 7,683,681	$ 2,471,547
Available Reserves as a Percentage of Total Outgo	8.45%	8.68%	12.12%	4.08%
Long-Term Liabilities	N/A	$ 93,111,104	$ 129,104,765	$ 109,779,573
K-12 Average Daily Attendance at P-2	4,200	4,027	4,450	4,450

The General Fund balance has increased by $10,722,573 over the past two years. The fiscal year 2022-2023 budget projects an increase of $1,972,296 (9.6%). 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 and anticipates incurring an operating surplus during the 2022-2023 fiscal year. Total long-term liabilities have decreased by $16,668,469 over the past two years.

Average daily attendance has decreased by 423 over the past two years. However, an increase of 173 ADA is anticipated during fiscal year 2022-2023.

[1] Financial information for 2023, 2021, and 2020 are included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained within the General Fund.
[3] General Fund amounts do not include activity related to the consolidation of Fund 14, Deferred Maintenance Fund as required by GASB Statement No. 54.

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
Assets				
Deposits and investments	$ 50,883	$ 190,657	$ 949,103	$ 3,734,686
Receivables	-	35,049	992,386	13,613
Due from other funds	-	-	3,513	-
Stores inventories	-	-	61,012	-
Total assets	$ 50,883	$ 225,706	$ 2,006,014	$ 3,748,299
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ -	$ 39,043	$ 191,048	$ 2,125
Due to other funds	-	20,544	83,723	-
Total liabilities	-	59,587	274,771	2,125
Fund Balances				
Nonspendable	-	-	110,108	-
Restricted	50,883	166,119	1,621,135	3,746,174
Total fund balances	50,883	166,119	1,731,243	3,746,174
Total liabilities and fund balances	$ 50,883	$ 225,706	$ 2,006,014	$ 3,748,299

	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets			
Deposits and investments	$ 1,589,043	$ 3,193,937	$ 9,708,309
Receivables	700	2,773	1,044,521
Due from other funds	-	-	3,513
Stores inventories	-	-	61,012
Total assets	$ 1,589,743	$ 3,196,710	$ 10,817,355
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 24	$ -	$ 232,240
Due to other funds	-	-	104,267
Total liabilities	24	-	336,507
Fund Balances			
Nonspendable	-	-	110,108
Restricted	1,589,719	3,196,710	10,370,740
Total fund balances	1,589,719	3,196,710	10,480,848
Total liabilities and fund balances	$ 1,589,743	$ 3,196,710	$ 10,817,355

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
Revenues				
Federal sources	$ -	$ -	$ 3,702,177	$ -
Other State sources	-	-	213,843	-
Other local sources	3,856	520,021	(12,351)	228,476
Total revenues	3,856	520,021	3,903,669	228,476
Expenditures				
Current				
Pupil services				
Food services	-	-	3,034,946	-
Plant services	-	-	22,201	-
Ancillary services	3,441	-	-	-
Enterprise services	-	463,053	-	-
Facility acquisition and construction	-	-	-	26,013
Debt service				
Principal	-	-	-	85,464
Interest and other	-	-	-	-
Total expenditures	3,441	463,053	3,057,147	111,477
Excess of Revenues Over Expenditures	415	56,968	846,522	116,999
Other Financing Sources (Uses)				
Transfers in	-	-	450,000	-
Transfers out	-	-	-	-
Net Financing Sources (Uses)	-	-	450,000	-
Net Change in Fund Balances	415	56,968	1,296,522	116,999
Fund Balance - Beginning	50,468	109,151	434,721	3,629,175
Fund Balance - Ending	$ 50,883	$ 166,119	$ 1,731,243	$ 3,746,174

	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues			
Federal sources	$ -	$ -	$ 3,702,177
Other State sources	-	17,460	231,303
Other local sources	299,422	3,171,115	4,210,539
Total revenues	299,422	3,188,575	8,144,019
Expenditures			
Current			
Pupil services			
Food services	-	-	3,034,946
Plant services	(2,148)	-	20,053
Ancillary services	-	-	3,441
Enterprise services	-	-	463,053
Facility acquisition and construction	2,660	-	28,673
Debt service			
Principal	21,674	1,835,000	1,942,138
Interest and other	3,126	1,073,369	1,076,495
Total expenditures	25,312	2,908,369	6,568,799
Excess of Revenues Over Expenditures	274,110	280,206	1,575,220
Other Financing Sources (Uses)			
Transfers in	-	-	450,000
Transfers out	(89,493)	-	(89,493)
Net Financing Sources (Uses)	(89,493)	-	360,507
Net Change in Fund Balances	184,617	280,206	1,935,727
Fund Balance - Beginning	1,405,102	2,916,504	8,545,121
Fund Balance - Ending	$ 1,589,719	$ 3,196,710	$ 10,480,848

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, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, 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, 2022, the District did not report any commodities in inventory.

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

Independent Auditor's Reports
June 30, 2022

La Habra City School District

CPAs & BUSINESS ADVISORS

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

To the Governing Board
La Habra City School District
La Habra, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Habra City School District (the District), as of and for the year then ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 6, 2023.

Adoption of New Accounting Standard

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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 Bailly LLP

Rancho Cucamonga, California
January 6, 2023

CPAs & BUSINESS ADVISORS

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

To the Governing Board
La Habra City School District
La Habra, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited La Habra City School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 6, 2023

Independent Auditor's Report on State Compliance

To the Governing Board
La Habra City School District
La Habra, California

Report on Compliance

Qualified and Unmodified Opinions on State Compliance

We have audited La Habra City School District's (the District) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2022.

Qualified Opinion on Attendance, Independent Study, Instructional Materials, California Clean Energy Jobs Act, and Unduplicated Local Control Funding Formula Pupil Counts

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022, except as described in the accompanying Schedule of Findings and Questioned Costs.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Attendance, Independent Study, Instructional Materials, California Clean Energy Jobs Act, and Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Attendance, Independent Study, Instructional Materials, California Clean Energy Jobs Act, and Unduplicated Local Control Funding Formula Pupil Counts as described in the accompanying schedule of state compliance findings and quested costs as items 2022-003, 2022-004, 2022-005, and 2022-006.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include

examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	No, see below

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
In Person Instruction Grant	Yes
Charter Schools	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes - Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform Continuation Education procedures because the program is not offered by the District.

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

We did not perform Juvenile Court Schools procedures because the program is not offered by the District.

We did not perform Middle or Early College High Schools procedures because the program is not offered by the District.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

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

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

The District was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2022-005 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-004 and 2022-006 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 *2021-2022 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 Bailly LLP

Rancho Cucamonga, California
January 6, 2023

Schedule of Findings and Questioned Costs
June 30, 2022

La Habra City School District

Financial Statements

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

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
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)	Yes

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing Number
Title I, Part A, Basic Grants Low-Income and Neglected	84.010
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: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U
COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D
COVID-19: Expanded Learning Opportunities (ELO) Grant: GEER II	84.425C
COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve: Emergency Needs	84.425U
COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve: Learning Loss	84.425U

Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee?	No

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for programs	Unmodified*

*Unmodified for all programs except for the following programs which were qualified:

Name of Program
Attendance
Independent Study
Instructional Materials
California Clean Energy Jobs Act
Unduplicated Local Control Funding Formula Pupil Counts

None reported.

The following findings represent significant deficiencies and instances of noncompliance including questioned costs that are required to be reported by the Uniform Guidance. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2022-001 50000 – Title I, Part A – Private School Participation (Significant Deficiency, Noncompliance)

Federal Program Affected

Program Name: Title I, Part A, Basic Grants Low-Income and Neglected
Assistance Listing Number: 84.010
Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Per Title 34, Code of Federal Regulations, Subpart B, Chapter II, Section 200.63(a), local education agencies (LEAs) must provide timely and meaningful consultations with appropriate officials of private schools regarding the opportunity for eligible private school children to participate in Title I programs.

Condition

Through inquiry with District personnel, it appears that the District did not provide timely and meaningful consultations with all private schools regarding the opportunity to participate in the Title I, Part A program for the 2021-2022 school year.

Questioned Costs

There were no questioned costs identified.

Context

The condition was identified as a result of the auditor's inquiry with District personnel.

Effect

The District is not in compliance with Title 34, Code of Federal Regulations, Subpart B, Chapter II, Section 200.63(a).

Cause

The condition identified appears to have materialized due to the District not being aware that certain private schools were required to be consulted with for the 2021-2022 school year.

Repeat Finding

No.

Recommendation

It is recommended that the District review the listing of eligible private schools and maintain private school correspondence records, minutes from meetings with private school representatives, and written affirmations from private school officials to demonstrate compliance with provisions of Title 34, Code of Federal Regulations, Subpart B, Chapter II, Section 200.63(a).

Corrective Action Plan and Views of Responsible Officials

The District will document all correspondence with private schools who may benefit from Federal funding based on student population. This will include documented calls with dates, times, and private school staff names.

2022-002 50000 – Education Stabilization Fund – Indirect Costs (Significant Deficiency, Noncompliance)

Federal Program Affected

Program Name: Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve
Assistance Listing Number: 84.425D
Pass-Through Agency: California Department of Education (CDE)
Federal Agency: U.S. Department of Education

Program Name: Expanded Learning Opportunities (ELO) Grant GEER II
Assistance Listing Number: 84.425C
Pass-Through Agency: California Department of Education (CDE)
Federal Agency: U.S. Department of Education

Program Name: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs
Assistance Listing Number: 84.425U
Pass-Through Agency: California Department of Education (CDE)

Federal Agency: U.S. Department of Education
Program Name: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Learning Loss
Assistance Listing Number: 84.425U
Pass-Through Agency: California Department of Education (CDE)
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

The United States Department of Education has approved a delegation agreement with the California Department of Education (CDE) that authorizes the CDE to establish indirect cost rates for California local education agencies (LEAs). The CDE has been delegated authority to calculate and approve indirect cost rates annually for LEAs. For the Education Stabilization Fund (ESF) Program in fiscal year 2021-2022, *Education Code* Section 38101(c) limits school district indirect costs to the lesser of the District's individual CDE approved indirect cost rate or the statewide average indirect rate. For ESF programs included under the Expanded Learning Opportunities (ELO) Grant, indirect costs are not allowable.

Condition

The District charged unallowable indirect costs totaling $59,734 to the ELO Grant portion of the ESF Program.

Questioned Costs

The condition identified above resulted in $59,734 of questioned costs for unallowable indirect costs charged to the grant funds.

Context

The condition was identified through recalculation of the indirect costs charged to the federal programs.

Effect

The District has charged unallowable expenditures to the federal programs.

Cause

The condition identified appears to be due to the District not being familiar with the indirect cost requirements for each of the federal programs.

Repeat Finding

No.

Recommendation

It is recommended that the District implements a review process for indirect costs, which should include review of relevant grant agreements and relevant federal guidance.

Corrective Action Plan and Views of Responsible Officials

The District will review and verify with District auditors all funding programs to verify allowable indirect costs.

The following findings represent significant deficiencies, material weaknesses, and material instances of noncompliance including questioned costs that are required to be reported by the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
10000	Attendance
40000	State Compliance
70000	Instructional Materials

2022-003 10000 and 40000 – Attendance and Independent Study (Material Weakness, Noncompliance)

Criteria or Specific Requirements

As required by *California Education Code* Section 51745.6(a)(1), the ratio of average daily attendance (ADA) for independent study pupils 18 years of age or less to school district full-time equivalent certificated employees responsible for independent study, calculated as specified by the department, shall not exceed the equivalent ratio of ADA to full-time equivalent certificated employees providing instruction in other educational programs operated by the school district, unless a new higher or lower average daily attendance ratio for all other educational programs offered is negotiated in a collective bargaining agreement or a memorandum of understanding is entered into that indicates an existing collective bargaining agreement contains an alternative ADA ratio.

As required by *California Education Code* Section 51747(g)(9)(F), a school district shall not be eligible to receive apportionments for independent study by pupils unless each pupil has a written agreement signed, before the commencement of independent study, by the pupil, the pupil's parent, legal guardian, or caregiver, if the pupil is less than 18 years of age, the certificated employee who has been designated as having responsibility for the general supervision of independent study, and all persons who have direct responsibility for providing assistance to the pupil.

Condition

The long-term independent study ratio calculation resulted in excess ADA which was not excluded by the District on the Second Period and Annual Reports of Attendance. The Second Period Attendance excess ADA claimed by grade span is as follows:

Grade Span	Unallowable ADA	Derived Value of ADA by Grade Span	Penalty
TK-3	13.33	$ 11,543.13	$ 153,869.92
4-6	6.92	10,612.96	73,441.68
7-8	4.55	10,926.89	49,717.35
Total	24.80		$ 277,028.95

The written agreements for pupils engaged in short-term independent study did not include the signature of the pupils' teacher. This resulted in unallowable ADA claimed by the District as follows:

Grade Span	Unallowable ADA	Derived Value of ADA by Grade Span	Penalty
TK-3	14.37	$ 11,543.13	$ 165,874.78
4-6	5.68	10,612.96	60,281.61
7-8	0.64	10,926.89	6,993.21
Total	20.69		$ 233,149.60

Questioned Costs

The questioned costs associated with this condition resulted in a net decrease of $510,179 in Local Control Funding Formula. The estimated penalty was calculated using the CDE's LCFF Derived Value of ADA by Grade Span. However, there is no fiscal impact since the District was funded on ADA from fiscal year 2019-2020. Additionally, California *Education Code* Section 42238.023 authorizes the California Department of Education to adjust the 2021-2022 reported ADA for school districts if the 2019-2020 ADA to enrollment ratio exceeds the 2021-2022 ADA to enrollment ratio. The effect of this regulation nullifies the questioned costs component of the condition identified.

Context

The condition was identified as a result of our inquiry with the District's Business Services Department personnel and through review of the independent study ratio and the short-term independent study contract provided. It was noted that the issues are pervasive, as all short-term independent study contracts were lacking the signature of the pupils' teacher.

Effect

The District is not in compliance with *California Education Code* Sections 51745.6(a)(1) and 51747(g)(9)(F). The estimated fiscal penalty of $510,179 has been negated due to the District being funded on the prior year ADA due to declining enrollment. Therefore, there is no effect to the current year funding.

Cause

The condition identified, as related to the independent study ratio, appears to have materialized primarily due to the District not performing the calculation timely and monitoring throughout the year. The condition identified, as related to the short-term independent study written agreements, appears to have materialized due to an oversight of the requirements.

Repeat Finding

No.

Recommendation

The District should perform the ratio calculation and monitor throughout the year to ensure compliance. In addition, the District should review program requirements for independent study and monitor any changes to those requirements throughout the year to ensure compliance.

Corrective Action Plan and Views of Responsible Officials

The District will work with auditors to assure compliance in attendance protocols for independent study. The District will perform the ratio calculation and monitor throughout the year to ensure compliance.

2022-004 70000 – Instructional Materials (Significant Deficiency, Noncompliance)

Criteria or Specific Requirements

Pursuant to *Education Code* 60119, the District is required to hold a public hearing regarding the sufficiency of textbooks or other instructional materials on or before the eighth week from the first day pupils attended school for that year.

Condition

The District held the public hearing on October 14, 2021, which was not within the first eight weeks of the start of school.

Questioned Costs

There are no questioned costs associated with this condition.

Context

The condition was identified through inquiry with District personnel and through the review of available District records.

Effect

The District is not in compliance with *Education Code* Section 60119 for the 2021-2022 fiscal year.

Cause

The District was aware of the requirement; however, the deadline was missed due to oversight.

Repeat Finding

No.

Recommendation

The District should make every effort to place the sufficiency of instructional materials on the board agenda for review and approval before on or before the eighth week from the first day pupils attend school for that year. The District should designate a management employee with the responsibility to ensure that the public hearing is placed on the board agenda before the eight weeks have passed.

Corrective Action Plan and Views of Responsible Officials

The District will a hold a public hearing regarding the sufficiency of textbooks or other instructional materials on or before the eighth week from the first day pupils attended school for that year.

2022-005 40000 – California Clean Energy Jobs Act (Material Weakness, Noncompliance)

Criteria or Specific Requirements

Public Resources Code, Section 26240(b) states that as a condition of receiving funds from the Clean Energy Job Creation Fund, an entity must submit a final project completion report to the California Energy Commission within 12 to 15 months of a given project's completion date.

Condition

The District completed a clean energy project in February 2020, which required the submission of a final project completion report to the California Energy Commission by May 2021 at the latest. Through inquiry with District personnel, the final project completion report has not yet been submitted.

Questioned Costs

There were no questioned costs identified.

Context

The condition was identified as a result of inquiry with the District's Business Services personnel and through review of supporting documents.

Effect

Due to the untimely submission of the final project completion reports, the District has not met the report submission requirements of Public Resources Code, Section 26240(b).

Cause

It appears the cause was a result of insufficient monitoring over the third party that was responsible for submitting the report.

Repeat Finding

No.

Recommendation

It is recommended that the District monitor timelines to submit the final project completion reports to the California Energy Commission to ensure that reports are submitted timely.

Corrective Action Plan and Views of Responsible Officials

The District has completed all reporting requirements for Prop 39 and will no longer have reporting to complete.

2022-006 40000 – Unduplicated Local Control Funding Formula Pupil Counts (Significant Deficiency, Noncompliance)

Criteria or Specific Requirements

California Education Code Section 42238.02(b)(4) states that the school districts should revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The Unduplicated Local Control Funding Formula Pupil Counts submitted to the California Department of Education (CDE) was inaccurate. It appears that the District inaccurately reported eligibility status for a total of 31 students for Free or Reduced-Price Meals (FRPM) and four students for English Learners' (EL) designation on CALPADS Form 1.18 – FRPM/English Learner/Foster Youth – Student List.

Questioned Costs

The questioned costs associated with this condition resulted in a net increase of $53,567 in Local Control Funding Formula. The estimated penalty was calculated using the CDE's Audit Penalty Calculator.

Context

The condition, related to FRPM status, was identified when we requested supporting documents for the sample of students' FRPM status. The students were selected rom the pupils in the FRPM category on the CALPADS Form 1.18. One of 60 students tested was categorized as Free/Reduced; however, the alternative income verification form did not support the status. The auditor inquired further with the District and determined that the District had used the Census Day as the cut-off; however, for FRPM the District is allowed to use information collected up to October 31st for those students that were enrolled as of Census Day. The District provided the auditor with the alternative income verification data up to October 31st and it was noted that the District underreported its FRPM count by 31.

The condition, related to EL designation, was identified when we requested supporting documents for the sampled students' EL designation. The students were selected from pupils in the EL category on the CALPADS Form 1.18. Two of 10 students tested met the reclassification requirements; however, were inaccurately reported as EL. The auditor inquired further with the District and determined that the District had used the date the reclassification forms were inputted into the student information system as opposed to the actual date the forms were completed. The District provided the auditor with the reclassification forms, and it was noted that additional two students were inaccurately reported as EL.

Effect

As a result of our testing, it appears that the District did not properly analyze the alterative household income data collection forms to properly complete the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. The results of our testing have been documented as follows:

Certified Total Enrollment Count	Certified Total Unduplicated Count	Adjustment to Total Enrollment Count	Adjustment Based on Eligibility for EL	Adjustment Based on Eligibility for FRPM	Adjusted Total Enrollment	Adjusted Total Unduplicated Pupil Count
4,045	3,560	0	(4)	31	4,045	3,587

Cause

The condition identified, related to FRPM, has materialized due to the District erroneously using the Census Day as the cutoff opposed to October 31st for the students that were enrolled as of Census Day. In addition, the condition identified, related to EL designation, has materialized due to the District using the date the reclassification forms were inputted into the student information system opposed to the actual date the forms were completed.

Repeat Finding

No.

Recommendation

The District should emphasize the importance of completing the Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received.

Corrective Action Plan and Views of Responsible Officials

The District will begin identifying students in the Aries system who are reclassed out of English Learner prior to reporting to the California Department of Educations' CALPADS system.

The District will also verify prior to reporting to CALPADS all students who are FRPM up to the day of eligibility by running reporting cutoff dates on October 31st and not on Census Day.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statements Finding

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.

Current Status

Implemented.